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in every lifestyle.



Krungthai Card
Public Company Limited
Annual Report 2012



■ Annual Report 2012

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■ Financial Highlight

Summary of Financial Ratio Year 2010 - 2012

001 ■

	Units	2012	2011	2010
Profitability Ratio				
Gross Profit Margin	%	80.1%	80.0%	79.7%
Net Profit Margin	%	2.0%	(13.0%)	1.8%
Return on Shareholders' Equity (ROE)	%	5.1%	(28.4%)	3.5%
Net Interest Margin (Including Credit Usage Fees)	%	13.2%	13.6%	13.2%
Non-Interest Income to Total Revenue (Including Credit Usage Fees)	%	55.8%	54.0%	53.7%
Efficiency Ratio				
Net Interest Revenue to Total Asset	%	12.5%	12.9%	12.3%
Return on Assets (ROA)	%	0.5%	(3.4%)	0.5%
Asset Turnover	times	0.3	0.3	0.2
Financial Ratio				
Debt to Equity (D/E)	times	8.5	8.8	6.4
Loan to Borrowing	%	124.1%	120.6%	122.0%
Asset Quality Ratio				
Doubtful Account to total A/R	%	7.3%	9.3%	6.8%
Credit Loss	%	9.9%	10.2%	9.1%

Shareholder Structure

As of December 31, 2012, Total Number of Authorized Capital and Paid-Up Capital are 257,833,407 shares, top ten shareholders consist of

002



1. Krung Thai Bank Public Co.,Ltd
127,500,000 Shares (49.45%)

2. Mr. Mongkol Prakitchaiwattana
29,581,000 Shares (11.47%)

3. Ms. Chantana Jirattitepat
6,330,000 Shares (2.46%)

4. Thai NVDR
4,770,550 Shares (1.85%)

5. Mr. Veravat Chutichetpong
4,300,000 Shares (1.67%)

6. Mr. Yue Kwok-Leung
4,087,700 Shares (1.59%)

7. Mr. Boonchai Sriprachaya-anant
2,630,900 Shares (1.02%)

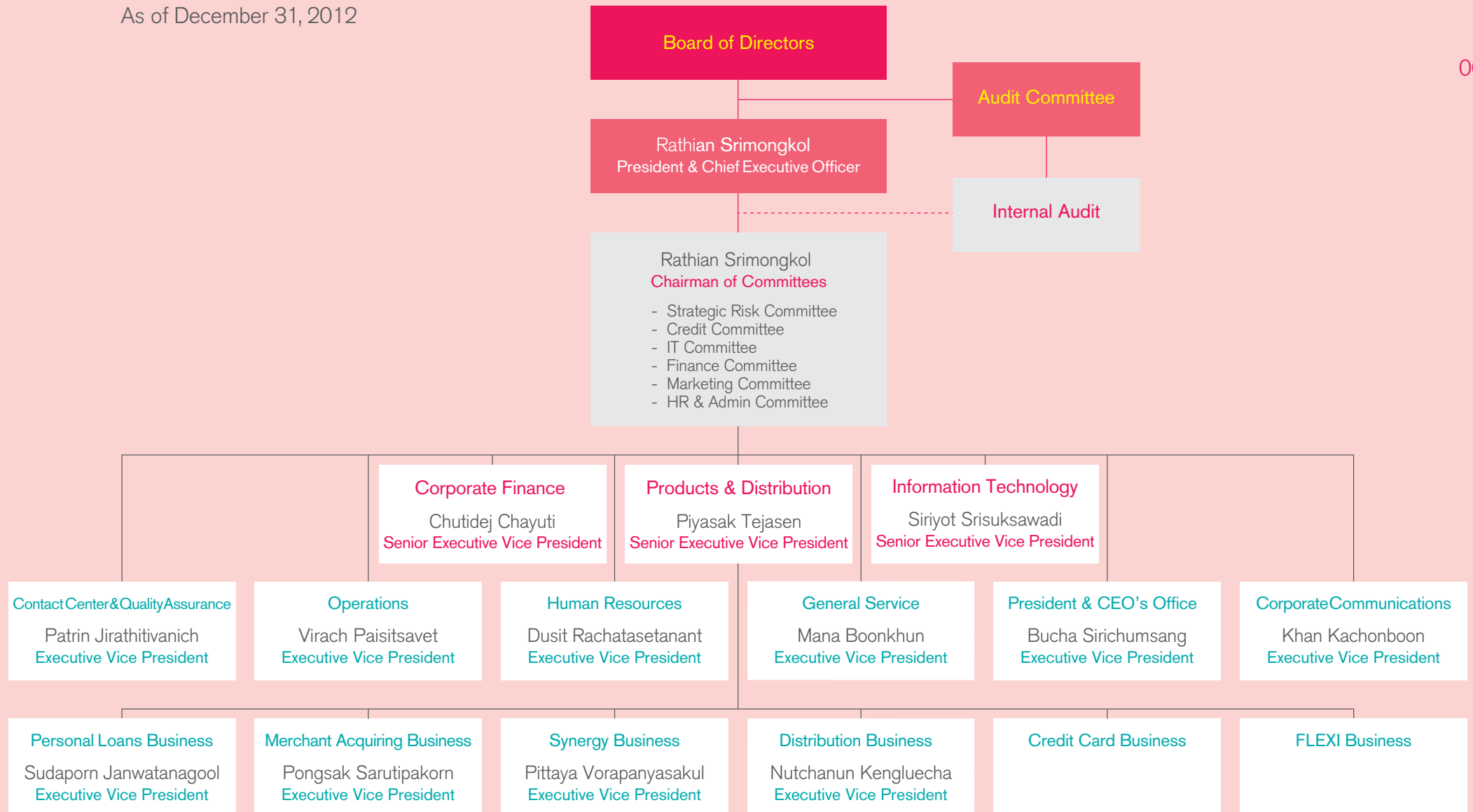
8. Mr. Sachapong Wongruksanga
2,439,700 Shares (0.95%)

9. Mr. Worapot Tanyasuwanukul
1,700,200 Shares (0.66%)

10. Mr. Ravich Hiranyaharuthai
1,614,500 Shares (0.63%)

■ Organization Structure

As of December 31, 2012



■ Message from Chairman

“ Four strategic imperatives not only fixed our immediate issues, but also helped pave our way into a scaled player, enabling us to compete profitably while opening up opportunities in business scope expansion. ”



Mrs. Kittiya Todhanakasem
Chairperson

■ Message from Chairman

Dear Shareholders:

005

2012 marked a turnaround of KTC's business. I am delighted to report a profit of 255 Million Baht, a turnaround from the previous year's losses which were partly due to a severe country-wide inundation and a stagnant economic.

Key contributors to the financial turnaround included a reduction of credit provision and a decrease in operational expenses. The total portfolio quality has been improved as witnessed in a reduction of delinquency rate (30-89 days) from 6.1% in 2011 to 2.0% in 2012. Our operating cost-to-income ratio has been reduced from 33.8% in 2011 to 30.1% in 2012. This achievement was a result of our team's focused effort in a turnaround program.

Led by our new Chief Executive Officer, the turnaround program focused on four strategic imperatives: enhanced credit risk management, a rationalization of outsourcing model, improved service excellence, and continual innovations in marketing. First, the credit risk management model has been revamped. We moved the collection and litigation functions in-house. This approach provided greater control, resulting in a significant reduction of delinquency rate and non-performing loans along with a noticeably higher recovery rate. Second, we streamlined our operation through migrating some core functions from outsourcing to in-house models. We commenced a new core system implementation, freeing ourselves from transaction-based charges while seizing more flexibility. Third, our customer service level has been quantifiably improved. Last but not least, we continued to innovate our marketing approach to retain our marketing leadership. Furthermore, in managing our marketing programs, we introduced clearer cost benefit justification process to ensure economic returns. These four levers not only fixed our immediate issues, but also helped pave our way into a scaled player, enabling us to compete profitably while opening up opportunities in business scope expansion.

In 2013, while further pursuing the transformation program to attain full benefits, KTC will also concentrate its energy in building a knowledge-based organization focusing around an insight-based customer relationship management and a well-orchestrated total business relationship management. We will create a culture where

every staffs care for our customers and partners in every activity they do. We truly believe that this type of culture will generate a higher and more sustainable shareholder value return.

On behalf of the Board of Directors, we would like to thank our management and staffs for their dedication during the crucial turnaround period. More importantly, we are thankful for our shareholders' strong and continual supports. We are fully committed to operating in full energy to deliver even greater results in the coming years.

■ Board of Directors

Education

- Master's Degree, MBA,
University of Illinois, Champaign - Urbana, U.S.A.
- Bachelor's Degree, Accounting (Honor),
Thammasat University
- Certificate, Director Accreditation Program (DAP),
Thai Institute of Directors Association (IOD)
- Certificate, Director Certification Program (DCP),
Thai Institute of Directors Association (IOD)
- Diploma, National Defence College,
The Joint State-Private Sector Course Class 51/21,
Thailand National Defence College
- Certificate, Leader Program,
Capital Market Academy (Class 13)

% of KTC Shares Held

0%

Family Relationship

None



**Mrs. Kittiya
Todhanakasem**
Chairman* and Chairman
of Nomination and
Remuneration Committee
Age 54



Work Experience

2011 - Present	First Senior Executive Vice President - Managing Director Financial Management Group / Krung Thai Bank Public Company Limited / Banking
2005 - 2010	Senior Executive Vice President - Managing Director Financial Management Group / Krung Thai Bank Public Company Limited / Banking
2005 - Present	Chairman* and Chairman of Nomination and Remuneration Committee Krungthai Card Public Company Limited / Consumer Finance
2011 - Present	Chairman Krungthai Panich Insurance Company Limited / Insurance
2001 - 2011	Director Krungthai Panich Insurance Company Limited / Insurance
2009 - Present	Chairman KTB Advisory Company Limited / Financial Advisory

*Note The resolution of Board of Directors' Meeting of Krungthai Card Public Company Limited No. 10/2012 held on September 20, 2012 has appointed Mrs. Kittiya Todhanakasem as a Chairman of the Board of Directors in replace of Mr. Pongsathorn Siriyodhin who resigned from the position of Director of the Company.

■ Board of Directors

Education

- Master's Degree, Business Administration (Management), Marshall University, U.S.A.
- Bachelor's Degree, Economics, Chulalongkorn University
- Certificate, Audit Committee Program (ACP), Thai Institute of Directors Association (IOD)
- Certificate, Director Accreditation Program (DAP), Thai Institute of Directors Association (IOD)
- Certificate, Role of the Compensation Committee (RCC), Thai Institute of Directors Association (IOD)
- Certificate, Leader Program, Capital Market Academy (Class 6)

% of KTC Shares Held

0.0004%

Family Relationship

None



Mr. Akarat Na Ranong
Independent Director /
Chairman of Audit
Committee* / Nominating
and Remuneration
Committee
Age 59



Work Experience

2011 - Present	Lecturer College of Music / Mahidol University
2001 - Present	Independent Director / Chairman of Audit Committee* / Nominating and Remuneration Committee Krungthai Card Public Company Limited / Consumer Finance
2011 - Present	Independent Director / Audit Committee FINANSA Public Company Limited / Financial Advisory and Management
2011 - Present	Independent Director / Audit Committee FINANSA Securities Company Limited / Investment Banking
2011 - Present	Independent Director / Audit Committee FINANSA Asset Management Company Limited / Fund Management
2010 - Present	Independent Director / Chairperson of the Audit Committee Matching Maximize Solution Public Company Limited / Media & Publishing
2010 - 2011	Associate Dean for Resources Development College of Music / Mahidol University
1996 - 2009	President TSFC Securities Limited / Securities
1995 - 1996	President Thai Finance and Securities Public Company Limited / Securities
1990 - 1995	Vice President Country Treasurer, Citibank N.A. / Banking

*Note The resolution of Board of Directors' Meeting of Krungthai Card Public Company Limited No. 5/2012 held on 20 April 2012 has appointed Mr. Akarat Na Ranong as the Chairman of the Audit Committee in place of Mr. Suwit Mapaisansin.

■ Board of Directors

Education

- Ph.D. in Marketing,
Kellogg Graduate School of Management,
Northwestern University, USA
- MBA in Marketing,
School of Business Administration,
National Institute of Development Administration
- BSc. in Pharmacy,
Faculty of Pharmacy Mahidol University
- Certificate, Director Certification Program (DCP),
Thai Institute of Directors Association (IOD)
- Certificate, Director Accreditation Program (DAP),
Thai Institute of Directors Association (IOD)
- Certificate, Audit Committee Program (ACP),
Thai Institute of Directors Association (IOD)

% of KTC Shares Held

0%

Family Relationship

None



Mr. Suvit Maesincee
Independent Director /
Audit Committee* /
Nominating and
Remuneration Committee
Age 51



Work Experience

2008 - Present	Director Sasin Institute for Global Affairs / Sasin Graduate Institute of Business Administration of Chulalongkorn University
2011 - Present	Independent Director / Audit Committee*/ Nominating and Remuneration Committee Krungthai Card Public Company Limited / Consumer Finance
2008 - Present	Director Berli Jucker Public Company Limited / Commerce
2000 - Present	Director Thai Vegetable Oil Public Company Limited / Food and Beverage
2007 - 2012	Consultant Market Alternative Investment / The Stock Exchange of Thailand
2002 - 2010	Director Siam City Bank Public / Banking
2005 - 2006	Assistant Minister of Commerce Ministry of Commerce / Government
2004 - 2005	Assistant Minister Prime Minister's Office / Government
2004	Consult to the Deputy Prime Minister Prime Minister's Office / Government
2000 - 2001	Senior Consultant L.E.K. Consulting Company Limited / Consulting

*Note The resolution of Board of Directors' Meeting of Krungthai Card Public Company Limited No. 5/2012 held on 20 April 2012 has appointed Mr. Suvit Maesincee as an Audit Committee Member in place of Mr. Suvit Mapaisansin.

■ Board of Directors

Education

- **MBA**
The University of Toledo, Ohio, USA
- **BS in Commerce and accountancy**,
Chulalongkorn University
- **Certificate, Advance Management for Oversea Bankers**,
The Wharton School of the University of Pennsylvania
- **Certificate, Advanced Certificate Course in Public Administration and law for Executives**,
King Prajadhipok's Institute
- **Certificate, Certified Internal Auditor**,
Faculty of Commerce and Accounting, Chulalongkorn University
- **Certificate, Executive Development Program**,
Institute of Research and Development for Public Enterprises,
Ministry of Finance
- **Certificate, Intermediate Certificate Course in Good Governance for Middle Level Executives**,
King Prajadhipok's Institute

% of KTC Shares Held

0%

Family Relationship

None



Mrs. Sriprabha Pringpong
Director
Age 60



Work Experience

2011 - Present	Director Krungthai Card Public Company Limited / Consumer Finance
2011 - 2012	Senior Executive Vice President - Managing Director Government & State Enterprise Relations Group / Krung Thai Bank Public Company Limited / Banking
2009 - 2010	Executive Vice President - Managing Director Government & State Enterprise Relations Group / Krung Thai Bank Public Company Limited / Banking
2007 - 2009	Senior Vice President Government Relations Group / Krung Thai Bank Public Company Limited / Banking
2005 - 2007	Senior Director Governmen Relations Group / Krung Thai Bank Public Company Limited / Banking
2001 - 2005	Senior Director Public relations department / Krung Thai Bank Public Company Limited / Banking
2001 - 2002	Director Krung Thai Asset Management Public Company Limited
1999 - 2002	Director and Audit Committee Thai Credit Guarantee Corporation
1986 - 2001	First Vice President Business Relations Department / Krung Thai Bank Public Company Limited / Banking
1988 - 1989	Director International Housing Finance Corporation Limited

■ Board of Directors

Education

- Master of Public Administration,
Chulalongkorn University
- Bachelor of Laws,
Ramkhamhaeng University
- Bachelor of Business Administration,
Ramkhamhaeng University
- Certificate, Director Certification Program (DCP),
Thai Institute of Directors Association (IOD)

% of KTC Shares Held

0%

Family Relationship

None

Work Experience

2011 - Present	Deputy Director - General State Enterprise Policy Office / Ministry of Finance / Government
2012- Present	Independent Director / Audit Committee* Krungthai Card Public Company Limited / Consumer Finance
2010- 2011	Director of Monitoring and Performance Assessment State Enterprise Policy Office / Ministry of Finance / Government
2007- 2010	Director of Bureau of State Enterprise Development 2 State Enterprise Analyst Expert Level In State State Enterprise Policy Office / Ministry of Finance / Government
2006- 2007	Enterprise Monitoring and Performance Assessment State Enterprise Policy Office / Ministry of Finance / Government



Mrs. Pantip Sripimol
Independent Director /
Audit Committee*
Age 50



2002 - 2006

Secretary of the State Enterprise Policy Office

State Enterprise Policy Office / Ministry of Finance / Government

1985 - 2002

Fiscal Analyst

The Comptroller General Department / Ministry of Finance / Government

*Note The resolutions of the Annual General Shareholders' Meeting of Krungthai Card Public Company Limited No. 10 held on 20 April 2012 has approved the appointment of Mrs. Pantip Sripimol as a director in the place of Ms. Pimpen Ladpli, a director whose term expired by rotation and also approved the appointment of Mrs. Pantip Sripimol as an Independent Director and Audit Committee

■ Board of Directors

Education

- Master of Business Administration,
Asian Institute of Technology
- Bachelor of Science (Materials Science),
Chulalongkorn University
- Strategic Customer Management,
Hong Kong
- Customer Experience Management,
London
- Customer Relationship Management in Mobile Industry,
London
- Customer Relation in Mobile Industry,
Spain
- Certificate, Director Certification Program (DCP),
Thai Institute of Directors Association (IOD)

% of KTC Shares Held

0%

Family Relationship

None



Mrs. Arunporn Limskul
Director*
Age 45



Work Experience

2012 - Present	Director* Krungthai Card Public Company Limited / Consumer Finance
2012 - Present	Director Thailand Privilege Card Company Limited / Government
2012 - Present	Director Executive Committee “New SME Fund” / Government
2011 - Present	Director and Executive Director Krung Thai Bank Public Company Limited / Banking
2011 - Present	Director Commission on Policy Management “One Tablet PC per Child” / Government
2011 - Present	Executive Board Member Office of Small and Medium Enterprises Promotion / Government
2009 - Present	Director School of Management, Asian Institute of Technology / University
2010 - 2011	Executive Vice President CRM & Electronic Channels Division, Siam Commercial Bank / Banking
2005 - 2010	Assistant Vice President Customer Relationship Management Division, Advanced Info Service Company Limited / Information and Communication Technology

*Note The resolutions of the Annual General Shareholders' Meeting of Krungthai Card Public Company Limited No. 10 held on 20 April 2012 has approved the appointment of Mrs. Arunporn Limskul as a director in the place of Mr. Suvit Mapaisansin, a director, whose term expired by rotation.

■ Board of Directors

Education

- Master's Degree, MBA,
Thammasat University
- Master's Degree, M.P.A in General Administration,
Suan Sunandha Rajabhat University
- Doctor of Medicine,
Faculty of Medicine Siriraj Hospital, Mahidol University
- Bachelor's Degree, Medical Science,
Mahidol University
- Certificate in Politics and Governance in Democratic Systems
for Executives Course (Class 9),
King Prajadhipok's Institute
- Diploma, National Defence College,
The Joint State-Private Sector Course Class 51/21,
Thailand National Defence College
- Certificate, Leader Program,
Capital Market Academy (Class 11)
- Financial Statements Demystified for Director,
Thai Institute of Directors Association (IOD)
- Directors Certification Program (DCP),
Thai Institute of Directors Association (IOD)
- Role of the Chairman Program (RCP),
Thai Institute of Directors Association (IOD)

% of KTC Shares Held

0%



Mr. Rathian Srimongkol
President & Chief
Executive Officer /
Director
Age 53



Family Relationship

None

Work Experience

2012 - Present	President & Chief Executive Officer and Director Krungthai Card Public Company Limited / Consumer Finance
2009 - Present	Vice Chairman and Chairman Audit Committee Indorama Ventures Public Company Limited / Holding
2004 - 2012	Performance Agreement Subcommittee Organization Management (Internal Audit and Internal Control) Ministry of Finance / Government
2001 - 2012	Performance Agreement Subcommittee (Energy Sector) Ministry of Finance / Government
2001 - 2011	Executive Vice President Thanachart Bank Public Company Limited (Siam City Bank Public Company Limited)

■ Executives

Education

- Master's Degree, MBA,
Thammasat University
- Master's Degree, M.P.A in General Administration,
Suan Sunandha Rajabhat University
- Doctor of Medicine,
Faculty of Medicine Siriraj Hospital, Mahidol University
- Bachelor's Degree, Medical Science,
Mahidol University
- Certificate in Politics and Governance in Democratic Systems
for Executives Course (Class 9),
King Prajadhipok's Institute
- Diploma, National Defence College,
The Joint State-Private Sector Course Class 51/21
Thailand National Defence College
- Certificate, Leader Program,
Capital Market Academy (Class 11)
- Financial Statements Demystified for Director,
Thai Institute of Directors Association (IOD)
- Directors Certification Program (DCP),
Thai Institute of Directors Association (IOD)
- Role of the Chairman Program (RCP),
Thai Institute of Directors Association (IOD)

% of KTC Shares Held

0%



Mr. Rathian Srimongkol
President & Chief
Executive Officer /
Director
Age 53



Family Relationship

None

Work Experience

2012 - Present	President & Chief Executive Officer and Director Krungthai Card Public Company Limited / Consumer Finance
2009 - Present	Vice Chairman and Chairman Audit Committee Indorama Ventures Public Company Limited / Holding
2004 - 2012	Performance Agreement Subcommittee Organization Management (Internal Audit and Internal Control) Ministry of Finance / Government
2001 - 2012	Performance Agreement Subcommittee (Energy Sector) Ministry of Finance / Government
2001 - 2011	Executive Vice President Thanachart Bank Public Company Limited (Siam City Bank Public Company Limited)

■ Executives

Education

- Master's Degree, M.S. (Industrial Technology),
Indiana State University, U.S.A.
- Master's Degree, MBA,
Indiana State University, U.S.A.
- Bachelor's Degree, Commerce and Accountancy
(Industrial Management),
Thammasat University

% of KTC Shares Held

0%

Family Relationship

None

Work Experience

2002 - Present	Senior Executive Vice President & Chief Finance Officer Corporate Finance / Krungthai Card Public Company Limited / Consumer Finance
1998 - 2002	Assistant Secretary General Financial Sector Restructuring Authority / State Enterprise
1995 - 1998	Vice President Planning and Financial Business Development Department and Office of The President, Wall Street Finance and Securities Public Company Limited / Financials and Securities



Mr. Chutidej Chayuti
Senior Executive
Vice President &
Chief Finance Officer -
Corporate Finance
Age 50



■ Executives

Education

- Master in Marketing English Language Certificate Program, Joint Education Program Thammasat University and University of Gothenburg, Sweden
- Bachelor's Degree, Statistic (Electronic Data Processing), Faculty of Commerce and Accountancy, Chulalongkorn University

% of KTC Shares Held

0%

Family Relationship

None

Work Experience

2006 - Present	Senior Executive Vice President Information Technology / Krungthai Card Public Company Limited / Consumer Finance
2000 - 2006	Executive Vice President Head of Branch Services and Operations Division / Bank Thai Public Company Limited / Banking
1999 - 2000	Chief Information Officer (CIO) GE Capital (Thailand) Limited / Consumer Finance
1996 - 1999	Executive Vice President TSFC Securities Limited / Securities



Mr. Siriyot Srisuksawadi
Senior Executive
Vice President & Chief
Information Officer -
Information Technology
Age 54



■ Executives

Education

- Master's Degree, Political Science,
The School of Public Administration,
University of Southern California, U.S.A.
- Bachelor's Degree, Political Science,
Ramkhamhaeng University

% of KTC Shares Held

0%

Family Relationship

None

Work Experience

- | | |
|----------------|--|
| 2002 - Present | Senior Executive Vice President
Products & Distribution Business / Krungthai Card Public Company Limited / Consumer Finance |
| 1999 - 2002 | Human Resources Director
Human Resources and Administration Department / Bangkok Capital Alliance Company Limited / Financials |



Mr. Piyasak Tejasen
Senior Executive
Vice President -
Products & Distribution
Age 48



■ Executives

Education

- Master's Degree, MBA,
United States International University (USIU), U.S.A.
- Bachelor's Degree, Business Administration (Marketing),
Assumption University

% of KTC Shares Held

0%

Family Relationship

None



Mr. Khan Kachonboon
Executive Vice
President - Corporate
Communications
Age 50

026



Work Experience

- | | |
|---------------|--|
| 2003- Present | Executive Vice President
Corporate Communications / Krungthai Card Public Company Limited / Consumer Finance |
| 1995 - 2003 | Senior Vice President
J Walter Thompson Company Limited / Advertising |

■ Executives

Education

- Bachelor's Degree, Business Administration
(General Management),
Assumption University

% of KTC Shares Held

0%

Family Relationship

None



Mrs. Nuchanun
Kengluetcha
Executive
Vice President -
Distribution Business
Age 52

027



Work Experience

1998 - Present	Executive Vice President Distribution Business / Krungthai Card Public Company Limited / Consumer Finance
1987 - 1997	Area Sales Manager Credit Card & Traveler Cheque / American Express (Thai) Company Limited / Credit Card

■ Executives

Education

- Certificate of Micro MBA,
Chulalongkorn University
- Bachelor of Education,
Chandrakasem Rajabhat University

% of KTC Shares Held

0.00001 %

Family Relationship

None



**Mr. Dusit
Rachatasetanant**
Executive
Vice President -
Human Resources
Age 47



Work Experience

2002 - Present	Executive Vice President Human Resources Management / Krungthai Card Public Company Limited / Consumer Finance
1999 - 2002	Manager Human Resources & Administration / Alpha Capital AMC Company Limited / Asset Management
1998 - 1999	Officer Human Resources / Cathay Asset Management Company Limited / Asset Management
1993 - 1997	Assistant Manager Human Resources / Securities One Public Company Limited / Finance
1992 - 1993	Officer Human Resources / STA Group 1993 Public Company Limited / Furniture Industry

■ Executives

Education

- Master's Degree,
Business Administration (International Business),
Rosary College, River Forest, Illinois, U.S.A.
- Barrister-at-Law, Institution of Legal Education,
The Thai Bar Under The Royal Patronage
- Bachelor's Degree, Law,
Chulalongkorn University

% of KTC Shares Held

0%

Family Relationship

None

Work Experience

2004 - Present	Executive Vice President President & CEO's Office / Krungthai Card Public Company Limited / Consumer Finance
1999 - 2004	Vice President Legal Consultant Department / Krung Thai Legal Services Company Limited / Law Counsel
1996 - 1999	Assistant Vice President Capital Market Services Department / Krung Thai Bank Public Company Limited / Banking
1996	Vice President Managing Director's Office / Ekachart Finance and Securities Public Company Limited (EFS) / Finance and Securities



Mr. Bucha Sirichumsang
Executive Vice
President - President
& CEO's Office
Age 50



■ Executives

Education

- Master's Degree, Business Administration, Kasetsart University
- Bachelor's Degree, Economics, Ramkhamhaeng University

% of KTC Shares Held

0%

Family Relationship

None



Mr. Pongsak Sarutipakorn
Executive Vice
President - Merchant
Acquiring Business
Age 54

030



Work Experience

2003- Present	Executive Vice President Merchant Acquiring Business / Krungthai Card Public Company Limited / Consumer Finance
1997 - 2003	Senior Vice president Information Technology Department / Krungthai Card Public Company Limited / Consumer Finance
1995 - 1997	Unit Head & Assistant Vice President General Service Unit / Citibank N.A. / Banking
1982 - 1995	Specialist & Assistant Vice President Credit Card Operation and Control / Bangkok Bank Public Company Limited / Banking

■ Executives

Education

- Bachelor's Degree, Travel Industry Management,
University of Hawaii, U.S.A.

% of KTC Shares Held

0%

Family Relationship

None



**Mrs. Pittaya
Vorapanyasakul**
Executive
Vice President -
Synergy Business
Age 51



Work Experience

1997 - Present	Executive Vice President Synergy Business / Krungthai Card Public Company Limited / Consumer Finance
2005 - 2010	Director and Audit Committee Krung Thai Asset Management Public Company Limited / Asset Management
2004 - 2005	Director KTC World Company Limited / Travel Management
1993 - 1995	Manager National Key Accounts Department / American Express (Thai) Company Limited / Credit Card

■ Executives

Education

- Bachelor's Degree, Business Administration (Accounting),
Assumption University

% of KTC Shares Held

0%

Family Relationship

None



Ms. Patrin Jirathitivanich
Executive Vice
President - Contact
Center & Quality
Assurance
Age 55



Work Experience

2012 - Present	Executive Vice President / Head of Contact Center & Quality Assurance Contact Center & Quality Assurance / Krungthai Card Public Company Limited / Consumer Finance
2004 - 2010	Executive Vice President Payment Product Business / Krungthai Card Public Company Limited / Consumer Finance
1984 - 2004	Director Consumer Card Marketing & Business Development / American Express (Thai) Company Limited / Credit Card

■ Executives

Education

- Master's Degree, Business Administration,
University of Missouri, U.S.A.
- Bachelor of Architecture,
Chulalongkorn University

% of KTC Shares Held

0.00001%

Family Relationship

None



Mr. Mana Boonkhun
Executive
Vice President -
General Service
Age 50



Work Experience

2003- Present	Executive Vice President General Service / Krungthai Card Public Company Limited / Consumer Finance
2000- 2002	General Manager Alpine Golf and Sports Club Company Limited
1990- 2000	Vice President Tanayong Public Company Limited / Real Estate

■ Executives

Education

- Master's Degree, Business Administration, Sripatum University
- MINI MBA, Chulalongkorn University
- Bachelor's Degree, Political Science, Ramkhamhaeng University
- Bachelor's Degree, Business Administration, Bangkok University
- Certificate, Payment System, MasterCard University
- Certificate, Director Accreditation Program (DAP), Thai Institute of Directors Association (IOD)

% of KTC Shares Held

0%

Family Relationship

None



Mr. Virach Paisitsavet
Executive
Vice President -
Operations
Age 51



Work Experience

2012 - Present	Executive Vice President / Head of Operations Operations / Krungthai Card Public Company Limited / Consumer Finance
2011 - 2012	Senior Vice President Lending Services Group / Thanachart Bank Public Company Limited / Banking
2005 - 2011	Senior Vice President Card Operations Department / Siam City Bank Public Company Limited / Banking
2002 - 2005	First Vice President Marketing and Retail Banking Department / Siam City Bank Public Company Limited / Banking
2001 - 2002	Senior Vice President Branch Administration Department / Bangkok Metropolitan Bank Public Company Limited / Banking

■ Executives

Education

- Master's Degree, Finance and Banking, Sripatum University
- Bachelor's Degree, Accounting Faculty of Commerce and Accountancy, Chulalongkorn University
- Certificate, Mini MBA, Bank of Ayudhaya Public Company Limited

% of KTC Shares Held

0%

Family Relationship

None

Work Experience

1997 - Present	Executive Vice President Personal Loans Business / Krungthai Card Public Company Limited / Consumer Finance
2010 - Present	Chairman Personal Loan Club / The Thai Bankers' Association
1990 - 1997	Vice President Accounting Department / Citibank N.A. / Banking
1987 - 1990	Head of Accounting Department Credit Card Center / Head Office / Bank of Ayudhaya Public Company Limited / Banking



Ms. Sudaporn Janwatanagool
Executive
Vice President -
Personal Loans
Business
Age 54



■ Business Nature

KTC domestically provides unsecured financial products to consumers offering Credit Card and Personal Loan as its core products. Geographically, 52% of KTC existing customers are in Bangkok and vicinity.

037

Economic in 2012 has been recovering due to private sector's investment, an increase in consumer and government spending. It is merely caused by government spending stimulation campaign, high employment rate and increase in minimum wage. These led to a rise in consumer confidence index, which influenced an inflated household debt. This year, KTC has revised its operation process as well as initiate active marketing campaign in the last quarter to stimulate spending. The revision, thus, resulted as a decline in operating cost. In addition, there was a co-operation between KTC and Krung Thai Bank Public Company Limited (KTB) to broaden customer based. Besides, KTC has recently improved Contact Service Center to deliver higher service satisfaction level to maintain the existing customers. KTC remains the aim of having sustainable growth by maintaining its assets quality.

KTC's businesses are as follow:

1. Credit Card Business



Credit card as a core business accounted for 72% of total receivables (net) this year. KTC credit card business has unique competitive differentiation such as varied segmentation and unique value-added program offerings. “Forever Rewards” program, for example, is designed to deliver real benefits to KTC’s members with an exceptional feature of “no expiration” for KTC reward points. KTC is the first Thailand’s credit card provider, who offers On-Spot redemption. The cardholders can use their Forever Rewards to redeem goods and services at any participated stores. KTC credit card business consists of 3 main products, which are as follow:

1.1 Issuing business

Main operations involve acquiring members, issuing credit cards, approving credit line, monitoring card usage, receiving outstanding balance payments, and processing collection. The Company mainly acquires its revenue from interest and fee incomes. Fee incomes are generally from interchange fee, credit usage fee, cash advance fee, etc.

1.2 Acquiring Business

This business engages to stores that receive payment for goods and services by credit card. After selecting merchants, KTC will install an electronic data capture (EDC) or card-reading terminal at the merchants with supervision on sales approval and providing fraud detection. The merchant fee income is calculated by using “Merchant Discount Rate” on amount of payment made by credit card through the EDC machine. Some parts of the fee income will go to other credit card issuers whose card being used on KTC’s machine.

1.3 Circle Loan Business

The features of the product are more like bank’s overdrafts (O/D) attached to credit card accounts. However KTC has ceased its expansion in this business since 1996, therefore, the receivables are gradually declined every year. Thus, circle loan receivables decreased from Baht 271 million in 2011 to Baht 244 million at end of 2012.

2. Personal Loan Business



Personal loan business accounted for 27% of total receivables (net). KTC Personal Loan consists of two key products, KTC Cash and KTC Cash Revolve which are provided for individuals without any requirement for collateral or being a KTC cardholder.

KTC Cash is a fixed installment product with one-time cash transfer to clients' bank account. KTC Cash clients are able to choose their due date and loan maturity period (normally 12 - 60 months) to suit their payment behavior. KTC Cash Revolve is a revolving loan. Members will have the first amount transferred to their bank accounts which can be withdrawn at any ATM. The credit line particularly will become available again after customers made their payments.

KTC basically selects its personal loan customer based on their incomes. The minimum income criteria will be different depending on type of personal loan. Approved customers will be given a credit line of 1 - 5 times their monthly income. KTC also uses credit scoring to set up the interest rate charged to each customer with a maximum interest rate of 28%. The personal loan revenue usually comes from interest and fee income such as credit usage fee, collection fee, duty fee, etc.

Besides the previously-mentioned products, KTC has other businesses on the following:

Self-Employed Loan (KTC Million): KTC unsecured loan specifically provides fund for small business owners who are in need of business operating capital. Due to the economic situation, KTC has had no intention to expand this business since 2006. At the end of 2012, KTC Million receivable was Baht 36 million or accounted for 0.08% of total receivables (net).

Card Service Business: Since December 2009, KTC agreed to provide KTB fleet card service under 6 months contract. The contract was extended for another 3 months, which was valid until August 31, 2010. These contracts are no longer effective after the extended validation. Since August 19, 2011, KTC has provided advisory service regarding credit card system preparation to a financial institution. The service will carry on until a financial institution is authorized to become credit card service provider by Visa International Service Association.

Hire Purchase Business (Big Bike): as an increase in spending among KTC's customers in auto service category and accessories, KTC responded to this trend by providing hire purchase service for Big Bike with a partnership of A.P. Honda Company Limited. Since the market has a high purchasing volume, it is a good opportunity to offer the cardholder a leasing contract with an effective rate and 20% down payment required. The maximum term could exceed up to 48 months. However, there is no outstanding receivable amount as of December 31, 2012 since the business was launched on November 2012.

■ Risk Factors

For each separate risk area, the Company recognizes and declares its risk management objectives, policies in terms of strategy, process, scope, and mitigation mechanism clearly as follow:

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1. Credit Risk

Risk from Internal Rating Process

The Company is aware that inadequately controlled internal rating process could pose significant credit risk to its business. It, thus, adopts advanced and practical risk management methods. For credit cards and personal loans, its approval process depends on both statistical scoring model and experienced credit analysts. In fact, the approval process has to be verified by various related staffs and divisions to increase accuracy while reducing errors. The Company also creates behavior scoring model to analyze customers' spending behavior in order to increase the credit line individually. Moreover, collection scoring model is implemented to evaluate customers' debt payment ability. This model is not only enhances the risk management but also consequently prevent non-performing loan in the future.

Risk from Credit Card Fraud

The Company gives priority to credit card fraud. The development of chip card and EMV Technology has been applied instead of Electronic Data Capture (EDC) for upgrading safety standard. Moreover, the Company has also invested in the new online Fraud Detection system for protecting any of fraudulent charges. For E-Commerce transactions, the Company uses 3D-Secure system and One Time Password (OTP) to assure the security of both cardholders and merchant outlets. Moreover, to enhance the security, a sms will be sent to the cardholder at the minimum spending amount of 10,000 baht. Nevertheless, total fraud loss has decline from Baht 5.1 million (0.011%) in 2011 to Baht 3.9 million or 0.008% of total receivables in 2012.

Default Risk

Despite the fact that the economic has been recovering because of household spending and private sector investment, the Company is fully aware that negatively default payment may occur. In order to control default risk, the Company has set up each credit line for the clients depending upon his/her payment ability. Moreover, the Company diversifies its customer base across industry, geography and various occupations. With this policy, the Company also renders lower risk level for consumer finance lending. As of December 30, 2012, receivable aging is less than 90 days amounted to Baht 46,273 million, or 96% of total account receivable (48,079 million). After deducting the allowance for doubtful account of Baht 3,528 million, the net account receivable is Baht 44,552 million. The company mainly prioritizes the quality of portfolio. Thus, the risk management will be emphasized to balance an increase in portfolio size and risk management capability at an acceptable level. The company strengthens its portfolio management performance by enhancing pre-delinquent debt management and collection efficiency. This results in 2.7% decline of credit card's NPL (>90 days) lower from 3.9% in the previous year and 2.5% for personal loan's NPL (>90 days) comparing to the previous year at 4.2%.

2. Market Risk

Interest Rate Risk

The Company is exposed to interest rate risk that will impact the performance of the company as the interest rate rises, incurring higher funding costs. Therefore, to reduce volatile interest rate effect; the Company manages its portfolio by issuing both short-term and long-term funding including types of fixed and floated interest rate. Moreover, the Company always adjusts its ratio of funding structure to balance with interest rate movement and its liquidity.

KTC reported a total borrowing of Baht 38,749 million at the end of Y2012. The total borrowing came from short-term loans from financial institutions, long-term loans and long-term debentures of Baht 11,049 million, Baht 4,200 million and Baht 23,500 million of total borrowing respectively. However, the implicated rate refers to market rate. If the rate is on an upward trend, the company could expose to the risk by having higher financial cost.

Risk from Insufficient Working Capital

The Company has a policy regarding capital budgeting which is adequate for the continuous expansion of loans. However, the Company is aware of the risk which may arise from inadequacy of working capital. The world economy affects Thailand's economy and the fluctuation of the money market, fixed income market or capital market, may have an impact on the financial liquidity of the Company. In order to protect the Company from the risk of inadequacy of revolving funds, the Company has developed measures by using the assessment model to evaluate short-term and long-term liquidity of the Company and allocation of capital to be justifiable with the age of the Company's account receivables. Moreover, Krung Thai Bank has also provided the Company with supportive credit lines totaling of Baht 18,000 million, with an overdraft loan of Baht 30 million. As of 31 December 2012, these credit lines were not withdrawn. The Company also diversifies its funds rising from capital markets by the way of issuing bonds, bill of exchange, and funding from many financial institutions so that the Company does not rely on any particular financial institution. As at 31 December 2012, the Company has available committed credit line of Baht 23,040 million from financial institutions and debt to equity ratio of 8.47 times, which is lower than the bond covenant at the maximum D/E Ratio of 10 times. Moreover, the company also conducts scenario analysis of interest rate and source of fund forecast in best-case and worst-case in both short and long-run. This implies that interest rate and source of fund forecast are also implemented in order to respond to the liquidity shortage or excess liquidity promptly.

3. Operational Risk

Risk from Data Losses

The Company recognizes that its business relies on huge customer database and transactional information. It is, thus, exposed to a risk affected from leaking of confidential information to public, losing data from accidental or intentional deletion, or system failure. To ensure confidentiality of data, the Company has a solid procedure and delegated authorization rule as to who will have access to certain information. To avoid losing data from deletion, the Company requires its core IT system outsourcers (FIS-Former Certegy and KCS) to maintain back-up database. Also, as part of the outsourcing deals, the outsourcer companies provide a disaster recovery site option.

Risk from Government's Control

The Ministry of Finance issued a Notification operation of credit card services and personal loans under the Notification of Revolutionary Council No.58 and authorized the Bank of Thailand (the "BOT") to supervise by announcing the Notifications specifying the requirements and regulations for such business, including stipulating rates of interest and fees chargeable to customers and the qualifications of credit card holders and personal loan clients. The Company granted approval for conducting credit card services and personal loans under supervision, together with approval for electronic payment services providers under the Royal Decree Regulating of Electronic Payment Services B.E.2551 (2008) and the Electronics Transaction Commission and the BOT as the control and supervision division regarding the requirements and regulations for such business. The Company has been complying with all regulations issued. Also, should there be other regulations issued, the Company will also comply with such regulations.

Risk from Discontinuation of Contracts with KTB

The Company has a 15-year contract with its major shareholder, KTB, in that KTB is committed to support the Company on some back office operations. This agreement allows the Company to leverage some of KTB's functions such as the branch network (for acquisition and payment) and the shared IT applications. In return, the Company has to pay servicing fees which were set at fair market price level. The Company calculates that the risk from contract discontinuation is limited for at least two reasons. First, the Company believes that this discontinuation is very unlikely to happen, since the agreement was officially concurred at the KTB's board level. Second, the Company does not solely rely on KTB's operational support. For acquisition, it has multiple channels to attract new members. For payment, the Company already has multiple payment options to provide convenience to its members. In addition, the involvement of information technology system among KTC and KTB is low. The company has outsourced IT service provider to support the system separately. Thus, the tendency of discontinuation is relatively low and will not significantly affect the company's operation.

Risk of a Higher Competition

The Company is aware that there is a possibility for a fiercer competition that might lead to price-cut and debt-transfer tactics. This situation could pose some risks on the Company's portfolio and profitability. To be able to differentiate from its competitor; the Company uses its expertise and long term experience of consumer finance in Thailand to compete against them. Moreover, continually invests in new devices/systems as well as develops more value added products and services are also competitive strategies. Therefore, the higher competition should not have much effect on the Company in both short-term and long-term.

■ Analysis of Financial Condition and Results of Operations

This discussion is intended to further the reader's understanding of the financial statements, financial condition, and results of operations of Krungthai Card PCL. It should be read in conjunction with the financial statements, notes, and tables included in this report.

Summary of Thailand Economic and Consumer Finance

The strong domestic demand had driven a growth of 6.4% for overall Thai economy, which is higher than 0.1% in 2011. According to the private consumption index and private investment index, both household spending and business investment adequately expanded at the rate of 5.5% and 16.5%, respectively. The demand of private sector is expected to grow in 2013, driven by increase in Government's expenditure in infrastructure systems and water management projects. Moreover, the Cabinet resolution to increase salary for the undergraduate civil servants to 15,000 Baht (effective starting in January 2012) and the enforcement of the 300 Baht minimum wages in 7 pilot provinces effective in April 2012. These factors facilitate higher household purchasing power.

As of December 31, 2012, Bank of Thailand (BoT) reported Baht 261,553 million in total receivable for the credit card industry. It grew by 14.3% from the same period last year compare to a growth of 5.8% in 2011. The total number of credit card in the market was 16.9 million cards, up by 10.1%. Credit card spending rose by 18.7% to Baht 1,074,340 million compare to a growth of 11.2% the previous year. Total personal loan receivable for the industry grew by 17.9% in 2011 to Baht 251,549 million.

	2012	2011	2010	2009
The value of the industry				
Credit card receivable (MB)	261,553	228,903	216,427	196,599
Growth (%)	14.30%	5.80%	10.10%	3.90%
Number of credit card (cards)	16,870,025	15,328,291	14,187,815	13,489,402
Growth (%)	10.10%	8.00%	5.20%	4.00%
Credit card spending (MB)	1,074,340	905,348	814,241	716,271
Growth (%)	18.70%	11.20%	13.70%	4.20%
Personal loan receivable (MB)	251,549	213,310	187,491	213,745
Growth (%)	17.90%	13.80%	(12.30%)	(6.70%)

Source: Bank of Thailand

Overviews of KTC's performance

In 2012, KTC started to reorganize itself to increase overall efficiency as well as cost effectiveness before started to launch more of its marketing campaigns in the second half of 2012. Total receivables (net) showed the amount of Baht 44,552 million, increased by 4% from the previous year. Credit card receivable (net), 72% of total receivable (net), amounted to Baht 32,090 million, a growth of 4%. Personal loan receivables (net) also increased by 5% to Baht 12,182 million. KTC generated a revenue growth of 1%, reaching Baht 12,622 million which mostly came from merchant acquiring business, personal loan business, and bad debt recovery. Having maintained the finance cost at Baht 1,941 million, KTC reported total expense of Baht 12,038 million, down by 15% as a result of increasing collection efficiency, improving contact center services, enhancing operations, creating innovative marketing programs, and building knowledge-based organization. With all these facts, the financial statement as at December 31, 2012 showed a net profit of Baht 255 million.

Table 1: Operating Results

	2012	Proportion %	2011	Proportion %	2010	Proportion %
(Unit: Million Baht)						
Total Revenue	12,622	100%	12,497	100%	12,180	100%
<i>Bad Debt Recovery</i>	1,193	9%	851	7%	812	7%
Selling and Administration	6,565	52%	6,542	52%	5,734	47%
Finance Cost	1,941	15%	1,941	16%	1,944	16%
Bad debt and doubtful accounts	3,531	28%	5,611	45%	4,073	33%
Profit (loss) before tax	585	5%	(1,597)	-	428	4%
Income tax - income (expense)	(330)	-	(24)	-	(204)	-
Net Profit (Loss)	255	2%	(1,621)	-	224	2%

Effects of Imperative Factors

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- (1) In order to increase operating efficiency, outsources (i.e. Collection and Litigation) were migrated back to in-house. As a result, bad debt recovery grew from Baht 851 million in 2011 to Baht 1,193 million, or a growth of 40%. Besides, non-performing loan (NPL) and delinquency rate have significantly decreased. Credit card's NPL and delinquency rate, in fact, declined from 3.9% and 6.6% in 2011 to 2.7% and 1.9%, respectively. Personal loan's NPL and delinquency rate also improved from 4.2% and 4.8% in 2011 to 2.5% and 2.1%, correspondingly. Not only focusing on credit risk controlling but also KTC has tightened its new booking approval process to ensure its portfolio's quality.
- (2) By improving contact center services, servicing time per call and abandoned rate have been improved to a satisfactory level. Regarding company's marketing policy, role of contact center has been enhanced through online communication channel and travel service.
- (3) For continuous process and efficiency improvement, KTC encourages each department to complete Standard Operating Procedure (SOP) along with its Key Performance Index (KPI). KTC has closed some of its branches or KTC Touch which had a lesser amount of transaction. The company, in fact, reported 24 Touch at the end of 2012 compare to 37 in 2011.
- (4) In the last quarter of 2012, KTC launched its year end marketing campaign called "Miracle of Gold", 266 gold prizes, and total value of Baht 10 million for lucky winners from participating members. Most promotion campaigns focus on "KTC Forever Rewards" in which members can redeem their forever rewards points for a discount (maximum at 20%) from KTC's partners all over the country and "KTC Beauty Advocate" campaign offers cardholders, the privileges at 7 different leading beauty institutions. For 4Q12, KTC credit card spending grew by 19% compare to 21% for the industry. In addition, the company's card spending for the last three-month in 2012 were set as a record high relative to the same period since the company's establishment.

- Credit card marketing strategy is targeting on mass customers which is the company's major portfolio and hi-end customers who generate high spending volume with lower risk level. KTC offers benefits through "KTC Forever Rewards" program and establish more reward point redemption stations all over the country. "KTC-KTB Precious Plus Visa Infinite," which offers special privileges for KTB's hi-end customers is another strategic move to develop more synergy business with KTB.
 - For KTC Cash's marketing strategies, KTC focuses on KTC Cash Revolve which provides better level of financial liquidity to its customers while soliciting new customers through KTB's branches. Having KTB as an alliance, KTC is able to expand customer base to civil servants and state enterprise officers. In order to enhance usage, KTC has launched a program offering low interest rate to customers who qualify the specific criteria in order to promote spending in the last quarter.
 - Focusing on auto service and accessories, KTC has cooperated with A.P. Honda initiating new financial product, Big Bike loan, for cardholders offering the effective interest rate with motorbike hire-purchase credit line. The product was launched in November 2012.
- (5) Under "Knowledge-based organization" concept, KTC focuses on staff training to enhance manpower capability and create practically new knowledge sharing within the organization. Not only KTC has embedded sense of ownership in employees but also encouraged staffs to have multi skills.

The Company provided consulting service for a financial institution regarding the preparation for credit card business completed in the year 2011. Consequently, such financial institution changed its directors and management team, resulting in delay of implementation of credit card business. The company considered that such financial institution defaulted the payment for service fee more than 90 days and will take long-time in follow-up process, therefore, the Company considered to set up allowance for doubtful accounts for the outstanding debt of such financial institution of Baht 56.2 million as at December 31, 2012.

The Company hired a vendor for implementation of computer development. Subsequently, such vendor was in default under the contract therefore the Company terminated the contract and brought an action to the Central Intellectual Property and International Trade Court against such vendor for demanding compensation of Baht 605.49 million. However, such vendor also filed a claim with the Southern Bangkok Civil Court against the Company from the same case regarding unfair termination for demanding compensation of Baht 533.30 million. Currently, the case is under the consideration of the courts. As at December 31, 2012, the management of the Company was unable to determine the final outcome of the case. Therefore, contingent assets and liabilities resulting from such outcome have not been recorded in the financial statements of the Company.

Table 2: Summary of Financial Ratio

	2012	2011	2010
Year Ended December 31,			
Profitability Ratio			
Net Interest Margin ⁽¹⁾	13.2%	13.6%	13.2%
Non-Interest Income to Total Revenue ⁽²⁾	37.0%	34.9%	34.4%
Return on Assets (ROA)	0.5%	(3.4%)	0.5%
Return on Shareholders' Equity (ROE)	5.1%	(28.4%)	3.5%
Asset Quality Ratio			
Credit Loss to Average Recievables	9.9%	10.2%	9.1%
Allowance for Doubtful Accounts to Recievables	7.3%	9.3%	6.8%
Efficiency Ratio			
Cost to Income	52.0%	52.3%	47.1%
Operating Cost to Income ⁽³⁾	30.1%	33.8%	33.9%
Financial Ratio			
Debt to Equity (Times)	8.5	8.8	6.4

(1) Including Credit Usage Fees

(2) Excluding Credit Usage Fees

(3) Excluding Marketing and Loss from Impairment Assets

Operating Result Overview

As at December 31, 2012, total number of account declined 2.2% comparing to 2011. Since KTC have a concerned more on card spending rather than number of card, the company has purged its inactive cards in order to reduce transaction cost. Therefore, KTC had a total of 2.16 million accounts consisting of 1,528,921 credit cards and 626,326 KTC Cash accounts. KTC's strategy of this year focuses on building customers' satisfaction in which credit card and personal loan are core businesses. Risk management policy has played an important role in controlling portfolio at an acceptable risk level.

As a fact that KTC has started marketing program in the second half of the year, especially, campaigns to stimulate spending in the last quarter. It resulted as KTC's cardholders spending amount grew 5% comparing to the same period last year, which lower than an industrial growth. However, in the fourth quarter alone, spending has increased 19%, which was close to the quarterly industrial growth. Seeing that, KTC has succeed in strategy alteration to enhance cardholders' confidence and stimulate spending by offering attracted marketing program and privilege in order to stay competitive in the market.

The Company's financial statement showed total revenue of Baht 12,622 million, increased from Baht 12,497 million in 2011. The total revenue came from interest income (including credit usage fee), fee income, and other income of Baht 7,954 million, Baht 3,269 million, and Baht 1,399 million, which accounted for 63%, 26% and 11% of total revenue respectively, of which 85% of the other income was bad debt recovery.

Total expense (excluding income tax) for 2012 was Baht 12,038 million, a decline of 15% from Baht 14,094 million in 2011 as a result of a decrease in bad debt and doubtful account 37%, or by Baht 2,080 million, while total administrative expense maintained at the same level.

Cost to income ratio in both 2011 and 2012 are 52%. Nevertheless, by considering only operating expense without marketing expense and loss from impairment asset, operating cost to income ratio of 2012 is 30% comparing to the previous year which was 34%. The lower operating cost is mostly resulted from the efficiency of in-house operating instead of outsourcing.

Net interest margin declined from 13.6% to 13.2% as interest income from credit card decreased. Average cost of fund slightly grew to 4.98% from 4.94% at the end of 2011.

Total borrowing consisted of Baht 11,049 million short-term borrowings from other financial institutions, Baht 4,200 million of long-term borrowings (including long-term borrowing maturity within one year) and Baht 23,500 million of long-term debentures (including long-term debentures maturity within one year). To sustain its liquidity and maintain the suitable cost of fund, KTC diverge its source through Local and Foreign Banks, Securities Company, Insurance Company and Asset Management Companies. The funding structure has been adjusted from 21% short-term loans and 79% long-term loan at the end of 2011 to 29% short and 71% long. Total available credit line summed to Baht 23,040 million, which includes credit line from KTB of Baht 18,030 million. The financial statement showed the debt to equity ratio of 8.47 times, which stays at satisfy level and lower than the bond covenant at the maximum D/E ratio of 10 times.

Table 3: Statement of Balance

	2012	2011	2010
Year Ended December 31,			
Assets			
Interest earning assets			
Credit card receivables-net	32,090	30,940	33,752
Circle loan receivables-net	244	271	307
Personal loan receivables-net	12,182	11,650	10,597
Self-employed loan receivables-net	36	58	119
Total receivables-net	44,552	42,920	44,775
Non-interest earning assets			
Cash and equivalent	1,444	755	778
Leasehold improvements and equipment-net	445	556	445
Other current & non-current assets	2,697	3,212	2,543
Total non-interest earning assets	4,586	4,523	3,766
Total assets	49,138	47,443	48,541

Table 3: Statement of Balance (Continued)

	2012	2011	2010
Liabilities and Shareholders' Equity			
Liabilities			
Short term loans	23,549	19,724	15,334
Bond and Long term loans	15,200	19,500	24,020
Other current & non current liabilities	5,198	3,357	2,648
Total liabilities	43,947	42,581	42,002
Shareholders' Equity:			
Total Shareholders' Equity:	5,191	4,862	6,539
Total Liabilities and Shareholders' Equity	49,138	47,443	48,541

Asset

KTC reports its total asset of Baht 49,138 million in 2012, growing from the previous year (Baht 47,443 million) 3.6%. Total Asset, generally, is proportionate by 91 % from receivables and 9% from non-interest earning asset e.g. leasehold improvements and equipment, deferred tax asset and etc.

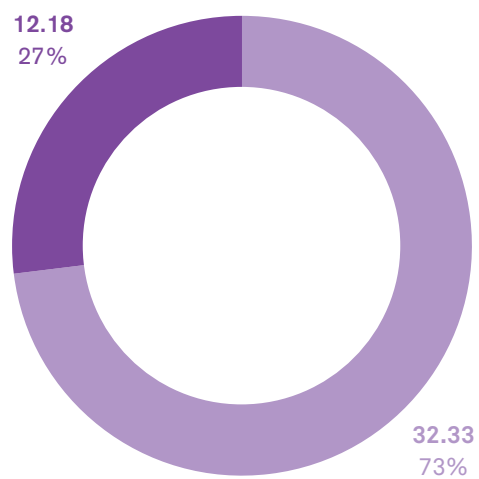
Total Receivables (Net)

In 2012, total receivables (net) grows from Baht 42,920 million in 2011 to Baht 44,552 million, which 73% accounted to credit card and 27% personal loan.

Graph 1: Portfolio Structure

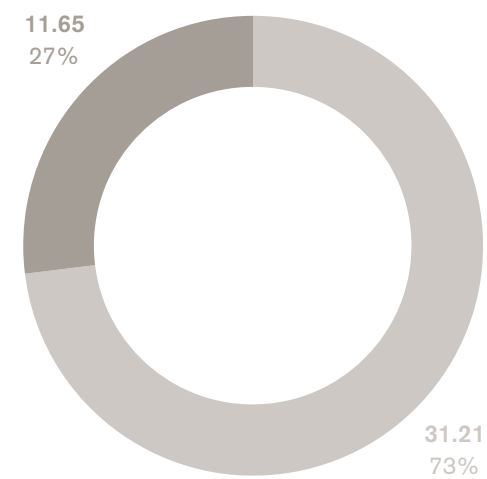
(Unit: Million Baht)

As of December 31, 2012
(Net Receivables 44.5)



■ Credit Card
■ Personal Loan

As of December 31, 2011
(Net Receivables 42.9)



■ Credit Card
■ Personal Loan

Credit Card Receivables

Domestic demand has been growing stronger after flood crisis. The government has stimulated the recovery by using spending campaign, including an increase in government spending itself. These caused a rise in private sector spending, which resulted as 3.7% increase from Baht 30,940 million to Baht 32,090 million at the end of year 2012.

This year KTC motivates spending by using various attracted marketing campaign. Part of the campaign is becoming a partner with well-known merchandises, who are KTC cardholder's favorite. Cardholders can redeem their Forever Rewards at selling point, which is called On-Spot Redemption. By implementing this marketing strategy, KTC expect that customers would switch to KTC credit card as a primary card, which creates sustainable growth for KTC in the long-run.

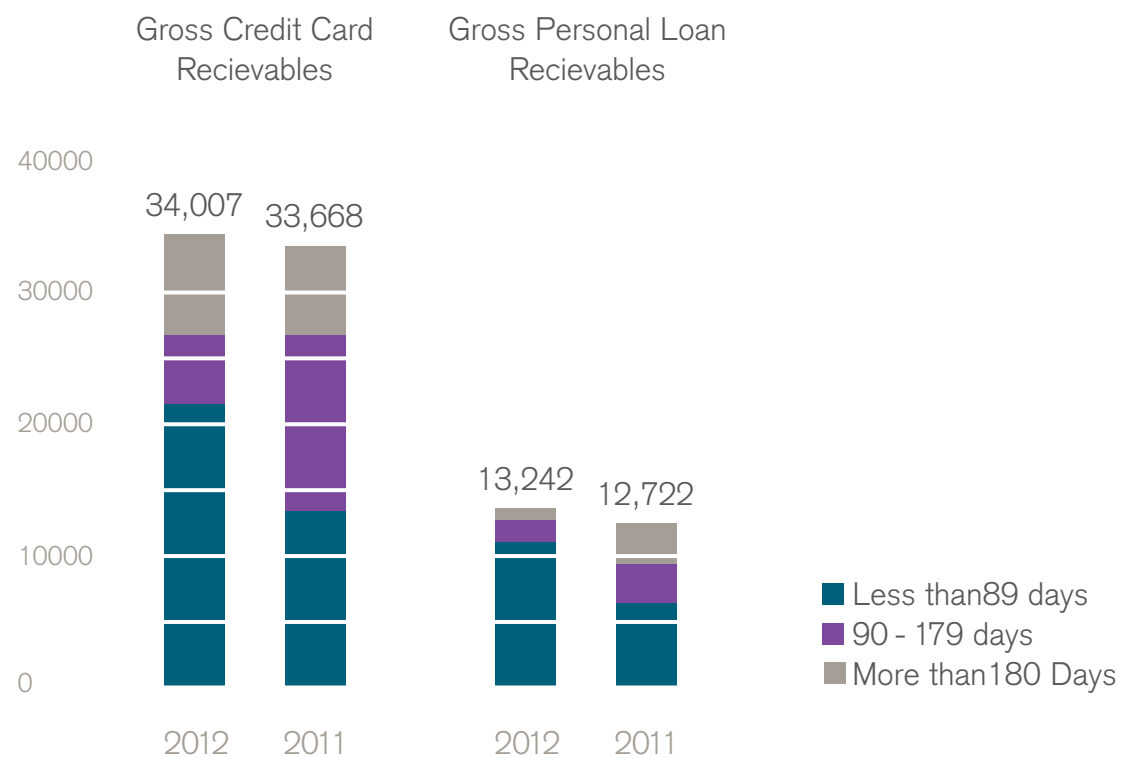
Personal Loan Receivables

According to 8.3% growth in KTC Cash Revolve account in 2012 from 583,637 accounts in 2011 to 626,326 accounts, which reflects overall personal loan growth from Baht 11,650 million in 2011 to Baht 12,182 million in 2012 or equal to 4.6%.

KTC still put an effort on expanding customer base by primary focusing on government officer and employee of state enterprise by offering attention-grabbing promotion to increase the acquisition. Cash Revolve will be the main targeting product of these prospects since it provides better level of financial liquidity to its customers. However, KTC patronizes an existing group of customer who is loyal and has high financial discipline by providing a flexible payment campaign to relieve customers' burden.

Graph 2: Aging of Gross Receivables Comparison at the year-end of 2012 and 2011

(Unit: Million Baht)



Portfolio Quality

KTC classifies its receivables into 3 main categories by number of days past due; less than 89 days, 90 – 179 days, and more than 180 days. The first category is account to 96% of total portfolio, follow by 1.3% of the second category and, 2.5% of the last one accordingly at the year-end of 2012.

The proportion of non-performing loan 90 days past due (NPL) are calculated by dividing the total amount of 90 days receivables by total gross receivables, which declines from 5.2% in 2011 to 3.8% in 2012. This is a consequence of bringing collection process back to in-house this year, which better the collection efficiency and collection amount.

KTC focuses on credit risk controlling by using specific criteria in screening process to meet the acceptable risk level as well as tightened its new booking approval process to ensure its portfolio's quality. Hence, the total allowance for doubtful accounts has decline from Baht 4,390 million in 2011 to Baht 3,528 million or 19.6%, which mostly came from 29.7% decline in credit card receivables provision to Baht 1,917 million.

Liabilities and Shareholders' Equity

At the year end of 2012, KTC's financial structure consists of current liabilities 58%, which is short-term borrowing, long-term borrowing portion with maturity within one year etc., non-current liabilities 31%, which is mostly long-term borrowing and debentures, and shareholder's equity 11%. Consequently, KTC's debt to equity ratio is 8.47 which stays at satisfy level and lower than the bond covenant at the maximum D/E ratio of 10 times.

Table 4: Interest Income

	2012		2011		2010	
	Amount	Proportion of Total Income	Amount	Proportion of Total Income	Amount	Proportion of Total Income
(Unit: Million Baht)						
Year Ended December 31,						
Income						
Interest Income*						
Credit Card	4,770	37.8%	5,074	40.6%	5,302	43.5%
Circle Loan	43	0.3%	49	0.4%	57	0.5%
Personal loan	3,084	24.4%	2,943	23.6%	2,538	20.8%
Self-Employed	58	0.5%	73	0.6%	88	0.7%
Total Interest Income*	7,954	63.0%	8,139	65.1%	7,985	65.6%
Total Financial Expense	1,941		1,941		1,944	
Net Interest Income*	6,013		6,197		6,041	
Yield on Interest Income*	18.2%		18.6%		18.0%	
Cost of Fund	5.0%		4.9%		4.8%	
Net Interest Margin*	13.2%		13.6%		13.2%	

*Including Credit Usage Fee

Table 5: Non-Interest Income

	2012		2011		2010	
	Amount	Proportion of Total Income	Amount	Proportion of Total Income	Amount	Proportion of Total Income
(Unit: Million Baht)						
Year Ended December 31,						
Non-Interest Income**						
Fee and Service Income	3,269	25.9%	3,166	25.3%	3,078	25.3%
Bad Debt Recoveries	1,193	9.4%	851	6.8%	812	6.7%
Management Fees	14	0.1%	53	0.4%	38	0.3%
Net Gain(Loss) on Exchange	72	0.6%	69	0.6%	76	0.6%
Other Income	120	1.0%	219	1.8%	191	1.6%
Total Non interest Income	4,668	37.0%	4,359	34.9%	4,195	34.4%
Total Revenue	12,622		12,497		12,180	

**Excluding Credit Usage Fee

Net Interest Income (Including Credit Usage Fee)

The interest income including credit usage fees is equal to Baht 7,954 million or 63% of total revenue, which is a sum of credit card receivables 60% and personal loan receivables 39%. The decline from Baht 8,139 million in 2011 despite the growth of spending resulted from lower average interest received because most of new cardholders acquired are transactors. A total new booking comprises of 160,000 credit card accounts and 110,000 personal loan accounts. Still, KTC reported a decline of 2% in total number of account, from 2.20 million accounts in 2011 to 2.16 million accounts. Having concerned more on card spending rather than number of card, the company has purged its inactive cards in order to reduce transaction cost. KTC will instead focus on active card by emphasizing on spending rather than growth of card in force. Furthermore, interest income in personal loan business generates higher interest income than the previous year since there are 46,000 new accounts. Hence, the interest income in 2012 is Baht 3,084 baht, while it was Baht 2,943 million in 2011 or 4.8% growth.

Average interest received was 18.2% decreasing from 18.6% the previous year, while cost of fund slightly increased from 4.94% to 4.98%. It was a result of higher spending in the last quarter which drove up the outstanding at the end of 2012 and most of new cardholders are transactors. This resulted as a decline in net interest margin from 13.6% in 2011 to 13.2% in 2012.

Non-interest Income (Excluding Credit Usage Fee)

Generally, non-interest income consists of fee and service income, net gain (loss) on exchange, bad debt recovery, and other income. This year, non-interest income is Baht 4,668 million, accounted 37% of total income. Overall, the growth of non-interest income is 7.1% comparing to the previous year. Fee and service income has risen from Baht 3,166 million in 2011 to Baht 3,269 million in 2012, or 3.3%. KTC has recovered its bad debt higher than the previous year 40.1%, which is Baht 851 million in 2011 and 1,193 in 2012 because of an increase in collection operation efficiency.

Table 6: Total Expense

	2012		2011		2010	
	Amount	Proportion of Total Income	Amount	Proportion of Total Income	Amount	Proportion of Total Income
(Unit: Million Baht)						
Year Ended December 31,						
Expense						
Bad Debt and Doubtful Account						
Credit Card	2,427	19.2%	4,463	36.7%	2,898	23.8%
Circle Loan	5	0.0%	14	0.1%	15	0.1%
Personal loan	1,004	8.0%	1,050	8.6%	1,074	8.8%
Self Employed	38	0.3%	84	0.7%	86	0.7%
Total Bad Debt and Doubtful Account (only recievables)	3,475	28%	5,611	44.9%	4,073	33.4%
Allowance for Other Receivables	56	0.3%	-		-	
Total Doubtful and Bad Debt	3,531	28.0%	5,611	44.9%	4,073	33.4%

Table 6: Total Expense (Continued)

	2012		2011		2010	
	Amount	Proportion of Total Income	Amount	Proportion of Total Income	Amount	Proportion of Total Income
(Unit: Million Baht)						
Selling and Administrative Expense						
Personnel Expense	1,170	9.3%	988	7.9%	890	7.3%
Marketing Expense	1,957	15.5%	1,942	15.5%	1,251	10.3%
Fee and Advisory	1,658	13.1%	2,207	17.7%	2,243	18.4%
Other Expense	1,780	14.1%	1,405	11.2%	1,350	11.1%
Total Selling and Administrative Expense	6,565	52.0%	6,542	52.3%	5,734	47.1%
Total Expense	10,096		12,153		9,807	

Cost of Funds

Total borrowing has declined from Baht 39,224 million in 2011 to Baht 38,749 million this year. However, average cost of fund slightly grew to 4.98% from 4.94% at the end of 2011. KTC's financial structure consists of short-term borrowings Baht 11,049 million, long-term borrowings (including long-term borrowings maturity within one year) Baht 4,200 million and long-term debentures (including long-term debentures maturity within one year) Baht 23,500 million respectively. To sustain its liquidity and maintain the suitable cost of fund, KTC diverge its source of borrowings through Local and Foreign Banks, Securities Companies, Insurance Companies and Asset Management Companies. The funding structure has been adjusted from 21% short-term loans and 79% long-term borrowing at the end of 2011 to 29%:71% in 2012. Total available credit line summed to Baht 23,040 million, which includes credit line from KTB of Baht 18,030 million. The financial statement showed the debt to equity ratio of 8.47 times, which stays at satisfy level and lower than the bond covenant at the maximum D/E ratio of 10 times

Bad Debt and Doubtful Account

For year 2012, KTC reported its bad debts and doubtful accounts of Baht 3,475 million, decreasing from Baht 5,611 million the previous year. This is due to achieving better portfolio's quality which lessened the provision. Provisioning policy has remained its focus on supporting risk that might arise from fluctuated economic in the future.

Total Expense

KTC reported total expense (before tax and financial cost) in 2012 equal to Baht 10,096 million, decreasing 17% from Baht 12,153 million in 2011.

There are growths in 3 categories of expense this year: personnel expense 18%, marketing expenses 1%, and other administrative expense because of asset impairment Baht 412 million 27%. Nevertheless, KTC has brought back collection operation to in-house this year, which lowered fee and advisory expense by 25%. By

change in aforementioned factors, selling and administrative expense slightly grew from Baht 6,542 million in 2011 to Baht 6,565 million in 2012.

Income Tax

KTC actual income tax amounted to Baht 134 million (23% tax rate). The income tax expense as per Financial Statement includes deferred tax expenses from corporate tax reduction (23% to 20%) of Baht 164 million and tax effect of non-deductible expenses (permanent difference) of Baht 31 million amounted to Baht 330 million, or equivalent to a rate of 56%.

The Bank of Thailand expected better growth for Thai economy in 2013 with current estimation of 4.9% compare to 4.6% since there has been a constant and robust support from domestic spending continuing from 2012. Starting from the second half of 2013 onwards, it is also expected that the export sector will gradually recover and return to play a vital role in driving Thai economy after some of the government measures end. Nevertheless, there will be some support from a raise in minimum wage of Baht 300 across the country (effective date in January 2013) in which should enable a higher purchasing power of consumers regardless of a threat from current global economy.

Henceforth, KTC will comprehensively be creating new membership base and managing information through in-depth database by offering different and innovative products and services in order to meet customers' needs, as well as controlling portfolio quality at an appropriate level. KTC's business strategy in 2013 will thoroughly emphasize on each core areas which can be seen as follows:

1. KTC recognizes the importance of both quantity and quality in acquiring credit card members. The company aims for a new member who is ready to activate and use the card regularly. In order to encourage cardholders to increase their spending through KTC, the company has initiated a marketing campaign called "Best Deal" offering satisfactory promotions to customers who use the service.
2. In order to promote constant card spending, the company builds cardholders' confidence through marketing campaigns where points can easily and conveniently be redeemed. The company has prepared promotion plans throughout this year under the theme "Happy Go Lucky" by utilizing KTC Forever Rewards points to maintain healthy relationships with the cardholders and KTC's partners (Partnership Marketing) as well as to locally and internationally expand network of partners to cover every lifestyle. All in all, purposes of selected activities are intended to deliver benefits to members and to meet the members' needs. Besides, KTC has expanded the variety of KTC's merchant members to be more responsive to its customers.

3. Speaking of Personal Loan business, there will be a consideration on methods of payment and clients will be divided into specific groups with a focus on payment discipline and loyalty. Having stated that, KTC launched a marketing campaign which helps lessening well-disciplined clients' debts and offering attention-grabbing campaigns to attract new customers.
4. By targeting groups of customers who generate benefits to KTC, the Online Service will be a channel that helps bolstering a One Stop Service especially for online shopping and travel services. With a close cooperation with Krung Thai Bank in creating marketing campaigns, it genuinely provides benefits to selected customers through the strategic conditions that benefit both Krung Thai Bank and customers.
5. In order to improve the quality of customer services (Contact Center), KTC extensively places a great emphasis on training the staffs to be more efficient as well as investing in new systems to optimize the performance in working processes.

The company's objective is to build customer satisfaction and long-lasting relationships with its members. In addition, KTC is ready to be a learning organization (Knowledge-based organization) with a pleasant working environment where every employee feels that they are a vital part of the company. Additionally, KTC is building long-term relationships with partners and growing together side by side through different perceptions in operating businesses with transparency, good governance, and sustainable profits for investors.

■ Management Structure

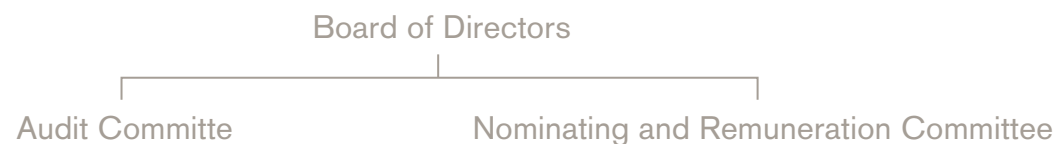
1. Board of Directors Structure

As at 31 December 2012, the Board of Directors of the Company consists of seven directors i.e. one Executive Director who is the President & CEO, three Non-Executive Directors and three Independent Directors.

The Company nominates directors from various businesses with strong leadership skill vision, work experience, business ethics and the ability to show their independent comments.

For the appropriate balance of power in the operation, the Chairman and the President & CEO are held by different individuals. The Chairman acts as the policy leader while the President & CEO is the executive leader who counterbalances power for the proper conduct of business.

The Company has three sets of Directors; the Board of Directors, Audit Committee, and Nominating and Remuneration Committee. The Company prescribed the authorities, duties, including the appointment and the removal of directors in the Articles of Association of the Company which were registered with the registrar of public companies limited, Department of Business Development, Ministry of Commerce.



Board of Directors

As at 31 December 2012, the Board of Directors of the Company consists of seven Directors, one the Board Secretary and one Company Secretary as follows:

Name	Position	Shareholding
1. Mrs. Kittiya Todhanakasem ⁽¹⁾	Chairman / Chairman of Nominating and Remuneration Committee	0.000%
2. Mr. Akarat Na Ranong ⁽²⁾	Independent Director / Chairman of Audit Committee / Nominating and Remuneration Committee	0.0004%
3. Mr. Suvit Maesincee ⁽²⁾	Independent Director / Audit Committee / Nominating and Remuneration Committee	0.000%
4. Mrs. Sriphabha Pringpong	Director	0.000%
5. Mrs. Pantip Sripimol ⁽³⁾	Independent Director / Audit Committee	0.000%
6. Mrs. Arunporn Limskul ⁽³⁾	Director	0.000%
7. Mr. Rathian Srimongkol	Director / President & CEO	0.000%
8. Mr. Bucha Sirichumsang	The Board Secretary	0.000%
9. Mr. Peerapong Ruamjai	Company Secretary	0.000%

- (1) The Board of Director's Meeting No.10/2012 held on 20 September 2012, resolved to appoint the following committee members:
 - Mrs. Kittiya Todhanakasem as a Chairnan of the Board of Directors in replace of Mr. Pongsathorn Siriyodhin who resigned from the position of
 - Mr. Pongsathorn Siriyodhin who resiged from the position of Director of the Company.
- (2) The Board of Directors' Meeting No.5/2012 held on 20 April 2012, resolved to appoint the following committee members:
 - Mr. Akarat Na Ranong is appointed as the Chairman of the Audit Committee in place of Mr. Suvit Mapaisansin.
 - Mr. Suvit Maesincee is appointed as an Audit Committee Member in place of Mr. Suvit Mapaisansin;
- (3) The Annual General Shareholders' Meeting No.10 held on 20 April 2012 resolved to appoint the following directors:
 - Mrs. Pantip Sripimol is appointed as a director in the place of Ms. Pimpen Ladpli, a director whose term expired by rotation and also approved the appointment of Mrs. Pantip Sripimol as an Independent Director and Audit Committee
 - Mrs. Arunporn Limskul is appointed as a director in the place of Mr. Suvit Mapaisansin, a director, whose term expired by rotation;

1. Directors may assign a director or directors to perform any actions on behalf of the Board of Directors.
2. Directors may determine the name of authorized signatory directors of the Company who can sign and affix the seal to bind the Company.
3. The Board of Directors may appoint any person to conduct the Company's operation under the control of the Board of Directors or authorize that person to perform any action, within the certain period which the Board of Directors deems appropriate. The Board of Directors may cancel, revoke, change or amend such authorities as appropriate.
4. Any Director who has a conflict of interest in any transaction shall not be allowed to participate in the consideration and approval of such transaction.
5. The Board of Directors may approve payment of interim dividends for shareholders from time to time as the Board of Directors may recommend if appropriate considering the profits and retained earnings position of the Company. This payment should be reported to the next Shareholders' Meeting.
6. Any transaction which requires approval from the Company's Shareholders pursuant to the Public Company Limited Act B.E.2535 (1992), the Board of Directors must obtain prior approval from the Shareholders' Meeting e.g. considering and approving balance sheet and profit and loss statements, allocation of profit and capital reserve, the election of a director to replace a director who retired by rotation and specifying remuneration, appointing all or some of auditors and fixing the auditing fee, the sale or transfer of the whole or important parts of the business of the Company to other persons, the purchase or acceptance of transfer of the business of other companies by the Company, the making, amending or terminating of contracts with respect to the granting of a hire of the whole or important parts of the business of the Company, the entrustment of the management of the business of the Company to any other person or the amalgamation of the business with other persons with the purpose of profit and loss sharing.

Duties of the Board of Directors

1. The Board of Directors shall manage the Company's operations to ensure compliance with laws as well as the objectives, the Articles of Association of the Company and resolutions of the Shareholders' Meeting with honesty to protect the interests of the Company.
2. The Board of Directors shall notify the Company without delay when there is a direct or an indirect interest in any contract which is made by the Company during the fiscal year, holding shares or debentures of the Company or an affiliated company and shall indicate the total increase or decrease of shares during the fiscal year.
3. The Board of Directors shall hold the meetings at least every three months, at which not less than 50% of the total number of directors must attend the meeting to form a quorum. A majority vote is required for any decision made at such a meeting.
4. The Board of Directors must arrange the Annual General Meeting within four months as the end of the fiscal year.
5. The Board of Directors shall not operate any business which has the same nature as and is in competition with the business of the Company or become a partner in an ordinary partnership or any other company operating business which has the same nature as the business of the Company.

Nomination, Appointment and Removal of the Board of Directors

1. The Nomination and Remuneration Committee will find, select and nominate qualified persons who have qualifications as described for the position of directors and independent directors and propose them to the Shareholders' Meeting for further approval.
2. The Shareholders' Meeting shall pass a resolution to appoint directors; each shareholder shall have one vote for one share and vote for each candidate individually. After the vote, the candidates shall be ranked in order descending from the highest number of votes received to the lowest, and shall be appointed as directors in that order until the positions are filled. Where there is an equality of votes cast for candidates in descending order causing the number of directors to be exceeded, the chairman shall make the final decision. The number of the directors of the Company must not be less than 5.

3. The Board of Directors shall elect one of the directors to be the chairman of the Board. In the case where the Board of Directors deems it expedient, the Board of Directors may elect one or several directors to be vice-chairman.
4. In every Annual General Meeting, at least or the closest number of one-third of total directors shall be resigned from the Board. The resigned directors shall be re-appointed by the Shareholders' Meeting.
5. The meeting of shareholders may pass a resolution removing any director from office prior to vacancy as a result of the termination of the term of office of the director, by a vote of not less than three-fourths of the number of shareholders attending the meeting and having the right to vote and the total number of shares being not less than half of the number of shares held by the shareholders attending the meeting and having the right to vote.
6. In case of a vacancy in the Board of Directors or Independent Director for reasons other than the termination of the term of office, the Board of Directors shall elect a person who has qualifications and is not prohibited by law from acting as such, as the substitute director at the next meeting of the Board of Directors, unless the remaining term of office of the said director is less than two months. The resolution of the Board of Directors shall be by a vote of not less than three-fourths of the number of directors remaining. The substitute director shall hold office only for the remaining term of office of the director whom he or she replaces.

Assignment of Executive Power to the Managing Director and President & CEO

The Board of Directors' Meeting No.16/2005 held on 16 December 2005 passed a resolution to amend the power of attorney dated 5 July 2002 to be suitable and in accordance with the Company's operations. The power of attorney dated 16 December 2005 is based on the same principle as the previous power of attorney which authorized the Managing Director (currently, the President and Chief Executive Officer) to conduct and manage the Company's operation, to specify the value of transactions which the Company's officer may be authorized to approve and to consider and approve the operations of each department of the Company.

However, the President & CEO is not authorized to approve connected transactions, the acquisition or disposition of important assets of the Company, and/or any transaction which the President & CEO or any person has an interest or has a conflict of interest in, the said transactions are required to receive approval from the Audit Committee and/or the Board of Directors, and/or the Shareholders' Meeting as the case may be.

Further, the Board of Directors' Meeting No.15/2011 held on 6 December 2011 resolved that Mr. Rathian Srimongkol be appointed as the President & CEO in place of Mr. Niwatt Chittalarn, who retired on 31 December 2011 for the term his service remain. The Board of Directors' Meeting No.1/2012, later on, resolved that Mr. Rathian Srimongkol be appointed as a director replacing a vacancy for the term Mr. Niwatt Chittalarn remained as a director.

As of 31 December 2012 resolved to amend the authorized signatories to be directors comprised of seven persons as follows:

1. Mrs. Kittiya Todhanakasem
2. Mr. Akarat Na Ranong
3. Mr.Suvit Maesincee
4. Mrs. Sripabha Pringpong
5. Mrs. Pantip Sripimol
6. Mrs. Arunporn Limskul
7. Mr. Rathian Srimongkol

Signing Conditions: two of directors can sign and affix the Company's seal

The Company prepared the Power of Attorney dated 4 January 2012 to reflect the abovementioned amendments of the authorized signatories. The Power of Attorney incorporates the same principles, contents and main points as the Power of Attorney dated 16 December 2005 in all respects.

Independent Director

As at 31 December 2012, the Company has three Independent Directors i.e. Mr. Akarat Na Ranong, Mr. Suvit Maesincee and Mrs. Pantip Sripimol. The Board of Directors' Meeting No.10 held on 20 April 2012 resolved to appoint Mrs. Pantip Sripimol as director and independent director and Audit Committee.

Independence of the Independent Directors

- Being capable of performing duties and giving opinions on the Company's operations.
- Hold totally not more than 1% of the number of shares with voting rights in the Company (paid-up capital), or any subsidiary, associated company, or any juristic person possibly possessing a conflict of interest including shares held by related persons;
- Is not and has not been a director participating in management of the Company, or an employee or an officer of the Company, or an advisor of the Company receiving a regular salary from the Company, a person having controlling power over the Company or the Company's parent company, subsidiary, or any associated company, or any juristic person possibly possessing a conflict of interest (if any);
- Is not related either through blood or lineage or legal registration as a father, mother, spouse, sibling or child, including as a spouse of a child of any member of management or major shareholder of the Company or the Company's subsidiary, or of any person having power to control the Company or the Company's subsidiary, or of the person nominated to hold a management role or a person having power to control the Company or the Company's subsidiary (if any);
- Is not and has not had any business relationship with the Company or the Company's parent company, subsidiary, associated company, or any juristic person possibly possessing a conflict of interest in the manner in which his/her independent discretion might be affected, e.g. being a professional service provider or having numerous related party transactions with special conditions different from other clients, receiving

financial support from the Company or being a major shareholder or being a person with power to control a professional service provider;

- Is not a director appointed as a representative of a director of the Company, a representative of a major shareholder of the Company, or a representative of a shareholder of the Company which is a related person of the major shareholder of the Company;
- Is not a director appointed by the Board of Directors to make decisions on the operations of the Company, the Company's parent company, subsidiary, associated company, or a subsidiary of another company at the same level as the Company, or any juristic person possibly possessing a conflict of interest;
- Is not a director of the Company's parent company, subsidiary, or a subsidiary of another company at the same level as the Company which is a public company limited.
- Does not have any characteristics by which his/her independent comment or opinion on the Company's operation may be affected.

Audit Committee

As at 31 December 2012, the Audit Committee comprises three members as follows:

Name	Position
1. Mr. Akarat Na Ranong	Chairperson of Audit Committee
2. Mr. Suvit Maesincee	Audit Committee Member
3. Ms. Pantip Sripimol	Audit Committee Member

The Audit Committee is independent and all of the directors in the Audit Committee have passed either one of the training programs held by the Thai Institution of Directors (IOD) i.e. Audit Committee Program, Finance for Non-Finance Director Program, Director Certification Program, Role of the Compensation Committee Program or Director Accreditation Program. Also, Mr. Akarat Na Ranong is an audit director who has knowledge and experience in conducting review of the credibility of the Company's financial statements.

Duties of Audit Committee

1. Review the Company's financial reporting processes to ensure that they are accurate and adequate;
2. Review the Company's internal control system and internal audit system to ensure that they are suitable and efficient;
3. Review the Company's operation to comply with the Securities and Exchange Act, the Stock Exchange of Thailand's regulation and the law relating to the Company's Business;
4. Consider, select and nominate independent persons to be the Company's auditor, and to propose such person's remuneration, as well as to attend a non-management meeting with an auditor at least once a year;
5. Consider and review Connected Transactions, or the transactions that may lead to conflict of interest, to ensure that they are in compliance with the laws and the Stock Exchange's regulations, and are reasonable and for the highest benefit of the Company;
6. Prepare the corporate governance report, signed by the chairperson of the Audit Committee, and disclose in the Company's Annual Report.
7. Perform any other duty as assigned by the Board of Directors

2.2 Nominating and Remuneration Committee

As at 31 December 2012, the Nominating and Remuneration Committee comprises three members as follows:

Name	Position
1. Mrs. Kittiya Todhanakasem	Chairperson of Nominating and Remuneration Committee
2. Mr. Akarat Na Ranong	Nominating and Remuneration Committee
3. Mr. Suvit Maesincee	Nominating and Remuneration Committee

The Board of Directors of the Company approved the Charter of Rules and Procedures for the Nominating and Remuneration Committee which set out the duties of the Nominating and Remuneration Committee as follows:

1. Determine the qualifications of the Directors, Managing Directors and the Chief Executive Officer which depends on structure, size and complements as required by law, directors and/or the resolutions of the Shareholders' Meeting as the case may be;
2. Find, select and nominate qualified persons who have qualifications as described for the position of Directors, Independent Directors, Executive Directors and Chief Executive Officer and propose to the Board of Directors' or the Shareholders' Meeting as the case may be for further approval;
3. Consider criteria for the evaluation of the Board of Directors and the Chief Executive Officer's performances and propose to the Board of Directors' Meeting for further approval;
4. Propose remuneration policy, the structure for remuneration and other benefits for the Directors, Independent Directors, Executive Directors and Chief Executive Officer to the Board of Directors' Meeting or the Shareholders' Meeting as the case maybe for further approval. The said policy and structures must be appropriate and consistent with duties and responsibilities of such position, and standard used by businesses of the same nature as the Company, the Company's performance and market situation, the Board of Directors' or the Shareholders' Meeting as the case may be for further approval;

5. Ensure that the number and composition of the Directors are appropriate in accordance with the size of the organization including to propose adjustment to reflect the change of environment;
6. Perform any act related to nomination and remuneration as assigned by the Board of Directors of the Company.

2.3 Company Secretary

The Board of Directors Meeting held on 13 August 2008 resolved to appoint Mr. Peerapong Ruamjai as the Company Secretary.

1. Advise on rules, regulations and laws which the Board of Directors is required to comply with.
2. Prepare and keep the following documents:
 - A register of directors;
 - A notice calling the Board of Directors' Meeting, minutes of the Board of Directors' Meeting and Annual report of the Company; and
 - A notice calling the Shareholders' Meeting, minutes of the Shareholders' Meeting;
3. Keep records of strategic shareholders reported by a director or an executive and provide copy of the said report to the Chairman and the Chairperson of Audit Committee within 7 days of the receiving date of the report;
4. Perform any act as assigned by the Board of Directors of the Company;
5. Perform any act as required by the laws, the Securities and Exchange Commission, Capital Market Commission and/or other supervising organization.

3. Roles and Responsibilities of Board of Directors

The Board are responsible for setting policies and directions of the Company's operation by participating and approving setting the Company's vision, mission, overall strategic goal of the Company and ensure the established policy, goal and financial plan are efficiently and effectively implemented by the Management in order to increase the value of the business and safeguard the interests of the Company and shareholders including following up the Company's operations so as to ensure that the Management has complied with the law and policy.

The Board has consistently monitored the risk management and internal control of the Company. Sub-Committee has been appointed with authorities and responsibilities separately from those of the Board and the Management. (See more details in 2) Sub-Committee)

Having the best practices for a Code of Conduct and a Code of Business Conduct is a significant basic for creation of good corporate governance. The best practices on the Code of Conduct and the Code of Business Conduct are the integration of ethical behaviors with an aim to preserve and promote the Company's honor and good reputation. The Company also lays down rules and regulations for staff to perform their activities in compliance with integrity and a Code of Business Conduct.

The Company recognizes an importance of good internal control at both Management and Operation levels. Environment or factors are set up for motivation all staffs to recognize this importance. This helps the Company reach the targeted good internal control system. Internal Control Department, which reports directly to the Audit Committee, has been set up to be responsible for this matter. This department is the main driver to promote, review and to ensure that the system is appropriate and effective. The efficiency of the internal control system is reviewed and adjusted on a continual basis to reduce operational risks. At the same time, the recommendations or opinions from external auditor are considered in order to develop the system with more effectiveness. The Company is confident that its internal control system is adequate enough to prevent its properties from any possible damages.

4. Board of Directors' Meeting

The Board organizes the Board of Directors' Meeting with a consistent basis; however, the extra meetings may be held; if needed. Many agenda are included in the meeting such as the reviewing of the quarterly financial statements, the monitoring the progress of any project and the consideration of the Company's policy and the operating results.

In 2012, the Board organized 13 meetings, the Audit Committee organized 8 meetings, and 7 Nominating and Remuneration Committee Meetings with details as follows;

Name	Audit Committee's Meeting Total 8 Meetings	Board of Directors' Meeting Total 13 Meetings	Nominating and Remuneration Committee Total 7 Meetings
1. Mrs. Kittiya Todhanakasem	12/13	-	7/7
2. Mr. Akarat Na Ranong	12/13	7/8	7/7
3. Mr. Suwit Maesincee	11/13	5/5	6/7
4. Mrs. Sriprabha Pringpong	10/13	-	-
5. Ms. Pantip Sripimol	8/9	4/5	-
6. Mrs. Arunporn Limskul	8/9	-	-
7. Mr. Rathian Srimongkol	12/13	-	-
8. Mr. Pongsathorn Siriyodhin	7/10	-	-
9. Ms. Pimpen Ladpli	2/4	2/3	-
10. Mr. Suwit Mapaisansin	4/4	3/3	-

5. Board of Directors – Remuneration

With the appropriate policy of the remuneration for the Board of Directors, and Sub-Committee, the Nominating and Remuneration Committee is responsible for proposing that appropriate level and asking for the resolution from the Shareholders' Meeting. In the Shareholders' Meeting No.10 on April 20, 2012, the Shareholders have passed the resolution to approve the remuneration for each director.

Remuneration of the Board of Directors

The total remuneration of the 10 directors for the year 2012 amount Baht 3,386,500 includes the remuneration of Mr.Rathian Srimongkol as a director. The total remuneration of Executives for the year 2012 is Baht 101,598,408. Thus, the total remuneration of the Board of Directors and Executives amount Baht 104,984,908 with details as follows;

Name	Position	Remuneration Year 2012 Baht	Bonus Year 2012 Baht
1. Mrs. Kittiya Todhanakasem	Chairman / Chairperson of Nominating and Remuneration Committee	505,000	-
2. Mr. Akarat Na Ranong	Independent Director / Chairperson of Audit Committee / Nominating and Remuneration Committee Member	722,000	-
3. Mr. Suvit Maesincee	Independent Director / Audit Committee / Nominating and Remuneration Committee Member	602,000	-
4. Mrs. Sriprabha Pringpong	Director	240,000	-
5. Ms. Pantip Sripimol	Independent Director / Audit Committee	330,000	-
6. Mrs. Arunporn Limskul	Director	160,000	-
7. Mr. Rathian Srimongkol	Director	250,000	-
8. Mr. Pongsathorn Siriyodhin	Chairman	237,500	-
9. Ms. Pimpen Ladpli	Director / Audit Committee / Nominating and Remuneration Committee	160,000	-
10. Mr. Suvit Mapaisansin	Director / Chairperson of Audit Committee	180,000	-

Remuneration of Executive

The total remuneration of the 10 directors for the year 2012 amount Baht 3,386,500 includes the remuneration of Mr.Rathian Srimongkol as a director. The total remuneration of Executives for the year 2012 is Baht 101,598,408. Thus, the total remuneration of the Board of Directors and Executives amount Baht 104,984,908 with details as follows;

Remuneration	Year 2012	
	Persons	Remuneration ⁽²⁾ Baht
Salary ⁽¹⁾	15	84,951,659
Bonus	15	6,954,849
Provident Fund	15	5,095,900
Long-term management remuneration for the post employment benefit ⁽³⁾	15	4,596,000
Total		101,598,408

1) Remuneration for executive does not include remunerations for Mr. Rathian Srimongkol as director of the Company.

(2) Remuneration for executive includes remunerations for Mr. Woravut Nisapakulthorn who resigned on May 2012.

(3) Long term Management Remuneration for Executive means evaluation of benefits for each executive by evaluating the current value of cash flow expected to be paid in the future in accordance with Thai Accounting Standards No.19 (TAS19) Re: Employee Benefits, which the Company has applied since 1 January 2011. The Company recognized costs for employee benefits as employee related costs in the Profit and Loss Statements.

6. Board of Directors - Self Assessment

Even though, all directors are highly qualified persons with knowledge, ability and best understanding in the business, they still continuously monitor its operation such as strategic policy and business plan, risk management and internal control, conflicts of interests, and financial reports and operating result to ensure that the operation has no default.

7. Board of Directors and Managements Training

The Board of Directors consists of persons with various qualifications, who all have skills, experience and expertise that are useful to the company. To generate more efficiency to the Company, the Boards of Directors normally encourage and facilitate trainings for all internal parties related to Corporate Governance, such as the Good Corporate Governance Program and the Audit Committee Program.

Having high qualified Management, the President & CEO shall authorize one of them to operate the business while he is on duty aboard such as business trip. However, this delegation shall be limited with the appropriate level to the current situation of the Company.

■ Corporate Governance

Along with the corporate governance policy, which has been classified into 5 categories, and the best practice for directors of listed companies issued by the Stock Exchange of Thailand (“SET”) and the Securities and Exchange Commission (“SEC”), the Company’s Board of Directors (“the Board”) recognizes the significance of the policy and complies with those five categories. Details are as follows:

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1. Rights of Shareholders

The Company formulates the corporate governance policy to ensure that the Company operates its business with ethics, transparency and accountability; the main drivers leading the Company to have sustainable growth.

The Company intends to comply with the corporate governance policy set by the government and the official agencies supervising the Company and to comply with other corporate governance standard considered to be applicable to the Company.

Regarding to an importance of right of shareholders, the Company treats all shareholders equally by posting the agenda of the Shareholders’ Meeting with supported information on the Company’s website. Moreover, the Company allows all shareholders to send us their queries with regard to those agenda before the scheduled meeting.

An invitation letter and supported document for the Annual General Shareholder’s Meeting are sent out to shareholders in advance. The Company encourages all shareholders to participate the meeting and exercise their rights in inquiring the Board and submitting suggestions, generating the great benefit to the Management and the Company. The Minutes of Meeting is recorded and filed for further inspection with integrity.

In the Shareholders’ Meetings, all directors, including Audit Committee, are required to attend every meeting with the exception of the one who are otherwise engaged. The Chairman of the meeting grants equal opportunities

and times to all shareholders to exercise their rights regarding to the verification of operation, submission of inquiries, comments and recommendations, all of which are reported in the Minutes of Meetings

2. Equal Treatment to Shareholders

The Company treats all shareholders; Managements, Non-Managements, foreign shareholders and minority shareholders, equally. Furthermore, the Company sets the policy of inside information control that does not allow managements, staffs and related persons to use inside information for their own benefits or to distribute the information to outsiders. However, the Company has not seen the usage of inside information of any management, staffs or related person for their own benefits.

The Company prevents and manages conflicts of interest through equitable information disclosure, maintenance of confidential information, refusal to operate any task or any suitable measure to each circumstance. Along with the policy to prevent the use of inside information of the Managements for their own benefits, KTC defines the policy and approval process on conflicts of interest transactions and connected transactions. Regarding to Section 59 of the Securities and Exchange Act B.E. 2535, all Directors and Managements are required to submit the report of changes in securities holding to the SEC, which are regularly reported in the Board of Directors' Meetings. Transactions generating interests to Directors and Managements are also reported to the Board of Directors' Meetings.

The Company defines the policy allowing shareholders to raise agenda for the Shareholders' Meeting; however, it would be done under suitable condition, timing and related regulation. For shareholders who are unable to attend the Meetings, they are able to submit the proxy, attached in the invitation package, to delegate others, such as the Audit Committee, to attend the Meetings and exercise their rights to vote on agenda in the Meeting. On the Agenda of Director Nomination, the Company proposes shareholders to consider Directors individually. Voting cards are provided in every meeting.

3. Role of Stakeholders

All stakeholders; internal stakeholders (staffs and managements) and external stakeholders (customers, creditors and society) are significant in different practices to the Company. The Company recognizes the appropriate rights and basic benefits of all parties. Provident Fund is one of basic benefits that the Company could offer the staffs and executives for a welfare assurance. For the external stakeholders, customers for instance, customer feedback center was founded to serve their rights. The Company is aware that all stakeholders have the rights to conveniently access accurate and complete information. Therefore, the Company treats its creditors and competitors on the grounds of equality, considering that all parties affect the company's performance differently. Moreover, the Company establishes the policy to prevent default and illegal transactions of managements and related persons to the Company with facilitating to the one who informs those transactions to the Company. Along with the supporting from our stakeholders, it leads the Company to have strong competition capability and high earning to the Company, contributing successful story in the long term period.

Social Responsibilities are another important duty of the Company. The company has done a monetary contribution to Thanyaporn Home for Girl, which is the non-profit organization under Department of Social Development and Welfare, Ministry of Social Development and Human Security. The Company also submits substantial support to help people constantly, who do not have good opportunity or who encounter with the natural disaster also preserves the religion, through the Company itself or coordination with both government agencies and private agencies.

4. Disclosure and Transparency

The Company has established Investor Relations Department to treat and provide equitably information to all investors; retail investors, institutional investors, securities analysts and local and foreign fund managers. The Company organizes many activities; such as reporting quarterly Management Discussion and Analysis along

with financial statement, announcing semiannual and annual operating result for both local and foreign investors, analysts and company visits, to inform the progression and the performance of the Company and to give all of them the opportunities to inquire any question or recommendation to the Company. Furthermore, KTC submits continually required information to the SET and also posts that information on the Company's Website at www.ktc.co.th. In 2012, more than 257 investors / analysts visited the company.

The Company's Board of Directors is responsible for preparation of Financial Statements and financial information disclosed in the Company's annual report, complied with the suitable certified account standards in Thailand and disclosure sufficient information in the Notes of Financial Statements. This responsibility is done under prudent caution and best practices.

The Board has appointed the Audit Committee to be responsible for monitoring the quality of the Company's Financial Statements and Internal Control System. Regarding to these matters, the comments of the Audit Committee are reported in the Report of Audit Committee disclosed in the Annual Report.

Due to the importance of equitable treatment to all shareholders and related persons, Financial Statements, financial information and operating results of the Company are disclosed with completeness, integrity, transparency and appropriate timing in the Annual Reports and the Company's Website.

5. Responsibilities of the Board of Directors

5.1 Roles, Duties and Responsibilities of the Board of Directors

The Board of Directors are responsible for setting policies and directions of the Company's operation by participating and approving setting the Company's vision, mission, overall strategic goal of the Company and ensure the established policy, goal and financial plan are efficiently and effectively implemented by the Management in order to increase the value of the business and safeguard the interests of the Company and

shareholders including following up the Company's operations so as to ensure that the Management has complied with the law and policy.

The Board of Directors has conducted risk management and internal controls by continuously following up the Company's operation. In addition, the Board of Directors has set up the Sub-committees whose powers and duties are clearly separated from the Board of Directors and the Management. (Please see the details in Corporate Management, 2) Sub-Committees and 3) Roles and Responsibilities of Board of Directors)

Business ethics have been established as important fundamentals for corporate governance. The Company's business ethics are a code of good behavior which maintain and support the Company's reputation. The Company has established regulations regarding working with honesty and business ethics.

5.2 The Board of Directors' Meeting

The Board of Directors shall hold the Board of Directors Meeting and hold the extraordinary meeting when necessary. The important agenda items are; to consider the Company's financial statements quarterly, to follow up with the Company's improvement projects, to consider important policies and to follow up the Company's performance. The President and CEO's office shall prepare an invitation to the meeting including agendas and supporting documents for the Directors to review at least 7 days prior to the meeting in order to allow the Directors to consider and study the agenda items and supporting documents. Moreover, the Sub-committee's meeting shall be held and the Minutes of Meeting must be recorded.

Each meeting is recorded and the Minutes of Meeting are prepared and the draft of the minutes is proposed to the Board of Directors to be adopted at the next meeting. The minutes of the Board of Directors' which have been adopted by the Board of Directors will be kept for further audit by the Board of Directors and relevant organizations. In 2012, there were 16 Board of Directors' Meetings and 7 Audit Committee's Meetings. (Please see the details in Corporate Management, 4) Board of Directors' Meeting)

5.3 Board of Directors - Remuneration

With the appropriate policy of the remuneration for the Board of Directors, and Sub-Committee, the Nomination and Remuneration Committee is responsible for proposing that appropriate level and asking for the resolution from the Shareholders' Meeting. In the Shareholders' Meeting No.10 on April 20, 2012, the Shareholders have passed the resolution to approve the remuneration and special remuneration and authorized the Nomination and Remuneration Committee to have the power to appropriate a sum of money to each director. (Please see the details in Corporate Management, 5) Board of Directors – Remuneration)

5.4 Board of Directors - Self Assessment

Even though, all directors are highly qualified persons with knowledge, ability and best understanding in the business, they still continuously monitor its operation such as strategic policy and business plan, risk management and internal control, conflicts of interests, and financial reports and operating result to ensure that the operation has no default.

5.5 Board of Directors and Managements Training

The Board of Directors consists of persons with various qualifications, who all have skills, experience and expertise that are useful to the Company. To generate more efficiency to the Company, the Boards of Directors normally encourage and facilitate trainings for all internal parties related to Corporate Governance, such as the Good Corporate Governance Program and the Audit Committee Program.

Having high qualified Management, the President & CEO shall authorize one of them to operate the business while he is on duty aboard such as business trip. However, this delegation shall be limited with the appropriate level to the current situation of the Company.

■ Supervision of Inside Information Usage

KTC places an importance on dissemination of transparent information to all parties including institutional investors, analysts, and local & foreign investors, who are subject to receiving information on an equality and fair basis. It is the Company's policy to provide information to outsiders includes the designation of a person who is assigned to acknowledge accurate specific information for investors. The Company also supervises the use of inside information in terms that the material information which significantly has an impact towards the operational performance shall not be revealed to the public. Such information will be disclosed only to the limited groups of people.

Besides determining directors, executives and employees to sign in the agreements for keeping a secret issue and/or the inside corporate information, KTC has also set a means to control them not to use the Company's inside information for their own benefits by defining penalties for those who violate the regulations.

■ Internal Control

Audit Committee has supervised and monitored the operations of Internal Audit Department on a report of supervision by the Audit Committee submitted to the Board of Directors' Meeting on a consistency basis. An evaluation of sufficiency for the internal control system can be concluded as follows:

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1. Organization and Environment

The Committee views that KTC has prudently set its operational targets with organization structure which is appropriated for business undertakings. Moreover, it has also set up rules on actions against the company's interests and penalty procedures for those who violate the rules.

2. Risk Management

KTC has considered its problems and risks and sought guidelines, remedial measures to control and reduce risks. KTC has prepared a "Best Practices on Corporate Governance" manual and appointed by preparing a manual concerning best practices on corporate governance. Meanwhile, the Internal Audit Unit Department has been established to carry out the auditing process and submit the audit results to the Audit Committee on a quarterly basis.

3. Administration Control for Executives

KTC has apparently formulated the scope of authority for each level of the executives and determined strict measures in considering actions, activities related to major shareholders, directors, executives or any persons related with these persons on ground of maximum benefit of the company. The approval for such activities must obtain discretion from the Audit Committee and/or the Board of Directors as the case may be.

4. Information System and Communication

KTC provides adequate information for decision making of the Board of Directors and put in place filing system with complete, categorized and reliable documents. KTC also applies the accounting policy in accordance with the accounting principles generally accepted and appropriate with its nature of business.

5. Monitoring System

KTC always compare between the business targets and the actual performance on a consistency basis and presents the report to the Board of Directors. Moreover, KTC also implements the internal audit process of which the results will be reported directly to the Audit Committee.

■ Dividend Payment Policy

The Shareholders' meeting no.1/2003 approved the dividend payment policy to not less than 40 percent of net profit after deduction of income tax and appropriation for a legal reserve.

The Shareholders' meeting no.7/2009 and no.8/2010 approved the non-distribution of dividends for 2008's and 2009's operating results, correspondingly, and for the operation result in 2010, the paid out dividend was THB 0.45 per 1 ordinary share or equivalent to 51.8% of net profit.

The Shareholders' meeting no.10/2012 approved the non-distribution of dividends for 2011 operating results.

Human Resource

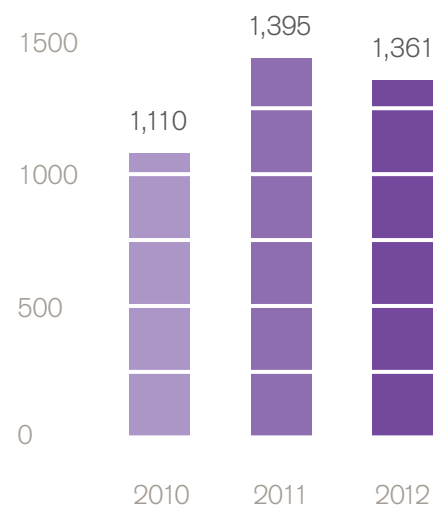
Personnel

As of December 31, 2012, KTC recorded a number of 1,361 employees, -2.4% less than last year. Total remuneration consists of Executives remuneration and personnel expense which include salary, bonus and contributed provident fund. The total amount is Baht 1,169.5 million, increasing 18% from the previous year.

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Workforce Statistics

Number of Employee



Growth Rate



Recruitment and Motivation

KTC has a policy to recruit staff concerning on necessity and appropriated. New employees, who will be hired by the company, are strongly required to possess appropriate qualifications, suitable experiences, and essential sets of skills for the jobs. KTC will primarily place a great emphasis on an internal recruitment and training in case that there is an opening position. Internal recruitment and promotion will not only help the staffs, who familiar with the company's operations and procedures, to build their motivation and enthusiasm at work, but will also encourage them to stay longer by providing a reasonable compensation comparing to others in the same industry. Besides, KTC has considerably provided a friendly, at the same time, relaxed working environment; thus, this would unquestionably enhance and maximise effectiveness of the staffs. Eventually, if KTC could not internally find any staffs, the company would then have to continue the process by start recruiting the staffs externally.

Human Resource Development

KTC puts high priority on continuous development of the employee's ability, skills, and attitude which include core competency, functional, and managerial/leadership competencies. With respect to functional trainings, various training courses will be arranged by internal lecturers or by sending the staffs out to attend seminar programs. For example, those organized consistently by VISA, MasterCard, and JCB or Credit Card Business Club. KTC arranges both on-the-job training and functional training for the staffs. For on-the-job training, senior staffs will give advices and recommendations to junior staffs (Coaching) on every single step throughout the whole process. KTC encourages the staffs to learn and share ideas with their colleagues and management following the concept of "Learning Organization". According to the concept, KTC's staffs are persuaded to be given both local and international trainings and they are also supported to be self-development by e-learning.

In addition, KTC has been initiating Learn & Earn @ KTC for nine consecutive years. It is a long-term program with an objective to uphold university students who wish to explore their experiences rather than learning from their class schedules alone. In this connection, KTC carefully offers the Learn & Earn employees to practice in appropriate positions relating to their skills and knowledge in order to get them ready as a first-job worker. For those, who have an outstanding performance and education record will be awarded in “Learn & Earn Top Performance Awards”.

With the purpose of developing staffs’ abilities and improving their operational efficiencies, KTC pays attention on creating a network of knowledge within an organization by initiating a program called “KTC Knowledge Sharing”. With some help from in-house professional speakers, the topics of the program focus not only on related business content but also non-related business content which can be divided into the following categories: management, marketing, Information Technology, finance and accounting, health and safety, etc.

For all these years, KTC has been developing not only professional skill and knowledge of the staffs but also the spiritual and mentality development through a programme called “Larn Dham KTC” (Dhamma Square); as a result, the programme has been successfully welcomed and joined by a huge number of employees as initially expected.

Human Resource System Development

In order to advance the quality and standard of internal operation, KTC has established a policy and appointed a supporting unit in Human Resources Department to officially issue Standard Operating Procedure (SOP) and Key Performance Index (KPI).

Apart from this, KTC also significantly places a great emphasis on Human Resources Information System (HRIS), ranging from job application and selection, internal job transfer, recording time sheet, recording

working hours, recording over-time, performance evaluation, taking all type of leave, training authorization, personal data recording, booking office's facility (e.g. meeting room, training room) and data processing and analysis.

Compensation and Benefit Guideline

KTC always take into account justice and fairness when conducting a job evaluation since it is considered a part of good corporate governance. By improving the reporting of feedback not only will it help those being evaluated know the result of the assessments, but also what needs to be improved. Besides, there is also a preparation of job evaluations together with the company's advisors, a measurement of employees' satisfaction etc.

Human Rights Recognition

KTC has an obvious policy stating that it will never get involved with violation of human rights starting from recruitment and selection of personnel. KTC will not hire any minor under the age of 15 under any circumstances: full-time or part-time, and paid or without-pay. Staffs will not be physically, mentally, sexually, or verbally barricaded, discriminated, and threatened. This includes, accepting differences and giving the freedom of expression, for instance, dress, speech, opinion. Moreover, there will be activities without discrimination and a person who will be held responsible on each floor. Additionally, the environment in the workplace will be eligible for job execution as lighting, clean drinking water, a place to relax and talk to each other informally, a clean bathroom, annual emergency training plan for the safety of employees, an emergency telephone number, and Call Tree communication systems with the respective chain of command, will always be available and ready in place.

■ Legislations Applicable to Business Operations of the Company

The Ministry of Finance issued a Notification operation of credit card services and personal loans under the Notification of Revolutionary Council No. 58 and authorized the Bank of Thailand (the “BOT”) to supervise by announcing the Notifications specifying the requirements and regulations for such business, including stipulating rates of interest and fees chargeable to customers and the qualifications of credit card holders and personal loan clients. The Company granted approval for conducting credit card services and personal loans under supervision, together with approval for electronic payment services providers under the Royal Decree Regulating of Electronic Payment Services B.E. 2551 (2008) and the Electronics Transaction Commission and the BOT as the control and supervision division regarding the requirements and regulations for such business. The Company has strictly complied with the notifications, rules and regulations which have been announced and if there is any new regulation in the future, the Company will comply with it.

Apart from the notifications of the BOT and of the Electronics Transaction Commission as mentioned earlier, the Company is also required to comply with other regulations relevant to the Company's business e.g. Credit Information Business Act B.E. 2545 (2002), Consumer Protection Act B.E. 2522 (1979), Unfair Contract Terms Act B.E. 2540 (1997), Anti-Money Laundering Act B.E. 2542 (1999) etc. The Company confidentially believes that all the regulations related to the business of the Company have been followed correctly.

Moreover, the Company's business may be controlled and supervised by governmental agencies or other organizations which may announce rules, regulations, conditions, procedures and/or criteria to control and supervise the business of the Company. As a result of that, the Company may be required to adjust the operation of the Company in the future. However, the Company believes that it will be able to follow the said rules, regulations, conditions, procedures and/or criteria.

■ Connected Transactions

For the year ended 31 December 2012, the Company entered into related party transactions with the related parties i.e. Krung Thai Bank Public Company Limited, Krung Thai Computer Services Co., Ltd., Krung Thai General Business Services Co., Ltd., Krung Thai Asset Management Public Company Limited, Krung Thai Panich Insurance Public Company Limited, KT ZMICO Securities Co., Ltd. and Krung Thai Leasing Co., Ltd. Details of the related party transactions are provided as follows:

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Related Parties	Relationship	Type and Size of Transaction
Krung Thai Bank Public Company Limited	Krung Thai Bank Public Company Limited holds 49.45% of issued shares in the Company	“Credit Card Business Administrative Service Agreement” in which Krung Thai Bank hired the Company to administrate the part of Krung Thai Bank’s credit card business for a period of 15 years from 1 July 2002. However, the Board of Directors of the Company Meeting No.7/2007 held on 15 June 2007 passed a resolution to end the provision of administrative services for Krung Thai Visa Electron debit card and the Company ceased providing the service and ceased revenue recognition as of 1 April 2007.

Krung Thai Bank Public Company Limited	Krung Thai Bank Public Company Limited holds 49.45% of issued shares in the Company	“Back Office Service Agreement” Krung Thai Bank provides back office services (including the services provided by Krung Thai Bank and/or other companies) for a period of 15 years from 1 July 2002. As of 31 December 2012, the Company has a trade account payable under this agreement of Baht 26.0 million.
Krung Thai Bank Public Company Limited	Krung Thai Bank Public Company Limited holds 49.45% of issued shares in the Company	The Company entered into the Overdraft Agreement with Krung Thai Bank for a loan of Baht 30 million ⁽¹⁾ for working capital. The Company will pay interest monthly within the date of account closing at the end of each month to Krung Thai Bank at the interest rate of Overdraft Facilities for Corporate Customers in Good Standing (Minimum Overdraft Rate:MOR). As of 31 December 2012, the Company has not drawn down money from this loan agreement.

(1) As of 31 December 2012, the Company has no accrued interest under the loan from Krung Thai Bank Public Company Limited

Krung Thai Bank Public Company Limited	Krung Thai Bank Public Company Limited holds 49.45% of issued shares in the Company	The Company was approved a loan amount of Baht 17 billion ⁽²⁾ for transactions and working capital for expansion of the Company with the benchmark interest rate in financial market determined by Krung Thai Bank. As of 31 December 2012, the Company does not have outstanding debt under this this loan agreement.
Krung Thai Bank Public Company Limited	Krung Thai Bank Public Company Limited holds 49.45% of issued shares in the Company	The Company entered into the Call Loan Agreement in the amount not exceeding Baht 1 billion with Krung Thai Bank which is payable on demand or within 3 months in order to increase liquidity of the Company. The Company agrees to pay interest at the rate as indicated in a promissory note. As of 31 December 2012, the Company does not have outstanding debt under this this loan agreement.
Krung Thai Bank Public Company Limited	Krung Thai Bank Public Company Limited holds 49.45% of issued shares in the Company	The Company has a loan through a bill of exchange with Krung Thai Bank as of 31 December 2012 for Baht 173.58 million. The said bill of exchange shall not be an integral part of the Baht 18.03 billion loan amount granted by Krung Thai Bank.

(2) As of 31 December 2012, the Company has no accrued interest under the loan from Krung Thai Bank Public Company Limited

Krung Thai Bank Public Company Limited	Krung Thai Bank Public Company Limited holds 49.45% of issued shares in the Company	As of 31 December 2012, the Company has a trade account in the amount of Baht 826.4 million payable from transactions of collecting money from clients and receiving money from merchants including other transactions regarding settlement of credit cards which is the ordinary course of business of the Company.
Krung Thai Bank Public Company Limited	Krung Thai Bank Public Company Limited holds 49.45% of issued shares in the Company	The Company has a trade account of Baht 0.2 million as of 31 December 2012 payable from the transaction in which the Company has hired Krung Thai Bank to count and deposit money to the Company's savings account.
Krung Thai Bank Public Company Limited	Krung Thai Bank Public Company Limited holds 49.45% of issued shares in the Company	The Company has trade account of Baht 1.5 million as of 31 December 2012 payable from the transaction where the Company has held a marketing promotion with Krung Thai Bank on the "KTB Forever Smile Fixed Deposit" Project.

Krung Thai Bank Public Company Limited	Krung Thai Bank Public Company Limited holds 49.45% of issued shares in the Company	The Company has a trade account of Baht 1.0 million as of 31 December 2012 payable from the transaction in which the Company has used the Fleet Card service provided by Krung Thai Bank.
Krung Thai Computer Services Co., Ltd.	Krung Thai Bank Public Company Limited holds 100% of issued shares	The Company has trade account of Baht 1.2 million as of 31 December 2012 payable from the transaction in which the Company has hired Krung Thai Computer Services Co., Ltd. to develop, repair and maintain the operating and IT system for KTC Touch and from the lease of the office space of Krung Thai Computer Services Co., Ltd.
Krung Thai Computer Services Co., Ltd.	Krung Thai Bank Public Company Limited holds 100% of issued shares	The Company provides services consultancy and conducts working system processing along with other receivables from the transaction in which the Company provides the service of a developing payment system for Krung Thai Computer Services Co., Ltd. as of 31 December 2012 of Baht 11.4 million.

Krung Thai General Business Services Co., Ltd.	Krung Thai Bank Public Company Limited holds 100% of issued shares	The Company has a trade account of Baht 0.9 million as of 31 December 2012 payable from the transaction in which the Company has hired Krung Thai General Business Services Co., Ltd. to receive-deliver cash and/or other assets.
Krung Thai Asset Management Public Company Limited	Krung Thai Bank Public Company Limited holds 100% of issued shares	The Company has other receivables of Baht 5.2 million from transactions where the Company has provided monthly payment services for RMF and LTF unit trust of Krung Thai Asset Management Public Company Limited via automatic account and payment through automatic card machines as of 31 December 2012.
Krung Thai Panich Insurance Public Company Limited	Krung Thai Bank Public Company Limited holds 20% of issued shares	The Company has receivables of Baht 2.7 million from the transactions which the Company provides services of database management and operates the project on allocation and provision of benefits in accordance with the offering of non-life insurance and car insurance of Krung Thai Panich Insurance Public Company Limited as of 31 December 2012.

Krung Thai Panich Insurance Public Company Limited	Krung Thai Bank Public Company Limited holds 20% of issued shares	The Company issued promissory notes to Krung Thai Panich Insurance Public Company Limited on 31 December 2012 in the amount of Baht 200 million.
KT ZMICO Securities Co., Ltd.	Krung Thai Bank Public Company Limited holds 50% of issued shares	The Company issued a bill of exchange to KT ZMICO Securities Co., Ltd. as of 31 December 2012 of Baht 242.7 million.
Krung Thai Leasing Co., Ltd	Krung Thai Bank Public Company Limited holds 100% of issued shares	The Company has accrued expenses of Baht 0.01 million from leasing cars from Krung Thai Leasing Co., Ltd. for use in the Company's business as of 31 December 2012.

Details of Connected Transactions

The Company discloses related transactions with parties who are related to the Company i.e. companies which are under the same control as the Company through shareholdings and/or common directors. Details of Related Party Transactions are shown in the Notes to Financial Statements Clause 23 regarding related transactions for the year ended 31 December 2012, audited by Deloitte Touche Tohmutsu Jaiyos Audit Co., Ltd. Related parties to the Company are Krung Thai Bank Public Company Limited, Krung Thai Computer Services Co., Ltd., Krung Thai General Business Services Co., Ltd., Krung Thai Asset Management Public Company Limited, Krung Thai Panich Insurance Public Company Limited, KT ZMICO Securities Co., Ltd. and Krung Thai Leasing Co., Ltd. Details of the related parties transactions are provided as follows:

1. Credit Card Business Administrative Service Agreement dated 26 June 2002

This agreement was entered into between the Company and Krung Thai Bank in order to replace the Business Administrative Service Agreement dated 1 January 1998. Krung Thai Bank has hired the Company to administrate the part of Krung Thai Bank's credit card business that was not transferred from Krung Thai Bank to the Company i.e. Visa Electron Debit Card ("VE") and other plastic card businesses, which Krung Thai Bank was willing to conduct after 30 June 2002. The Company agreed to provide services to Krung Thai Bank for the period of 15 years from 1 July 2002. According to the conditions of the Agreement, the administrative service fee for the first three years was put in place in advance and was based on the actual service fee but not exceeding Baht 20 million per year. Both parties would reconsider the administrative service fee every three years to reflect market price at that time.

Afterwards, the Amendment of Credit Card Business Administrative Service Agreement was executed in order to amend the administrative service fees according to the quantity of transactions. Other fees would be charged based on actual expenses plus the service fees which were already agreed upon. The service fees between the Company and Krung Thai Bank are based on market price and conditions in the ordinary course of the Company's business. Under the agreement, Krung Thai Bank agreed to only hire the Company.

However, the Board of Directors of the Company Meeting No.7/2007 held on 15 June 2007 passed a resolution to end the provision of administrative services for VE under the Credit Card Business Administrative Service Agreement with Krung Thai Bank. Both parties agreed to terminate the administrative services for VE, which was a part of the services under the Credit Card Business Administrative Service Agreement from 1 April 2007. Remaining terms and conditions are still effective.

2. Back Office Services Agreement dated 26 June 2002

According to this agreement, Krung Thai Bank agreed to provide Back Office Services (including the services provided by Krung Thai Bank and/or its subsidiaries), which included Back Office Services related to card membership and information systems, for the period of 15 years from 1 July 2002.

Amendment of the Back Office Services Agreement was executed in August 2008 amending the fee for Back Office Services relating to system work during July - December 2008 to be at the rate of Baht 40.6 million and for the period of 1 January 2009 - 30 June 2011 to be at the rate of Baht 140.8 million per year. This agreement was executed for the forth time in 1 July 2009 amending the fee for Back Office Services relating to system work during 1 July 2009 - 30 June 2010 to be at rate of Baht 36.7 million per year and the fifth time in 1 July 2010 amending the fee for Back Office Services relating to system work during 1 July 2010 - 30 June 2011 to be at rate of Baht 4.0 million per year. Amendment of this agreement was executed for the sixth time on 4 January 2013 amending the fee for work during 1 July 2011 - 30 June 2012 to be at rate of Baht 4.0 million per year. The fee for other parts of Back Office services will be charged at different rates depending on the quantity of transactions. The service fee between the Company and Krung Thai Bank is based on market price and the conditions in the ordinary course of the Company's business.

According to the agreement, the Company has the right to terminate the agreement prior to the end of the 15 year term if Krung Thai Bank breaches the agreement and/or does not comply with the agreement and does not remedy the breach or failure within 90 days after having received notice from the Company. Krung Thai Bank also has the right to terminate the agreement if the Company fails to make two consecutive payments of the service fee.

3. Loan Agreement

The Company entered into a Loan Agreement with Krung Thai Bank, for a loan of Baht 18 billion, consisting of a Term Loan of Baht 17 billion payable within 30 days and the Call Loan not exceeding Baht 1 billion which is payable on demand or within 3 months. Moreover, Krung Thai Bank approved the provision of the Overdraft Loan of Baht 30 million to the Company. As of 31 December 2012, the Company has not drawn down money from this loan agreement.

4. Memorandum on Debit Debtors' Account for Payment of Debt

The Company used the payment services for products/services from debtors or other persons having savings account with Krung Thai Bank or its branches and agreed to pay prices of products or services to the Company. Krung Thai Bank shall debit from debtors' savings accounts and transfer such amount to the Company's savings account. The Service Fee between the Company and Krung Thai Bank is in line with the normal rate, and the terms and conditions of the hire are in the normal course of business as would be used with other parties.

5. Counting and Depositing Money Agreement

The Company has hired Krung Thai Bank to money received from Krung Thai General Business Services Co., Ltd. and deposit to the Company's savings account. The term of the agreement is 1 year and renewable, each time

for another 1 year. Service fees between the Company and Krung Thai Bank are based on the scope of work and service hours. Terms and conditions of the hire are in the normal course of business as would be used with external parties.

6. Memorandum on KTB Forever Smile Fixed Deposit Project

The Company has held the marketing promotion with Krung Thai Bank to offer Krung Thai Bank's product of 3-months fixed account with a special interest rate to credit card and KTC Cash Revolve members. The period of the marketing promotion is 3 months from 19 November 2012 - 28 February 2013. In this regard, the Company agrees to pay supportive fee for marketing activities in order to increase the value of expenditure of related products.

7. Use of KTB Fleet Card

The Company has used the Fleet Card service of Krung Thai Bank for payment of petrol and other services for participating petrol stations. Fleet Card is valid for 3 years and once expired, Krung Thai Bank shall issue a renewed card valid for another 3 years. Service fees and terms and conditions of services between the Company and Krung Thai Bank are in the normal course of business as would be used with other parties.

8. Develop, Repair and Maintain the Operating and IT System and Lease Agreements

The Company has hired Krung Thai Computer Services Co., Ltd. ("KTBCS") to develop, repair and maintain the operating and IT system and lease of the office space at Bangbuathong Computer Center Building from KTBCS for the purpose of use as a reserve computer center of the Company. The term of the lease agreement is 1 year and may be renewable for another 1 year. Service fees between the Company and KTBCS are based on the scope of work and service hours. Terms and conditions of the hire are in the normal course of business as would be used with other parties.

9. Payment System Services Agreement

The Company entered into the Payment System Services Agreement (Turn-Key Basis) with Krung Thai Computer Services Co., Ltd. (“KTBCS”) in which KTBCS has provided payment system services for Krung Thai Bank. As the Company originally had a payment system, KTBCS therefore engaged the Company to improve such systems in order to be compatible with KTBCS services and be able to provide Back Office Services for customer transactions occurring from KTBCS payment services. The work under the Agreement must be completed within 180 days from 10 October 2011. Currently, the work has been handed over to KTBCS.

The Company also entered into the Services Agreement with KTBCS for Consultancy and Processing of IT operations of the Silverlake and COBAS systems in order to provide KTBCS consultancy and processing services of IT operations including leasing of relevant systems and maintenance of software and hardware necessary for the aforementioned payment systems to be provided to the customers of KTBCS. This Agreement has a service period of 1 year commencing on 21 January 2012. In the case where no termination of the Agreement occurs, the Agreement shall be renewed by entering into a new agreement for a further 1 year period.

Both agreements are related party transactions which will benefit the Company. The prices of the services under the agreements are based on the scope of work and service hours. The agreement and hiring conditions are in the normal course of business as would be used with external parties.

10. Receiving and Delivery of Cash and/or Other Assets Agreement

The Company has hired Krung Thai General Business Services Co., Ltd. (“KTBGS”), which Krung Thai Bank holds 100% of issued shares, to provide services of receiving and delivering of cash and/or other assets including changing of coins. KTBGS is a well-known service provider of armoured cash carrying cars for commercial banks and financial institutions. The term of the agreement is 4 years starting from 14 February 2009 and

renewable, each time for another 1 year. The prices of the services under the agreement are based on the scope of work and service hours. The agreement and hiring conditions are in the normal course of business as would be used with external parties.

11. Memorandum on Unit Trust Payment Services

The Company has provided Krung Thai Asset Management Public Company Limited (“KTAM”) payment service for RMF and LTF unit trusts of KTAM by debiting money from accounts of KTC credit card members on a monthly basis or on demand. The Company also has provided payment service for unit trusts via Electronic Data Capture (EDC) machines. The memorandum is effective from 4 January 2012. The prices of the services under the memorandum are based on the scope of work and service hours. The agreement and hiring conditions are in the normal course of business as would be used with external parties.

12. Agreement on Database Management and Operation of the Project on Allocation and Provision of Benefit of Non-Life Insurance and Car Insurance

The Company has provided services on database management and operations of the project on allocation and provision of benefits in accordance with the offering of non-life insurance and car insurance for KTB credit card members for Krung Thai Panich Insurance Public Company Limited (“KPI”) in order for KPI to offer car insurance and non-life insurance using KTC credit card members database in which Krung Thai Bank holds 20% of the issued shares and is the operator of the non-life insurance business. The agreement is effective from 26 September 2011 and 1 March 2012, respectively. The prices of the services under the agreement are based on the scope of work and service hours. The agreement and hiring conditions are in the normal course of business as would be used with external parties.

13. Leasing Agreement

The Company has leased cars from Krung Thai Leasing Co., Ltd., which Krung Thai Bank holds 100% of issued shares and is the operator of the financial support service i.e. hire purchase, financial lease and auto maintenance lease. The term of the agreement is 4 years from 24 October 2012 - 24 October 2016. The prices of the lease under the agreement are based on the scope of work and service hours. The agreement and hiring conditions are in the normal course of business as would be used with external parties.

14. Loans through Issuance of Promissory Note and Bill of Exchange with Related Companies

The Company has borrowed money and issued a bill of exchange and promissory note to the related companies as of 31 December 2012 as follows:

- Issued Baht 173.58 million bill of exchange to Krung Thai Bank, which holds 49.45% of issued shares in the Company;
- Issued Baht 200 million promissory note to Krung Thai Panich Insurance Public Company Limited, which Krung Thai Bank holds 20% of issued shares;
- Issued Baht 242.6 million bill of exchange to KT ZMICO Securities Co., Ltd., which holds 50% of the issued shares in the Company.

Opinion of the Audit
Committee on
the Related Party
Transactions

The Related Party Transactions have been considered and commented on by the Audit Committee, which opined that the Related Party Transactions are beneficial to the Company and are in the ordinary course of the Company's business. There are neither special conditions nor transferring of benefits between the Company and related parties. In addition, the fee rates or interest rates between the Company and the related parties are in line with normal rates or rates which would be charged to external parties.

Policies Regarding
Related Party
Transactions and
Acquisition and
Disposition of Assets
of the Company in
the Future

Pursuant to Section 89/12 of the Securities and Exchange Act B.E. 2551 (No.4) (the “**Securities and Exchange Act**”), related parties transactions are prescribed by the law as being any transaction between the Company and a director, an executive or a related person and must be approved by the shareholders’ meeting unless such transaction is categorized as an exceptional transaction e.g. a transaction with the same commercial terms as those an ordinary person would agree with any unrelated counter-party under similar circumstances, on the basis of commercial negotiations and without any dependent interest resulting from the status of the directors, executives or related persons, as the case may be, provided further that the said commercial terms have been approved by the board of directors or are in compliance with the principles approved by the board of directors.

In this regard, the Board of Directors’ Meeting of the Company held on 19 September 2008 resolved to grant in principle approval for trade agreements with related parties to ensure compliance with the said regulation namely that, “the Management may enter into any transaction or trade agreement which is considered as a related party transaction as described in the regulation on securities and exchange. A transaction or trade agreement must be on the same commercial terms as those an ordinary person would agree with any unrelated counter-party under similar circumstances, on the basis of commercial negotiation and without any dependent interest resulting from the status of the director, executive or related person (the “**Common Trade Transaction**”) including a continuing connected transaction and a future transaction. The Management may determine an outline and rule for operation and prepare a summary report of such transaction for the Audit Committee’s Meeting and the Board of Directors’ Meeting at the appropriate time”.

The entering into of the related party transaction and/or the acquisition and disposition of assets of the Company in the future shall be made in compliance with the laws on securities and exchange, the regulations of the Stock Exchange of Thailand and the principle for trade agreements with related parties approved by the Board of Directors, including any regulation in connection with the disclosure of information, connected transactions and the acquisition and disposition of assets of the Company.

If the Company enters into a transaction that may give rise to a conflict of interest, the Audit Committee will consider the justification of the transaction. If the Audit Committee is not qualified enough to consider the transaction in question, the Company will seek more specialized persons such as auditors or asset appraisers or law firms, etc. who are independent from the Company and the persons with potential conflict to comment on the transactions for consideration by the Board of Directors or the Shareholders in order to ensure that the transaction will not be considered as a transfer of benefits between the Company, related persons and/or shareholders of the Company. The Company will take into account the best interests of the shareholders, especially minority shareholders. Furthermore, any director or shareholder who has any interest in connection with such related parties transaction or acquisition or disposition of assets of the Company shall not be allowed to participate in the consideration and approval of such transaction.

■ Report of the Audit Committee

To the Shareholders

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The Audit Committee consists of three independent directors who have appropriate expertise and experiences. Chairperson does not position in any other subcommittees. Name of committee member are listed below

- | | |
|-------------------------|-------------------|
| 1. Mr. Akarat Na Ranong | Chairperson |
| 2. Dr. Suvit Maesincee | Committee members |
| 3. Ms. Pantip Sripimol | Committee members |

In addition, the Senior Vice President of Internal Audit Department serves as a secretary of the Committee.

The Committee practices its duty to comply with both Charter of Audit Committee and Best Practice Guidelines for Audit Committee. Eight Audit Committee Meetings were held in 2012. The Committee abides with its independence judgment for the best interest of the Company as well as appropriate information with completeness and transparency disclosure. External auditors were invited to attend every meeting concerning financial statements to give opinions and additional observations in order to ensure that the financial statements were conducted in accordance with the accounting standard reflecting the exact performance and status of the Company including the change of Thai Accounting Standard into International Accounting Standard. In addition, some of the meetings were particularly held without the present of management, which the auditor and the internal audit are able to contact directly to the Audit Committee.

For the most benefit to the Company, the Committee has continually reviewed and evaluated all significant risks independently by reviewing and monitoring the internal control system through the operation of Internal Audit Department and discussion with external auditors and the Company's Managements. As a matter of fact, the evaluation showed that the Company has appropriated and creditable internal control system, risk management system, business operation and financial statements.

Along with good cooperation from Managements and related persons to follow all the recommendations, the Committee is confident that the Company operates the business with good and adequate corporate governance and all staffs perform their duties with efficiency and caution, reflecting the improvement of good corporate governance of the Company throughout the year.

Signed on behalf of the Audit Committee,

A handwritten signature in black ink, appearing to read 'Akarat Na Ranong', with a horizontal line drawn underneath the signature.

(Mr. Akarat Na Ranong)
Chairperson of the Audit Committee

■ Report of the Independent Certified Public Accountants

To the Shareholders and Board of Directors
Krungthai Card Public Company Limited

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We have audited the financial statements of Krungthai Card Public Company Limited, which comprise the statement of financial position as at December 31, 2012, and the income statement, statement of comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Thai Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Thai Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also

includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Krungthai Card Public Company Limited as at December 31, 2012, and its financial performance and its cash flows for the year then ended in accordance with Thai Financial Reporting Standards.

Bangkok
February 19, 2013


(Chavala Tienpasertkij)
Certified Public Accountant (Thailand)
Registration No.4301
Deloitte Touche Tohmatsu Jaiyos Audit Co., Ltd.

Statements of Financial Position

As at December 31, 2012 and 2011

	Notes	2012 Baht	2011 Baht
Assets			
Current Assets			
Cash and cash equivalents	23	1,443,869,385	755,260,614
Long-term investment with maturity within one year	7	20,063,108	-
Trade and other receivables			
Trade accounts receivable	5	44,551,832,939	42,920,071,401
Revenue Department receivable		78,213,459	236,916,878
Other receivables	6 and 23	695,399,145	868,525,060
Total Current Assets		46,789,378,036	44,780,773,953
Non-Current Assets			
Long-term investments	7	302,676,500	230,231,312
Leasehold improvements and equipment	8	444,515,175	556,131,455
Intangible assets	9	273,811,351	463,227,762
Deferred tax assets	10	1,212,739,305	1,291,812,997
Other non-current assets		114,821,807	120,607,815
Total Non-current Assets		2,348,564,138	2,662,011,341
Total Assets		49,137,942,174	47,442,785,294

Notes to the financial statements form an integral part of these statements

Statements of Financial Position

(Continued)

As at December 31, 2012 and 2011

	Notes	2012 Baht	2011 Baht
Liabilities And Shareholders' Equity			
Current Liabilities			
Short-term loans from financial institutions			
- Related financial institutions	12 and 23	616,213,388	50,000,000
- Other financial institutions	12	10,432,313,296	8,153,707,396
Trade and other payables			
Trade accounts payable			
- Related financial institution and related parties	23	857,278,792	453,625,676
- Other companies		223,531,685	190,629,406
Accrued interest expenses		269,037,841	254,920,595
Income tax payable		237,430,934	-
Accrued expenses		313,971,803	346,027,106
Other payables	11	998,971,080	693,358,996
Current portion of long-term loans	13	2,000,000,000	2,500,000,000
Current portion of liability under finance lease contracts	14	1,765,939	6,507,056
Current portion of long-term debentures	15	10,500,000,000	9,020,000,000
Provision for reward points		2,198,000,000	1,325,000,000
Total Current Liabilities		28,648,514,758	22,993,776,231

	Notes	2012 Baht	2011 Baht
Liabilities And Shareholders' Equity (Continued)			
Non-Current Liabilities			
Long-term loans	13	2,200,000,000	2,000,000,000
Liabilities under finance lease contracts	14	-	1,144,214
Long-term debentures	15	13,000,000,000	17,500,000,000
Provision for employee benefits	16	98,300,000	86,000,000
Total Non-current Liabilities		15,298,300,000	19,587,144,214
Total Liabilities		43,946,814,758	42,580,920,445

	Notes	2012 Baht	2011 Baht
Liabilities And Shareholders' Equity (Continued)			
Shareholders' Equity			
Share Capital			
Authorized share capital			
257,833,407 ordinary shares of Baht 10.00 each		2,578,334,070	2,578,334,070
Issued and paid-up share capital			
257,833,407 ordinary shares of Baht 10.00 each, fully paid		2,578,334,070	2,578,334,070
Premium on Ordinary Shares			
Premium on ordinary shares		1,891,808,721	1,891,808,721
Retained Earnings			
Appropriated			
Legal reserve	18	185,300,000	172,500,000
Unappropriated		293,543,426	51,347,752
Other Components of Shareholders' Equity			
Total Shareholders' Equity		5,191,127,416	4,861,864,849
Total Liabilities and Shareholders' Equity		49,137,942,174	47,442,785,294

Notes to the financial statements form an integral part of these statements

Income Statements

For the years ended December 31, 2012 and 2011

	Notes	2012 Baht	2011 Baht
Interest income		5,583,185,215	5,745,794,024
Fee and service income	23	5,654,197,626	5,612,029,971
Bad debt recovered		1,192,734,450	851,322,700
Gain on exchange rate - net		71,845,086	69,189,843
Other income	23	120,269,830	219,120,610
Total Revenues		12,622,232,207	12,497,457,148
Administrative expenses	23	6,459,960,235	6,422,266,833
Management remuneration	23.3	104,984,908	119,610,165
Bad debts and doubtful accounts	5.2 and 6	3,531,332,429	5,610,893,341
Total Expenses	19	10,096,277,572	12,152,770,339

	Notes	2012 Baht	2011 Baht
Profit Before Finance Cost and Income Tax		2,525,954,635	344,686,809
Finance Costs	23	1,941,440,500	1,941,408,819
Profit (Loss) Before Income Tax		584,514,135	(1,596,722,010)
Income Tax Expense	21	329,518,461	24,496,904
Net Profit (Loss)		254,995,674	(1,621,218,914)
Basic Earnings (Loss) Per Share	Baht	0.99	(6.29)
Weighed Average Number of Ordinary Shares	Shares	257,833,407	257,833,407

Notes to the financial statements form an integral part of these statements

■ Statements of Comprehensive Income

For the years ended December 31, 2012 and 2011

	2012 Baht	2011 Baht
Net profit (loss) for the years	254,995,674	(1,621,218,914)
Other comprehensive income		
Net value gain on available-for-sale investment	74,266,893	119,462,390
Other comprehensive income for the years, net of tax	74,266,893	119,462,390
Total Comprehensive Income (Loss) for the Years	329,262,567	(1,501,756,524)

Notes to the financial statements form an integral part of these statements

Statements of Changes in Shareholders' Equity

For the years ended December 31, 2012 and 2011

	Note	Issued and- Paid-up Share Capital	Premium on Ordinary Shares	Retained Earnings		Other Components of Shareholders' Equity Revaluation Surplus on Investments	Total Shareholders' Equity
		Baht	Baht	Appropriated Legal Reserve	Unappropriated	Baht	Baht
Beginning balance							
as at January 1, 2011		2,578,334,070	1,891,808,721	172,500,000	1,788,590,484	48,411,916	6,479,645,191
Dividend paid	18	-	-	-	(116,023,818)	-	(116,023,818)
Total comprehensive loss		-	-	-	(1,621,218,914)	119,462,390	(1,501,756,524)
Ending Balance							
as at December 31, 2011		2,578,334,070	1,891,808,721	172,500,000	51,347,752	167,874,306	4,861,864,849
Beginning balance							
as at January 1, 2012		2,578,334,070	1,891,808,721	172,500,000	51,347,752	167,874,306	4,861,864,849
Legal reserve	18	-	-	12,800,000	(12,800,000)	-	-
Total comprehensive income		-	-	-	254,995,674	74,266,893	329,262,567
Ending Balance							
as at December 31, 2012		2,578,334,070	1,891,808,721	185,300,000	293,543,426	242,141,199	5,191,127,416

Notes to the financial statements form an integral part of these statements

■ Statements of Cash Flows

For the years ended December 31, 2012 and 2011

	2012 Baht	2011 Baht
Cash Flows from Operating Activities		
Income (loss) before income tax expense	584,514,135	(1,596,722,010)
Adjustments for:		
Amortization of premium on debt securities	325,320	324,431
Amortization of deferred interest expense	50,386,004	30,479,017
Bad debts and doubtful accounts	3,531,332,429	5,610,893,341
Depreciation and amortization	254,146,211	275,602,197
Loss from disposal and written-off of leasehold improvements and equipment - net	12,590,923	2,491,889
Loss from impairment of assets	411,822,221	-
Reward point expense	873,000,000	838,000,000
Employee benefits expense	12,300,000	1,000,000
Interest expense	1,909,562,203	1,915,599,406
	7,639,979,446	7,077,668,271

	2012 Baht	2011 Baht
Cash Flows from Operating Activities (Continued)		
Trade accounts receivable increase	(5,106,915,756)	(3,755,706,473)
Other receivables (increase) decrease	116,947,704	(105,463,479)
Other non-current assets increase	(32,320,850)	(30,434,923)
Trade accounts payable - related financial institution and related parties increase	403,653,115	16,267,511
Trade accounts payable - others decrease	(4,326,546)	(14,655,739)
Accrued interest expenses increase (decrease)	(41,176,755)	54,658,645
Income tax payable decrease	(90,685)	-
Accrued expenses increase (decrease)	(32,055,303)	50,005,340
Other payables increase	305,612,084	50,797,914
Cash received from operations	3,249,306,454	3,343,137,067
Interest expense paid	(1,854,268,202)	(1,948,726,543)
Income tax paid	(31,524,684)	(596,863,592)
Proceeds from income tax refundable	158,738,230	-
Net cash provided by operating activities	1,522,251,798	797,546,932

Statements of Cash Flows

(Continued)

For the years ended December 31, 2012 and 2011

	2012 Baht	2011 Baht
Cash Flows from Investing Activities		
Proceeds from sales of leasehold improvements and equipment	1,123	2,496,361
Cash paid for purchases of leasehold improvements and equipment	(153,870,388)	(298,828,003)
Cash paid for purchases of computer software	(148,321,714)	(239,665,433)
Net cash used in investing activities	(302,190,979)	(535,997,075)
Cash Flows from Financing Activities		
Increase in short-term loans from financial institutions	2,794,433,284	2,302,892,004
Proceeds from long-term loans	2,200,000,000	-
Cash paid for repayment of long-term loans	(2,500,000,000)	(4,783,333,334)
Proceeds from issuance of debentures	6,000,000,000	7,000,000,000
Cash payment for redemption of debentures	(9,020,000,000)	(4,680,000,000)
Cash payment for liabilities under financial lease contracts	(5,885,332)	(7,639,695)
Dividend paid	-	(116,023,818)
Net cash used in financing activities	(531,452,048)	(284,104,843)
Net Increase (Decrease) in Cash and Cash Equivalents	688,608,771	(22,554,986)
Cash and Cash Equivalents as at January 1,	755,260,614	777,815,600
Cash and Cash Equivalents as at December 31,	1,443,869,385	755,260,614

Notes to the financial statements form an integral part of these statements

■ Notes to the Financial Statements

For the years ended December 31, 2012 and 2011

1. General

Krungthai Card Public Company Limited (“the Company”) is fully engaged in credit card, personal loan and other related businesses. The Company registered as a listed company on The Stock Exchange of Thailand on October 28, 2002.

The Company is located at 14th Floor UBC II Building, 591 Sukhumvit Road, Klongton Nua, Wattana, Bangkok 10110.

2. Basis for Preparation and Presentation of the Financial Statements

2.1

The Company maintains its accounting records in Thai Baht and prepares its statutory financial statements in the Thai language in conformity with accounting standards and practices generally accepted in Thailand. The financial statements have been prepared on the historical cost basis except for those described in Accounting Policies (Note 3).

The brief particulars in the Company’s financial statements for the years ended December 31, 2012 and 2011 are prepared in compliance with the Notification of the Department of Business Development regarding “The Brief Particulars in the Financial Statements B.E. 2554” dated September 28, 2011.

Currently, the Company’s operations relate to a single business segment which is the consumer finance business, and are carried out in a single geographic area which is Thailand.

2.2

The Federation of Accounting Professions issued the Notifications regarding Thai Accounting Standards (TAS), Thai Financial Reporting Standards (TFRS), Thai Accounting Standard Interpretations (TSI), Thai Financial Reporting Standard Interpretations (TFRI) and Guideline on Accounting which have been announced in the Royal Gazette as follows:

TAS / TFRS / TSI / TFRI / Guideline on Accounting

Effective Date

TAS

TAS 12	Income Taxes	January 1, 2013
TAS 20	Accounting for Government Grants and Disclosure of Government Assistance	January 1, 2013
TAS 21 (Revised 2009)	The Effects of Changes in Foreign Exchange Rates	January 1, 2013

TFRS

TFRS 8	Operating Segments	January 1, 2013
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TSI

TSI 10	Government Assistance - No Specific Relation to Operating Activities	January 1, 2013
TSI 21	Income Taxes - Recovery of Revalued Non-Depreciable Assets	January 1, 2013
TSI 25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders	January 1, 2013
TSI 29	Disclosure – Service Concession Arrangements	January 1, 2014

TFRI

TFRI 4	Determining whether an Arrangement Contains a Lease	January 1, 2014
TFRI 12	Service Concession Arrangements	January 1, 2014
TFRI 13	Customer Loyalty Programmes	January 1, 2014

Guideline on Accounting

Guideline on Accounting regarding Transferring and
Accepting Transfer of Financial Assets

January 1, 2013

The Company's management anticipates that the Company will adopt the above TAS, TFRS, TSI, TFRI and Guideline on Accounting relevant to the Company in the preparation of the Company's financial statements when they become effective except for TAS 12 Income taxes, which the Company early adopted before the effective date since the year ended December 31, 2009. The Company's management anticipates that the adoption of the other TAS, TFRS, TSI, TFRI and Guideline on Accounting as above will have no material impact on the financial statements of the Company in the period of initial application.

3. Significant Accounting Policies

3.1 Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, deposits at banks and financial institutions and current investments with original maturities of 3 months or less.

3.2 Trade Accounts Receivable

Trade accounts receivable are stated in the statements of financial position at the outstanding amount less the allowance for doubtful accounts.

3.3 Investments

The Company's investments consist of debt securities and equity securities which are classified as available-for-sale securities, held-to-maturity debt securities or general investments.

Debt and equity securities with readily determinable market values that are not classified as either trading securities or held-to-maturity securities are classified as available-for-sale securities and are presented as short-term or long-term investments depending on the intent of management and carried at fair value, which is defined by market price at year end. The unrealized gains or losses related to available-for-sale securities are reported as other components of shareholders' equity through other comprehensive income until realized. Gain or loss on available-for-sale securities are recognized in the income statements upon the sale or disposal of such securities.

Debt securities which the Company has the intent and ability to hold until maturity are classified as held-to-maturity and carried at the amortized cost, net of valuation allowances for impairment, if any.

3.4 Leasehold Improvements and Equipment

Leasehold improvements and equipment are stated at cost less accumulated depreciation and amortization.

Gain or loss on disposal or write-off leasehold improvements and equipment is recognized in the income statements in the period of disposal or write-off.

Depreciation and amortization of leasehold improvements and equipment are calculated by the straight-line method, over the estimated useful lives of the assets, as follows:

Leasehold Improvements	Lease Period
Furniture, fixtures and office equipment	5 years
Vehicles	5 years

3.5 Intangible Assets

Intangible assets represent computer software which is stated at cost less accumulated amortization.

Amortization of intangible assets is calculated by the straight-line method based on the estimated useful life of intangible assets over 5 years.

3.6 Other Non-Current Assets

Other non-current assets consist of refundable deposits and credit card's embedded chip.

Credit card's embedded chip is stated at cost less accumulated amortization.

Amortization of other asset, which is credit card's embedded chip, is calculated by the straight-line method over the privilege period that the cardholder is entitled to use the card of 5 years.

3.7 Long-Term Leases

Leases of assets where the Company assumes substantially all the risks and rewards are classified as finance leases. Assets acquired by way of finance leases are capitalized at the estimated present value of the minimum lease payments at the inception of the lease. The corresponding lease liability is recorded in the statements of financial position. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the income statements.

Leases of assets where substantially all the risks and rewards are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are recognized as expenses in the income statements on a straight line basis over the term of the leases.

Where an operating lease is terminated before the lease period has expired, any penalty payment is recognized as an expense in the period in which the lease is terminated.

3.8 Post-Employment Benefit Obligations

The post-employment benefit obligations represent the retirement benefits that the employees will get the payment at the amount determined by the Labor Protection Act when they retire. The Company does not have separate fund for such defined benefit plan but estimates the employment benefit obligations which are measured by an actuary using the projected unit credit cost method to determine the present value of cash flow of employee benefits to be paid in the future. Under this method, the calculation is based on the employee's expected salary, turnover rate, salary increase rate, mortality rate, discount rate, years of services and other factors.

The expenses for employee benefits plan are recognized as personnel expenses in the income statements.

The actuarial gains (losses) are recognized as other comprehensive income (loss) in the statements of comprehensive income.

3.9 Foreign Currency Transactions

Transactions denominated in foreign currencies during the year are translated into Baht at the rates of exchange ruling on the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into Baht at the reference exchange rate announced by the Bank of Thailand at that date.

The cross currency swap contracts for asset and liability management activities to control exposure to fluctuation in foreign exchange rates and not for trading purposes are recorded on an accrual basis. The swap contracts denominated in foreign currencies at the reporting date are translated into Baht at the reference exchange rates announced by the Bank of Thailand at that date. The difference on exchange rate that incurred are recognized as operating income or expenses in the income statements.

Gains or losses on exchange arising on settlements or translation are recognized as operating income or expenses in the income statements.

3.10 Income Recognition

The Company recognizes interest income on credit card receivables for default payments of installments from the posting date. Interest on cash advances from credit cards is recognized from the date of cash withdrawals. Interest on circle loans, personal loans and self-employed loans are recognized on an accrual basis. The Company recognizes interest income overdue for more than 180 days on a cash basis.

The Company recognizes fee and service income, which consists of fees on cash advances, card issuance fees, interchange fees and other service fees, on the date the service is rendered.

The Company recognizes management fees when services are rendered as stipulated in the credit card management service agreement.

3.11 Bad Debt Recovery

Bad debt recovery is recognized as income in the income statements in the period which it is collected.

3.12 Provident Fund

The contributions for employee provident fund are recorded as expenses when incurred.

3.13 Income Tax

Income tax - income (expense) represent the sum of the tax currently payable and deferred tax.

3.13.1) Current Tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statements because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted at the reporting date.

3.13.2) Deferred Tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit (tax base). Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are generally recognized for temporary differences to the extent that it is probable that taxable profits will be available against which those temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Any such reduction shall be reversed to the extent that it becomes probable that sufficient taxable profit will be available for utilizing all or part of the deferred tax assets.

Deferred tax assets and liabilities are measured at the tax rates those are expected to apply in the period in which the asset is realized or the liability settled, based on tax rates that have been enacted or substantively enacted by the reporting date.

Current tax assets and liabilities are offset when there is a legally enforceable right to set off the recognized amounts and the Company intends to settle on a net basis or to realize the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis or to realized the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Income tax - income (expense) related to profit or loss from normal activities are presented in the income statements, except for current and deferred taxes of related items that recognized directly in the shareholders' equity in the same or different period.

3.14 Earnings (loss) per Share

Basic earnings (loss) per share are calculated by dividing net profit (loss) for the year by the weighted average number of ordinary shares issued and held by outside parties during the year.

3.15 Critical Accounting Judgments and Key Sources of Estimation Uncertainty

In the application of the Company's accounting policies described above, the management is required to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Although these estimates are based on management's reasonable consideration of current events, actual results may differ from these estimates. The significant accounting estimate is as follows:

Allowance for Doubtful Accounts and Bad Debts

The Company provided the allowance for doubtful accounts for credit card, circle loan and personal loan receivables which have aging less than 90 days by using the loss rate net of recovery which the Company believed that such loss rate reflects the current credit risk inherent in the portfolio. Moreover, the Company adjusted the historical loss experience by the information on trend and economic conditions that might have an effect on the ability to repay the debt of the debtor groups including additional economic factors to cope with the potential risks from the future economic fluctuation and the Company fully reserved for receivables which are defaulted for 90 days or more.

A fixed percentage of 1% adjusted by the information on trend and economic conditions that might have an effect on the ability to repay the debt for self-employed loans is applied to receivables aged less than 90

days because self-employed loan products had been launched in the year 2004 but decreased continuously, the Company thus had no adequate statistical historical data to calculate the allowance for doubtful accounts based on the percentage of loss rates net of recovery. Allowance for receivables in default for 90 days or more was fully reserved.

Bad debts are written off when the Company considers such debts to be irrecoverable.

Provision for Reward Points

This provision represents current obligations arising from reward point program granted to the Company's customers. The provision is calculated based on the estimates of redemption rate of the reward points earned by the customers and average reward prices and is presented in current liabilities in the statements of financial position.

4. Supplementary Disclosures of Cash Flows Information

Non-cash items for the years ended December 31, 2012 and 2011 are as follows:

	2012 Thousand Baht	2011 Thousand Baht
Liabilities under lease contracts brought forward	7,651	15,291
Less Cash paid for liabilities under lease contracts	(5,885)	(7,640)
Liabilities under lease contracts carried forward	1,766	7,651
Payable for the purchase of leasehold improvements and equipment brought forward	28,286	49,859
Add Purchase of leasehold improvements and equipment	162,234	277,255
Less Cash paid for the purchase of leasehold improvements and equipment	(153,870)	(298,828)
Payable for the purchase of leasehold improvements and equipment carried forward (presented as a part of Trade accounts payable - others)	36,650	28,286
Payable for the purchase of computer software brought forward	64,470	28,353
Add Purchase of computer software	177,187	275,782
Less Cash paid for the purchase of computer software	(148,321)	(239,665)
Payable for the purchase of computer software brought forward (presented as a part of Trade accounts payable - others)	93,336	64,470
Securities available-for-sale brought forward	209,843	69,160
Add unrealized gain on revaluation	92,834	140,683
Securities available-for-sale carried forward	302,677	209,843

5. Trade Accounts Receivable

5.1 Outstanding Balances of Trade Accounts Receivable Classified by Type of Business and Aging

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The Company had outstanding balances of trade accounts receivable classified by type of business and aging as follows:

	Credit Card	Circle Loan	Personal Loan	Self-Employed Loan	Total
	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht
As at December 31, 2012					
Not over 89 days	33,078,880	251,795	12,905,219	36,841	46,272,735
90 - 179 days	406,455	1,557	204,135	4,711	616,858
180 days and over	521,741	6,072	132,926	529,212	1,189,951
Total	34,007,076	259,424	13,242,280	570,764	48,079,544
Less Allowance for doubtful accounts	(1,917,254)	(15,158)	(1,060,160)	(535,139)	(3,527,711)
Trade accounts receivable	32,089,822	244,266	12,182,120	35,625	44,551,833
As at December 31, 2011					
Not over 89 days	32,342,281	281,764	12,186,190	60,384	44,870,619
90 - 179 days	852,178	4,156	279,389	5,515	1,141,238
180 days and over	473,828	8,270	256,098	559,556	1,297,752
Total	33,668,287	294,190	12,721,677	625,455	47,309,609
Less Allowance for doubtful accounts	(2,728,262)	(22,984)	(1,071,228)	(567,064)	(4,389,538)
Trade accounts receivable	30,940,025	271,206	11,650,449	58,391	42,920,071

As at December 31, 2012 and 2011, receivables in default for more than 3 periods which their accrued interest are still recognized are Baht 485.6 million and Baht 728.4 million, respectively. However, such receivables are fully reserved as at December 31, 2012 and 2011. Accrued interest from such receivables which is recognized as income for the years ended December 31, 2012 and 2011 are Baht 96.8 million and Baht 105.1 million, respectively.

5.2 Bad Debts and Doubtful Accounts

Bad debts and doubtful accounts for the years ended December 31, 2012 and 2011 are as follows:

	2012 Thousand Baht	2011 Thousand Baht
Bad debts	4,336,981	4,471,630
Doubtful accounts	(861,827)	1,139,263
Total bad debts and doubtful accounts	3,475,154	5,610,893

5.3 Allowance for Doubtful Accounts from Flooding Crisis

Since October 2011 to the year end, many provinces in Thailand have had severe flooding. The situation may impact the customers' ability to repay loan to the Company in the future. The Company has considered setting up an allowance for doubtful accounts for those customers as at December 31, 2011 was Baht 632.84 million and as at December 31, 2012 such provision was reversed.

6. Other Receivables

Other receivables as at December 31, 2012 and 2011 are as follows:

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	2012 Thousand Baht	2012 Thousand Baht
Other credit card receivables	5,424	192,575
Accrued fees and interest income	537,596	536,957
Prepaid expenses	54,019	75,379
Suspended accounts awaiting verification	19,458	18,559
Others	135,080	45,055
Less Allowance for doubtful accounts	(56,178)	-
Total other receivables	695,399	868,525

The Company provided consulting service for a financial institution regarding the preparation for credit card business completed in the year 2011. Consequently, such financial institution changed its directors and management team, resulting in delay of implementation of credit card business. The Company considered that such financial institution defaulted the payment for service fee more than 90 days and will take long-time in follow-up process, therefore, the Company considered to set up allowance for doubtful accounts for the outstanding debt of such financial institution of Baht 56.2 million as at December 31, 2012.

7. Long-Term Investments Long-term investments as at December 31, 2012 and 2011 consist of the following:

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	2012			2011		
	Cost/ Amortized Cost	Unrealized Gains	Fair Value	Cost/ Amortized Cost	Unrealized Gains	Fair Value
	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht
Securities Available-for-Sale						
Foreign marketable equity securities	-	302,677	302,677	-	209,843	209,843
Add Revaluation allowance	302,677		-	209,843		-
Total	302,677		302,677	209,843		209,843
Securities Held-to-Maturity						
Government securities	20,063	254	20,317	20,388	144	20,532
Less Long-term investment with maturity within one year	(20,063)		(20,317)	-		-
Total	-		-	20,388		20,532
Total long-term investments	302,677		302,677	230,231		230,375

As at December 31, 2012 and 2011, the Company pledged government bonds totally of Baht 4.0 million and Baht 1.0 million, respectively, as collateral for lawsuits with customers pending in the court.

8. Leasehold Improvements and Equipment

Leasehold improvements and equipment as at December 31, 2012 and 2011 are as follows:

As at December 31, 2012	Balance as at December 31, 2011	Additions	Disposals	Transfer in (Transfer out)	Balance as at December 31, 2012
	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht
Costs:					
Leasehold improvements	553,358	4,516	(68,477)	2,941	492,338
Furniture, fixtures and office equipment	731,260	25,490	(13,228)	55,798	799,320
Vehicles	1,400	-	-	-	1,400
Total	1,286,018	30,006	(81,705)	58,739	1,293,058
Accumulated depreciation and amortization:					
Leasehold improvements	(392,683)	(56,236)	56,565	-	(392,354)
Furniture, fixtures and office equipment	(496,125)	(92,032)	12,724	-	(575,433)
Vehicles	(1,250)	(31)	-	-	(1,281)
Total	(890,058)	(148,299)	69,289	-	(969,068)
Assets under installation	160,171	132,228	(176)	(58,858)	233,365
Less Allowance for impairment of assets	-	(112,840)	-	-	(112,840)
Leasehold improvements and equipment	556,131				444,515

As at December 31, 2011	Balance as at December 31, 2010	Additions	Disposals	Transfer in (Transfer out)	Balance as at December 31, 2011
	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht
Costs:					
Leasehold improvements	478,553	11,258	(38,500)	102,047	553,358
Furniture, fixtures and office equipment	725,977	53,729	(93,468)	45,022	731,260
Vehicles	1,246	154	-	-	1,400
Total	1,205,776	65,141	(131,968)	147,069	1,286,018
Accumulated depreciation and amortization:					
Leasehold improvements	(357,546)	(69,702)	34,565	-	(392,683)
Furniture, fixtures and office equipment	(497,649)	(91,187)	92,711	-	(496,125)
Vehicles	(1,246)	(4)	-	-	(1,250)
Total	(856,441)	(160,893)	127,276	-	(890,058)
Assets under installation	95,422	212,114	(296)	(147,069)	160,171
Leasehold improvements and equipment	444,757				556,131
Depreciation and amortization for the years ended December 31,					
2012				Thousand Baht	148,299
2011				Thousand Baht	160,893

As at December 31, 2012 and 2011, the costs of fully depreciated assets still in use are Baht 529.4 million and Baht 508.3 million, respectively.

Leased assets of computer equipment included in furniture, fixtures and office equipment in the above table, which the Company is a lessee under finance leases, are as follows:

	2012 Thousand Baht	2011 Thousand Baht
Cost	25,340	35,755
Less Accumulated depreciation	(23,272)	(28,619)
Net book value	2,068	7,136

During the year ended December 31, 2012, the Company has terminated the computer development agreement with a vendor, resulted in disuse of the relating equipment and cease of the computer program development. The Company's management has considered the allowance for impairment of assets by comparing carrying value of those assets with net realizable value which is fair value deducted cost from sales of the assets.

As at December 31, 2012, the Company recorded allowance for impairment of certain equipment and cost of computer development of Baht 112.84 and 298.98 million (Note 9), respectively and recognized loss from impairment of assets for the year ended December 31, 2012 of Baht 411.82 million (presented as a part of administrative expenses in the income statements).

9. Intangible Assets

Intangible assets as at December 31, 2012 and 2011 are as follows:

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	Balance as at December 31, 2011	Additions	Disposals	Transfer in (Transfer out)	Balance as at December 31, 2012
	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht
As at December 31, 2012					
Computer software	431,574	23,303	-	29,050	483,927
Less Accumulated amortization	(264,798)	(67,740)	-	-	(332,538)
	166,776				151,389
Add Software under installation	296,452	153,884	-	(28,931)	421,405
Less Allowance for impairment of assets (Note 8)	-	(298,983)	-	-	(298,983)
Intangible assets	463,228				273,811
As at December 31, 2011					
Computer software	430,368	3,929	(5,821)	3,098	431,574
Less Accumulated amortization	(201,313)	(69,306)	5,821	-	(264,798)
	229,055				166,776
Add Software under installation	27,696	271,854	-	(3,098)	296,452
Intangible assets	256,751				463,228
Amortization for the years ended December 31,					
2012				Thousand Baht	67,740
2011				Thousand Baht	69,306

10. Deferred Tax Assets

Deferred tax assets as at December 31, 2012 and 2011 are as follows:

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	2012 Thousand Baht	2011 Thousand Baht
Deferred tax assets	1,212,739	1,291,813

Deferred tax assets as at December 31, 2012 and 2011 consist of tax effects from the following items:

	2011 Thousand Baht	Item as Recognized into Income Statements Thousand Baht	Item as Recognized into Shareholders' Equity Thousand Baht	2012 Thousand Baht
Allowance for doubtful accounts	1,042,761	(299,098)	-	743,663
Allowance for impairment of assets	-	82,364	-	82,364
Provision for reward points	283,990	155,610	-	439,600
Difference from depreciation rate	(28,239)	(1,881)	-	(30,120)
Revaluation surplus on investment	(23,921)	-	(18,567)	(42,488)
Others	17,222	2,498	-	19,720
Deferred tax assets	1,291,813	(60,507)	(18,567)	1,212,739

	2010	Item as Recognized into Income Statements	Item as Recognized into Shareholders' Equity	2011
	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht
Allowance for doubtful accounts	989,532	53,229	-	1,042,761
Provision for reward points	146,100	137,890	-	283,990
Difference from depreciation rate	(26,949)	(1,290)	-	(28,239)
Revaluation surplus on investment	(7,213)	4,512	(21,220)	(23,921)
Others	13,821	(22,099)	25,500	17,222
Deferred tax assets	1,115,291	172,242	4,280	1,291,813

The above items which are recognized into income statements and in shareholders' equity during the years ended December 31, 2012 and 2011 are the net balances from Baht 163.93 million and Baht 2.79 million, and from Baht 404.12 million and Baht 15.65 million, respectively, as a result of the impact from change in income tax rates from 30% to 23% in the year 2012 and 20% in the years 2013 and 2014, respectively (see Note 21).

11. Other Payables

Other payables as at December 31, 2012 and 2011 are as follows:

	2012 Thousand Baht	2011 Thousand Baht
Exceed payment from customers	162,074	139,582
Other payables	613,199	335,986
Suspended accounts awaiting verification	151,887	142,397
Others	71,811	75,394
Total other payables	998,971	693,359

12. Short-Term Loans from Financial Institutions

Long-term investments as at December 31, 2012 and 2011 consist of the following:

	2012		2011	
	Related Financial Institutions Thousand Baht	Other Financial Institutions Thousand Baht	Related Financial Institutions Thousand Baht	Other Financial Institutions Thousand Baht
Promissory notes	200,000	3,800,000	50,000	4,700,000
Bills of exchange	416,213	6,632,313	-	3,453,707
Total short-terms loans from financial institutions	616,213	10,432,313	50,000	8,153,707

Promissory notes and bills of exchange have interest rates at Money Market Rate (MMR), which is in between 2.95% and 3.80% per annum with maturity on demand to one year and are unsecured.

13. Long-Term Loans

Long-term investments as at December 31, 2012 and 2011 consist of the following:

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	2012			2011		
	Average Interest Rate %	Due within the Year	Amount Thousand Baht	Average Interest Rate %	Due within the Year	Amount Thousand Baht
Loans in Baht	5.50	2016	4,200,000	5.35	2013	4,500,000
Less Current portion of long-term loans			(2,000,000)			(2,500,000)
Total long-term loans			2,200,000			2,000,000

As at December 31, 2012 and 2011, long-term loans consist of loans from financial institutions which are unsecured.

Details of loans can be summarized as follows:

Type	Date of Agreement	Amount	Maturity Date	Interest Rate	Interest Payable Period	Balance as at December 31	
						2012	2011
	Baht	Million Baht		% p.a.	Baht	Million Baht	Million Baht
Long-term loan	12 May 2009	1,500	11 May 2012	5.10	Quarterly	-	1,500
Long-term loan	27 Oct 2009	2,000	30 Apr 2013	FDR	Quarterly	2,000	2,000
				6-month + 3.5			
Long-term loan	16 Mar 2010	1,000	22 Mar 2012	4.45	Quarterly	-	1,000
Long-term loan	12 Jun 2012	350	15 Jun 2015	5.20	Monthly	350	-
Long-term loan	12 Jun 2012	350	15 Jun 2016	5.50	Monthly	350	-
Long-term loan	6 Jul 2012	1,500	12 Jul 2016	5.20	Quarterly	1,500	-
Total loans						4,200	4,500

* FDR is Fixed Deposit Rate

14. Liabilities under Finance Lease Contracts

Minimum lease payments under finance lease liabilities as at December 31, 2012 and 2011 are as follows:

	2012 Thousand Baht	2011 Thousand Baht
Less than 1 year	1,801	6,808
Over 1 year to 5 years	-	1,499
Less Future finance charges on finance leases	(35)	(656)
Present value of finance lease liabilities	1,766	7,651
Finance lease liabilities:		
- Current	1,766	6,507
- Non-current	-	1,144
	1,766	7,651

As at December 31, 2012 and 2011, liabilities under finance lease contracts related to 3 hard disk lease contracts. The first contract was for the period of 5 years, ending in 2011, the liability was repayable in quarterly installments in the amount of Baht 0.6 million. The second contract is for the period of 5 years, ending in 2013, the liability is repayable in quarterly installments in the amount of Baht 1.36 million. On November 1, 2008, the Company entered into the addition lease agreement to upgrade the asset per the 2nd contract and included as a part of such contract, for the period of 54 months, ending in 2013. The liability is repayable in quarterly installments in the amount of Baht 0.13 million. At the end of the lease term, the Company has the right to exercise a purchase option on the leased equipment at the price specified in the agreement.

15. Long-Term Debentures

Long-term debentures as at December 31, 2012 and 2011 are as follows:

	2012 Thousand Baht	2011 Thousand Baht
Debentures	23,500,000	26,520,000
Less Current portion of debentures	(10,500,000)	(9,020,000)
Total long-term debentures	13,000,000	17,500,000

Details of loans can be summarized as follows:

Type	Date of Agreement	Amount	Maturity Date	Interest Rate	Interest Payable Period	Balance as at December 31	
						2012	2011
	Baht	Million Baht		% p.a.	Baht	Million Baht	Million Baht
Senior unsecured debentures	25 Jun 2009	4,000	25 Jun 2012	5.50	Quarterly	-	4,000
Senior unsecured debentures	6 Aug 2009	4,500	6 Aug 2012	5.50	Quarterly	-	4,500
Senior unsecured debentures	28 Sep 2009	300	3 Sep 2012	5.50	Quarterly	-	300
Senior unsecured debentures	28 Sep 2009	220	2 Oct 2012	5.50	Quarterly	-	220
Senior unsecured debentures	5 Nov 2009	7,500	5 Nov 2013	5.50 - 6.00	Quarterly	7,500	7,500
Senior unsecured debentures	19 Nov 2009	1,000	19 May 2013	5.35	Semi-annually	1,000	1,000
Senior unsecured debentures	2 Apr 2010	1,000	2 May 2013	4.80	Quarterly	1,000	1,000
Senior unsecured debentures	17 May 2010	1,000	17 May 2013	4.70	Semi-annually	1,000	1,000
Senior unsecured debentures	17 Oct 2011	6,000	17 Oct 2014	5.50	Quarterly	6,000	6,000
Senior unsecured debentures	17 Oct 2011	1,000	17 Oct 2015	5.50 - 6.00	Quarterly	1,000	1,000
Senior unsecured debentures	6 Aug 2012	1,800	6 Aug 2014	4.90	Quarterly	1,800	-
Senior unsecured debentures	6 Aug 2012	3,200	6 Aug 2015	5.20	Quarterly	3,200	-
Senior unsecured debentures	6 Aug 2012	1,000	6 Aug 2016	5.40	Quarterly	1,000	-
Total debentures						23,500	26,520

16. Provision for Employee Benefits

The Company has retirement benefits plan in accordance with Labour Protection Act., which is the unfunded defined benefit plan.

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Amounts recognized in the income statements for the years ended December 31, 2012 and 2011 are as follows:

	2012 Thousand Baht	2011 Thousand Baht
Current service cost	12,024	10,145
Interest on obligation	5,055	2,275
	17,079	12,420

Movements in the present value of the defined benefit obligation for the years ended December 31, 2012 and 2011 are as follows:

	2012 Thousand Baht	2011 Thousand Baht
Defined benefit obligation brought forward	86,000	85,000
Current service cost	12,024	10,145
Interest on obligation	5,055	2,275
Paid to employee	(4,779)	(11,420)
Defined benefit obligation carried forward	98,300	86,000

The principal assumptions used for the purpose of the actuarial valuations for calculation of defined benefit obligation as at December 31, 2012 and 2011 are as follows:

	As at December 31, 2012	As at December 31, 2011
Retirement age	60 years	60 years
Mortality rate	Thai Mortality Table 2008	Thai Mortality Table 1997
Disability rate	15% of mortality rate	15% of mortality rate
Personnel turnover rate	5.0%	5.0%
Discount rate	4.5%	4.5%
Expected rate of salary increase	5.5%	5.5%

17. Capital Management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and shareholders' equity balance. The Company's overall strategy of the year 2012 remains unchanged from 2011.

The capital structure of the Company consists of debt, which includes the loans and debentures disclosed in Notes 13 and 15 and shareholders' equity, comprising issued and paid-up capital, legal reserves and retained earnings.

The Company does not apply any specific financial ratios to monitor its capital whilst manages its capital to be sufficient for its working capital by issuing new shares or adjusting the amount of dividends paid to shareholders.

18. Dividend and Appropriation for Legal Reserve

Pursuant to the Public Companies Act. B.E. 2535 (1992), the Company must allocate to a reserve fund from the annual net profit, not less than five percent of the annual net profit deducted by the total accumulated loss brought forward (if any) until the reserve fund reaches an amount of not less than ten percent of the registered capital.

On April 8, 2011, the ordinary shareholders' meeting passed resolutions to pay dividend for the year 2010 at Baht 0.45 per share totally of Baht 116.02 million and to appropriate for legal reserve of Baht 11.30 million from net profit for the year 2010. The legal reserve is not available for dividend distribution.

As at December 31, 2012, the Company appropriated for legal reserve of Baht 12.8 million from net profit for the year 2012. The legal reserve is not available for dividend distribution.

19. Expenses by Nature

Net profit (loss) for the years ended December 31, 2012 and 2011 have been arrived at after charging the following items:

	2012 Thousand Baht	2011 Thousand Baht
Management remuneration	104,985	119,610
Staff costs	1,064,544	868,480
Depreciation and amortization	254,146	275,602
Consulting and other fees	1,658,405	2,207,074
Marketing fee	1,956,831	1,941,668
Premises and equipment expenses	411,231	438,495
Communication expenses	179,554	178,580
Special business tax & duty stamp	311,183	315,680
Bad debts and doubtful accounts	3,531,332	5,610,893
Others	624,067	196,688
Total Expenses	10,096,278	12,152,770

20. Provident Fund

The Company set up a registered provident fund in accordance with the Provident Fund Act B.E. 2530. All employees are members of the Provident Fund, which is managed by Krungthai Asset Management Public Company Limited. Under the Fund's regulations, employees contribute to the fund at the rate of 3% to 6% of their basic salary and the Company contributes to the fund at the rate of 6%.

The Company's contributions which were charged to the income statements for the years ended December 31, 2012 and 2011 amounted to Baht 43.9 million and Baht 39.2 million, respectively.

21. Income Tax Expense

Income tax expense for the years ended December 31, 2012 and 2011 are as follows:

	2012 Thousand Baht	2011 Thousand Baht
Income tax expense per income tax return	(269,011)	(196,739)
Adjustment for deferred tax relating to the origination and reversal of temporary differences	(60,507)	172,242
Income tax expense per the income statements	(329,518)	(24,497)

The reconciliation between income tax - income (expense) and accounting income for the years ended December 31, 2012 and 2011 are follows:

	2012 Thousand Baht	2011 Thousand Baht
Accounting profit (loss) before tax	584,514	(1,596,722)
Income tax - income (expense) at domestic tax rates		
30% tax rate	-	479,017
23% tax rate	(134,438)	-
	(134,438)	479,017
Deferred tax expenses from corporate tax rate reduction (Note 10)	(163,927)	(404,124)
Tax effect of non-deductible expenses	(31,153)	(99,390)
Income tax expense per the income statements	(329,518)	(24,497)
Adjustment for deferred tax relating to the origination and reversal of temporary differences	60,507	(172,242)
Income tax expense per income tax return	(269,011)	(196,739)

On October 11, 2011, the Thai Cabinet approved a reduction of the corporate income tax rates from 30% to 23% of profits for companies or juristic partnerships with a 2012 accounting period ending on or after December 31, 2012, and to 20% for companies or juristic partnerships with an accounting period beginning on or after January 1, 2013 and according to the Royal Decree No. 530 dated December 14, 2011, the corporate income tax rates will be reduced from 30% to 23% for the accounting periods beginning on or after January 1, 2012 and to 20% for the accounting periods beginning on or after January 1, 2013 and 2014.

The Company used tax rates of 20% and 23% for the calculation of deferred tax for the year ended December 31, 2011 and used tax rate of 20% for the calculation of deferred tax for the year ended December 31, 2012.

22. Long-Term Agreements

The Company has long-term agreements as at December 31, 2012 and 2011 as follows:

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22.1

The Company has various lease agreements for office premises and other facilities and various EDC machine agreements with total rental and service fees as follows:

	2012 Thousand Baht	2011 Thousand Baht
Within 1 year	197,904	229,217
Over 1 year to 5 years	149,407	226,755
	347,311	455,972

Personal loan and credit card account processing agreements with certain foreign companies (“counterparties”). These agreements consist of a primary agreement, a processing agreement and two supplementary agreements related to the credit card business. Under the conditions of the primary agreement, the counterparties agreed to provide management services with respect to card issuer and merchant acquirer processing, including the data processing and electronic transmission of the processed data via international telecommunications back to the Company for further processing. The Company agreed to gather and transmit data concerning the Company’s credit card applicants, including applicants for personal loans and consumer finance to the counter parties. In consideration of this, the Company has to pay a service fee computed at varying rates based on the type of transactions, volume of transactions processed and numbers of customers. These agreements were effective on September 26, 2003 and continue to be in effect for eight years commencing from September 28, 2004. However, the Company could use continuously for 8 months from June 28, 2012 on normal term of service.

23. Transactions with Related Parties

The Company has transactions with related parties. Certain portions of the Company's assets, liabilities, revenues and administrative expenses represent transactions occurred with related parties. These parties are related through common shareholders and/or directorships. Those significant transactions with related parties as included in the financial statements are determined at the prices in line with those occur in the normal course of business based on the market price in general or the price as stipulated in the agreements.

23.1 The significant balances with related parties

The significant balances with related parties as at December 31, 2012 and 2011 are as follows:

Related Parties	Relationship	2012	2011
		Thousand Baht	Thousand Baht
Krung Thai Bank Public Company Limited	Major Shareholder		
- Deposits at a financial institution (a part of cash and cash equivalents)		786,704	400,850
- Other receivables		-	609
- Short-term loans		173,575	-
- Trade accounts payable		855,226	451,485
KTB Computer Services Co., Ltd.	Same Ultimate Holding Company		
- Other receivables		11,406	7,165
- Trade accounts payable		1,172	1,142

Related Parties	Relationship	2012	2011
		Thousand Baht	Thousand Baht
Krung Thai General Services Co., Ltd. - Trade accounts payable	Same Ultimate Holding Company	867	999
Krung Thai Assets Management Pcl. - Other receivables	Same Ultimate Holding Company	5,249	-
Krungthai Panich Insurance Pcl. - Other receivables - Short-term loans	Same Ultimate Holding Company	2,672 200,000	- 50,000
KT Zmico Securities Co., Ltd. - Short-term loans	Same Ultimate Holding Company	242,638	-
KTBL Leasing Co., Ltd. - Trade accounts payable	Same Ultimate Holding Company	14	-

23.1.1 Movements of short-term loans

Movements of short-term loans from related financial institutions for the years ended December 31, 2012 and 2011 are as follows:

Related parties	Relationship	2012 Thousand Baht	2011 Thousand Baht
Krung Thai Bank Public Company Limited	Major Shareholder		
Beginning balance		-	-
Add Borrowings during the year		173,575	4,293,000
Less Repayments during the year		-	(4,293,000)
Ending balance		173,575	-
Krungthai Panich Insurance Pcl.	Same Ultimate Holding Company		
Beginning balance		50,000	-
Add Borrowings during the year		985,000	677,000
Less Repayments during the year		(835,000)	(627,000)
Ending balance		200,000	50,000
KT Zmico Securities Co., Ltd.	Same Ultimate Holding Company		
Beginning balance		-	179,218
Add Borrowings during the year		1,132,638	240,782
Less Repayments during the year		(890,000)	(420,000)
Ending balance		242,638	-

Short-term loans from related financial institutions are promissory notes and bills of exchange, carrying interest rate at that institution's rate (Money Market Rate), which is in between 2.95% and 3.45% per annum.

23.2 The significant transactions with related parties

The significant transactions with related parties for the years ended December 31, 2012 and 2011 are as follows:

Related parties	Relationship	2012	2011
		Thousand Baht	Thousand Baht
Krung Thai Bank Public Company Limited	Major Shareholder		
- Fee and service income		405	194
- Interest income* (a part of other income)		2,840	5,277
- Back office service expenses (a part of administrative expenses)		119,808	75,529
- Administrative expenses		32,684	26,284
- Finance cost		10,645	17,393
KTB Computer Services Co., Ltd.	Same Ultimate Holding Company		
- Fee and service income		11,042	3,059
- Administrative expenses		12,454	14,001
Krungthai General Services Co., Ltd.	Same Ultimate Holding Company		
- Administrative expenses		5,715	7,663

Related parties	Relationship	2012	2011
		Thousand Baht	Thousand Baht
Krung Thai Assets Management Pcl. - Fee and service income	Same Ultimate Holding Company	6,276	-
Krungthai Panich Insurance Pcl. - Fee and service income	Same Ultimate Holding Company	8,723	-
- Finance cost		4,252	1,720
KT Zmico Securities Co., Ltd. - Finance cost	Same Ultimate Holding Company	11,169	2,230
KTB Leasing Co., Ltd. - Administrative expenses	Same Ultimate Holding Company	28	-

* The Company receives interest at the same interest rate as Krung Thai Bank Public Company Limited offers to other companies.

The above revenues and expenses are determined according to the following agreements:

Credit card management service agreement

The Company entered into a credit card management service agreement with Krung Thai Bank Public Company Limited (KTB) whereby the Company agreed to provide management services to manage other credit cards for this financial institution. Those services included production services for all types of credit cards as well as other credit card services. The term of this agreement was for 15 years commencing July 1, 2002. Subsequently, on May 15, 2006, the Company and KTB entered into credit card management service agreement's amendment. Under the terms of the agreement's amendment, the service fee for the period from July 1, 2008 until the termination date was at various rates depended on transaction volume. Other fees were calculated by using actual cost incurred plus service fee at agreed rate.

Back office service agreement

The Company entered into a back office service agreement with KTB whereby the counterparty agreed to assist the Company (directly or indirectly through another related company) in computer system support and other services such as services to cardholders, member merchants and other related services. The term of this agreement is 15 years commencing July 1, 2002.

On July 1, 2010 the Company and KTB entered into the back office service agreement's amendment (No. 5), the service fee for July 1, 2010 to June 30, 2011 is Baht 4.0 million per year. On January 4, 2012 the Company entered into the back office service agreement's amendment (No. 6), the service fee for July 1, 2011 to June 30, 2012 is the same rate as agreement No. 5. The fee for other back office support is at various rates depended on volume of transactions. As at December 31, 2012 there is no any further amendment on the agreement.

The price of service for related transactions between the Company and KTB is based on general market price and in the normal course of business.

Payment system development agreements

On October 10, 2011, the Company entered into a payment system development agreement with KTB Computer Services Co., Ltd. (“KTBCS”) whereby the Company agreed to improve the payment system for KTBCS, which is used for services of KTBCS and also support the back office services to the third party.

Subsequently, on October 12, 2011, the Company also entered into the agreement for consulting and electronic data processing services for KTBCS and provides leasing of related IT system for use and maintenance of computer system service, which are necessary for the above payment system. The term of this agreement is 1 year commencing from January 21, 2012. If there is no formal cancellation, this agreement will be auto-renewed by issuing a new agreement for 1 year each.

The price of these two agreements between the Company and KTBCS is based on the scope of work and service hours. The agreement and hiring conditions are in the normal course of business.

23.3 Management Remuneration

Management remuneration for the years ended December 31, 2012 and 2011 consist of the following:

	2012 Thousand Baht	2011 Thousand Baht
Short-term management remuneration	100,389	115,089
Long-term management remuneration	4,596	4,521
	104,985	119,610

24. Financial Instrument Information Disclosures

During 2012 and 2011, the Company did not speculate in or engage in the trading of any derivatives.

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24.1 Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company. The Company has adopted the policy of only dealing with creditworthy counterparts as a means of mitigating the risk of financial losses from defaults.

In the case of recognized financial assets, the carrying amount of the assets recorded in the statements of financial position, net of allowance for doubtful accounts, represents the Company's maximum exposure to credit risk.

The Company's major business is the issuing of credit cards and provision of loan financing. The Company has established processes for approving credit lines, as well as consistently applied billing and collection processes.

24.2 Liquidity Risk

Liquidity risk arises in the general funding of the Company's activities. It includes both the risk of being unable to obtain source of fund at appropriate maturities and rates and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame.

The Company has access to a diverse funding base. Funds are raised using a broad range of instruments including liabilities evidenced by paper, subordinated liabilities and share capital. This enhances funding flexibility, limits dependence on any one source of funds and generally lowers the cost of funds. The Company strives to maintain a balance between continuity of funding and flexibility through the use of liabilities with a range of maturities. The Company continually assesses liquidity risk by identifying and monitoring changes in funding

required to meet business goals and targets set in terms of the overall Company strategy. As at December 31, 2012 and 2011, the Company has a credit line with a related financial institution in the sum of Baht 18,030 million in both years.

24.3 Interest Rate Risk

The Company's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets and interest-bearing liabilities mature or reprice at different times or in differing principal amounts. Risk management activities are aimed at optimising net interest income, given market interest rate levels consistent with the Company's business strategies.

Part of the Company's return on financial instruments is obtained from controlled mismatching of the dates on which interest receivable on assets and interest payable on liabilities are next reset to market rates or, if earlier, the dates on which the instruments mature.

As at December 31, 2012 and 2011, financial assets and liabilities exposed to interest rate risk are as follows:

2012								
	Depend on	The Earlier of Remaining Period of Contract Maturity or Repricing Date					Average Interest Rate	
	Market Rate	Within 1	1-5 Years	More Than	Independent	Total	Floating	Fixed
	Million Baht	Year	Million Baht	5 Years	Rate	Million Baht	%	%
Financial assets								
Cash and cash equivalents	235	-	-	-	1,209	1,444	0.63	-
Trade accounts receivables	30,075	9,915	6,340	-	1,750	48,080	16.30	20.39
Investments	-	20	-	-	303	323	-	4.25
Financial liabilities								
Short-term loans	3,400	7,693	-	-	(44)	11,049	3.51	3.34
Long-term loans	-	2,000	2,200	-	-	4,200	5.78	5.25
Liabilities under finance lease contracts	-	2	-	-	-	2	-	5.07
Long-term debentures	-	10,500	13,000	-	-	23,500	-	5.50

	Depend on	The Earlier of Remaining Period of Contract Maturity or Repricing Date					Average Interest Rate	
	Market Rate	Within 1	1-5 Years	More Than	Independent	Total	Floating	Fixed
	Million Baht	Year Million Baht	Million Baht	5 Years Million Baht	Rate Million Baht	Million Baht	%	%
Financial assets								
Cash and cash equivalents	226	-	-	-	529	755	0.75	-
Trade accounts receivables	29,933	8,964	5,944	-	2,469	47,310	16.91	20.94
Investments	-	-	20	-	210	230	-	4.25
Financial liabilities								
Short-term loans	2,050	6,179	-	-	(25)	8,204	3.82	3.86
Long-term loans	-	2,500	2,000	-	-	4,500	5.98	4.84
Liabilities under finance lease contracts	-	7	1	-	-	8	-	5.11
Long-term debentures	-	9,020	17,500	-	-	26,520	-	5.44

Fair value

Fair value is the estimated value that the Company could receive from selling its financial assets or the estimated cost for redeeming its financial liabilities based on market values, or estimated values that can be derived from using general market principles of calculation.

Estimated fair value of financial assets and liabilities

As at December 31, 2012 and 2011, financial assets and liabilities have fair values which approximate their carrying values at the reporting date, except for investments in debt securities which their fair values are as disclosed in Note 7.

The fair values of financial assets and liabilities have been estimated by using available market information and appropriate valuation methodologies.

25. Contingent Assets and Liabilities

The Company hired a vendor for implementation of computer development. Subsequently, such vendor was in default under the contract therefor the Company terminated the contract and brought an action to the Central Intellectual Property and International Trade Court against such vendor for demanding compensation of Baht 605.49 million. However, such vendor also filed a claim with the Southern Bangkok Civil Court against the Company from the same case regarding unfair termination for demanding compensation of Baht 533.30 million. Currently, the case is under the consideration of the courts.

As at December 31, 2012, the management of the Company was unable to determine the final outcome of the case. Therefore, contingent assets and liabilities resulting from such outcome have not been recorded in the financial statements of the Company.

26. Approval of Financial Statements

These financial statements have been approved for issuing by the authorized directors of the Company on February 19, 2013.

■ Auditor's Remuneration

1. Audit Fee

The Company paid the audit fee at the end of fiscal year December 31, 2012 for the remuneration of the Auditor amounted to totaling of Baht 3,300,000 Deloitte Touche Tomatsu Jaiyos Audit Co., Ltd.,

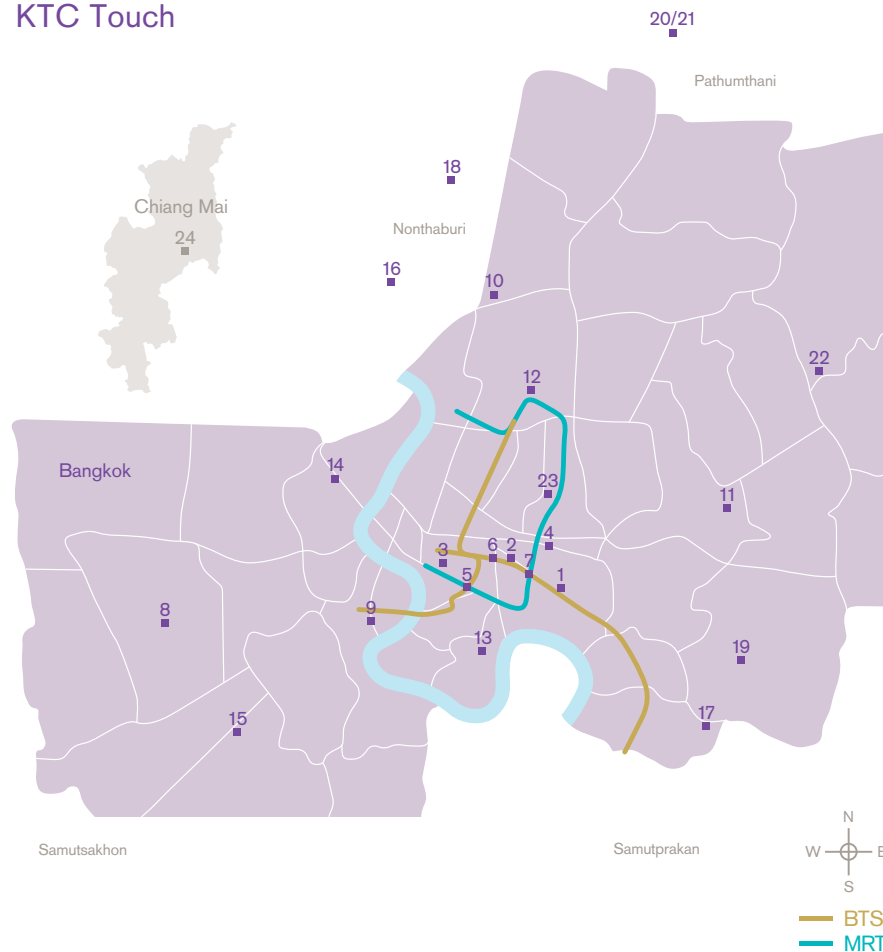
2. Non-audit Fee

The Company made payment for non-audit services, i.e., advisory service for General Accounting Issue amounted to Baht 1,550,000 and Tax advisory amounted to Baht 300,000 to Deloitte Touche Tomatsu Jaiyos Audit Co., Ltd., totaling (including further payment) of Baht 1,850,000.

■ General Information

Company Name	Krungthai Card Public Company Limited
Abbreviation	KTC
Type of Business	Consumer Finance
Company Registration Number	0107545000110
Start Date	December 4, 1996
Address	591 UBC II Building, 14 th Floor, Sukhumvit 33 Road North Klongton, Wattana, Bangkok 10110
Telephone	0-2665-5000
Facsimile	0-2828-5064
Homepage	www.ktc.co.th
Registered Capital	Baht 2,578,334,070
Paid-up Capital	Baht 2,578,334,070
Number of Shares	257,833,407 shares
Par Value	Baht 10

KTC Touch



As of December 31, 2012, there are 24 KTC Touch in total:
23 KTC Touch are in Bangkok and vicinity, 1 is in provincial area.

1. UBC II / G Floor
2. Krung Thai Bank Nananua Branch / 1st Floor
3. MBK Center / 3rd Floor, Tokyu Zone
4. Thai Summit Tower / 9th Floor
5. BTS Sala Daeng / 5th Exit
6. BTS Chitlom / 3rd Exit
7. MRT Sukhumvit / 1st Exit, Metro Mall
8. The Mall Bangkae / 2nd Floor
9. The Mall Thapra / 2nd Floor
10. The Mall Ngamwongwan / 3rd Floor
11. The Mall Bangkapi / G Floor
12. Central Ladphrao / 2nd Floor
13. Central Rama 3 / 2nd Floor
14. Central Pinklao / G Floor
15. Central Rama 2 / B1 Floor
16. Central Rattathibet / 1st Floor
17. Central Bangna / 2nd Floor
18. Central Chaengwattana / 4th Floor
19. Seacon Square / 3rd Floor
20. KTC Future Lounge* Future Park Rangsit 2 / 1st Floor
21. Future Park Rangsit / 2nd Floor
22. Fashion Island / 1st Floor
23. Fortune Town Shopping Mall / 2nd Floor
24. Central Airport Chiang Mai / 3rd Floor

* KTC Future Lounge is an exclusive service for KTC Future Card and Other Type of KTC Platinum Card only.

Awards

- 1998 “The Best-In-Country Card Center Operation” from VISA International Asia Pacific
- 2000 “Most Performance Achievement” from VISA International Asia Pacific
- 2001 “The Best VISA Card Operation” from VISA International Asia Pacific
- 2002 “Thailand Performance Awards 2002 – Best Direct Sales/Branch Sales Initiative” from MasterCard International
- 2003 “Best Innovative Card Marketing Award 2003 (First VISA Mini Card Issuer)” from VISA International Asia Pacific
- 2004 “VISA Outstanding Performer and Best Marketing Award 2004” from VISA International Asia Pacific

Asia Pacific First Prize and Southeast Asia Shared First Prize under the Corporate/Office Spaces Design category from the Antron Design Award Asia Pacific 2003
- 2005 Silver Award “Best Program Launch” of MasterCard Asia/Pacific Marketing Leadership Awards 2005
- 2006 “Outstanding Performer and Marketing Excellence” from VISA International Asia Pacific
- 2008 “Excellent Credit Card Program” under MasterCard Asia/Pacific Middle East and Africa Product Award 2008 for the KTC Titanium MasterCard Credit Card

- 2009** “Best New Card Launch” under The 2009 MasterCard Hall of Fame Awards for the top-notch KTC Royal Orchid Plus World MasterCard Credit Card

Three major prizes from Lafferty South East Asia Payment Card Awards 2009 by Lafferty Group (the British for financial research and consulting firm): “Best Credit Card Issuer in Thailand”, “Best Premium Credit Card in Thailand” KTC VISA Platinum Credit Card, and “Best Classic Card in Thailand” for KTC VISA Classic Credit Card

“Happy Work Place Award” won by KTC Smart Office as a model organization from Office of Thai Health Promotion Foundation and Private Organization Happiness State at Happy Work Place Forum II 2009: Happiness Amidst Crisis

- 2010** “Most Innovative Card Marketing Program” The MasterCard Hall of Fame Awards 2010 for Thailand’s first boutique hotel contest

“Thailand Creative Event Awards 2009” from Thailand Convention and Exhibition Bureau (TCEB) for the KTC MasterCard Viva in the Air 2008 activity: the world’s first wedding on hot air balloons with 14 couples

- 2011** “Most Effective Card Marketing Program Award” for KTC-TDP Credit Card with a local department store’s and “Best Digital Marketing” for the KTC Boutique Awards Campaign from The MasterCard Hall of Fame Marketing Awards 2011

“Happy Work Place Award” as an organization which is capable of maintaining state of happiness from the 5 Apps to Happy Workplace 3.0 event by Thai Health Promotion Foundation

KTC has been working consistently on the development of new products and services to best satisfy the needs of all clients. In the mean time, we engage in various activities to help better the society as well. Some of these initiatives are as follows:

Youth and educational activities

Learn & Earn @ KTC

Established in 2003, the Learn & Earn @ KTC is now in its ninth consecutive year of operation. The project gives young Thai students the opportunity to undergo traineeship and experience real-world working environment at KTC with compensation paid for their contribution. Participating students stand the chance of multidisciplinary skills development in the form of edutainment as well. 26,650 student have applied for the program since the inception and 2,420 student were trained in this program.

Contribution to other educational institutions

- 20,000 Baht scholarship for Samsen Wittayalai School
- 20,000 Baht donation to Foundation for Education and Human Resource Development
- 100,000 Baht foreign language scholarships for the Economic Reporters Association
- 10,000 Baht contribution to the purchase of computers for 42 schools in rural areas project
- 10,000 Baht scholarship for Baan Buakjan School in Chiang Mai to help improve the school and its instructional operation
- 50,000 Baht scholarship for College of Music, Mahidol University
- 50,000 Baht contribution to the flood-affected Wat Baan Kang Community School in Nakhon Sawan, using funds raised by the “KTC New Year of Merit and Happiness” activity
- “KTC Volunteers” activity to help restore the post-flood conditions of Wattanachote School of Chai Nat where new paints were applied and playground items were repaired

Athletic activities

- 30,000 Baht contribution to the charity golf game of the Economics Reporter Association

Social contribution activities

- 2,598,419 Baht donation to the Thai Red Cross Society, jointly with KTC members
- 597,850 donation to the Foundation for the Blind in Thailand, jointly with KTC members
- 512,800 Baht donation to CCF Foundation Under the Royal Patronage of HRH Princess Maha Chakri Sirindhorn, jointly with KTC members
- 160,441.50 Baht donation for the heart surgery in children of Institute of Cardiovascular Disease, Rajavithi Hospital, jointly with KTC members
- 682,000 Baht donation to the 2012 installment of “Weaving Dreams and Sharing Love for Baan Thanyaporn Children”
- 50,000 Baht contribution to the Dinner Talk event of Thai Journalist Association
- Management, staff and press sports program titled “Sharing for the Young Ones” with 40,000 Baht contribution to Baan Rachawadeeying for the welfare of girls with brain and intellectual disability
- 40,000 Baht contribution to the concert for the restoration of Phyathai Palace by Phyathai Palace Preservation Foundation
- 30,000 Baht contribution to a charity concert by Maha Group Media Co., Ltd.

Religious activities

KTC helps preserve Buddhism by offering necessary items to the monks and Buddhist temples at the following locations:

- 20,000 Baht donation to the ancient site of Sukhothai Historic Park as a part of the “Thank Press” activity for members of financial media to Sukhothai, Uttaradit and Phrae
- 6,000 Baht donation to Wat Prataen Silar-ars as a part of the “Thank Press” activity for members of financial media to Sukhothai, Uttaradit and Phrae
- 7,000 Baht donation to Wat Pratart Chorhae as a part of the “Thank Press” activity for members of financial media to Sukhothai, Uttaradit and Phrae
- 10,000 Baht contribution to the 2012 installment of “Wisakhabucha Buddhabaramee” at The Mall Nakhon Ratchasima
- 5,000 Baht donation to the Tap Poe Tong Nunnery
- 500,000 Baht annual grathin donation at Wat Sridokkao in Sakon Nakhon
- Internal almsgiving activity
- “Roving KTC Dharma Parlor” to Wat Na Pah Pong of Pathum Thani to train the mind and to meditate
- “Roving KTC Dharma Parlor” to Wat Makut Kiriwan in Pakchong District of Nakhon Ratchasima to train the mind and to meditate for two days and one night with 36,000 Baht donation to the temple

References

Auditor

Deloitte Touche Tohmatsu Jaiyos Audit Co., Ltd.
Rajanakarn Building, 25th Floor, 183 South Sathorn Road, Yannawa,
Sathorn, Bangkok 10120

Legal Consultant

Siam Premier International Law Office Limited
The Offices at Central World, 26th Floor, 999/9 Rama I Road, Pathumwan,
Bangkok 10330

Security Registrar

Thailand Securities Depository Company Limited
62 The Stock Exchange of Thailand Building, Rachadapisek Road,
Klongtoey, Bangkok 10110

Debenture Registrar

Thai Military Bank Public Company Limited
3000 Phahonyothin Road, Chomphon, Chatuchak, Bangkok 10900
KTC's Corporate Debenture /2009 (5), redeemable in 2013

Kasikorn Bank Public Company Limited
11th Floor, 400/22 Pahonyothin Road, Sam Sen Nai, Phayathai,
Bangkok 10400
KTC's Corporate Debenture /2009 (6), redeemable in 2013
KTC's Corporate Debenture /2010 (1), redeemable in 2013
KTC's Corporate Debenture /2010 (2), redeemable in 2013

Bank of Ayudhya Public Company Limited

15th Floor, 1222 Rama III Road, Bang Phongphang, Yannawa,
Bangkok 10120

KTC's Corporate Debenture /2011 (1), redeemable in 2014

KTC's Corporate Debenture /2011 (2), redeemable in 2015

KTC's Corporate Debenture /2012 (1), redeemable in 2014

KTC's Corporate Debenture /2012 (2), redeemable in 2015

KTC's Corporate Debenture /2012 (3), redeemable in 2016