



Management Discussion and Analysis for the 1st half, 2016

(This paper describe changes in the financial statements (unreviewed))

Net profit for the first half of 2016 grew 17%

Operating Result (Unit: Million Baht)	1H2016	1H2015	Growth Y-Y(%)
Total Revenue	8,437	7,494	13%
- <i>Bad Debt Recovery</i>	1,156	963	20%
Administrative Expense	3,357	2,868	17%
Finance Cost	758	840	-10%
Bad Debts and Doubtful Accounts	2,797	2,477	13%
- Bad Debts	2,652	2,576	3%
- Doubtful Accounts	145	(99)	246%
Profit (Loss) before Tax	1,525	1,309	17%
Income tax - income (expense)	(311)	(270)	15%
Net Profit (Loss)	1,215	1,039	17%

- KTC reported 1,215 MB in the first half of 2016, an increase of 17% as a result of the 13% growth in revenue that outpaced the 12% growth in total expense.

- Total revenue increased to 8,437 MB, contributed by the growth of credit card and personal loan interest income of 8% and 16% respectively; as well as bad debt recovery that increased 20%. Fee income (excluding credit usage) increased 12% contributed by merchant discount, interchange fee, and cash advance fee. The collection fee, however, dropped from the same period of prior year

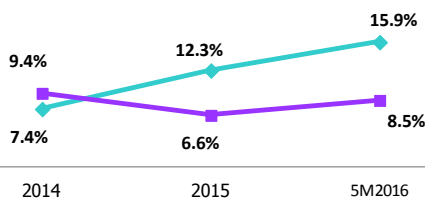
- Administrative expense was 3,357 MB, increased 38% from higher fee expense; as a result of the outsourced collection service and higher interchange fee paid. Marketing expense increased 32%, due to the plan to gain market share which was

implemented by expanding member base and increasing marketing campaign to promote spending. Since the portfolio grew 12%, an increment of 6,573 MB (the difference between total receivable of 2Q16 and 2Q15), the company incurred higher provision. However, financial expense was reduced significantly, down by 10%.

Maintained credit card spending growth

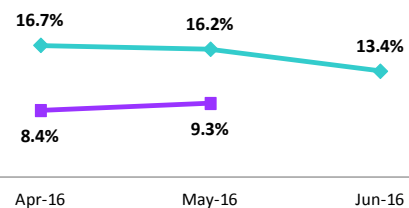
Five months credit card spending grew at 15.9% higher than the industry that grew only 8.5%. In terms of monthly growth comparison, the industry's spending growth in April and May was 8.4% and 9.3% respectively. While KTC's spending growth in April, May, and June was 16.7%, 16.2% and 13.4% respectively; resulting growth rate of 15.4% in 2Q16.

Credit Card Spending (%YoY)



◆ KTC ■ Industry

Monthly Credit Card Spending (%YoY)

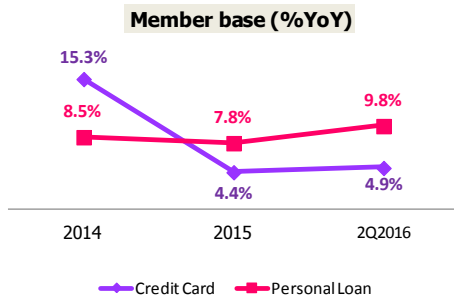
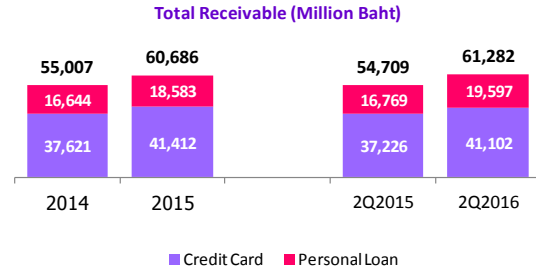


◆ KTC ■ Industry



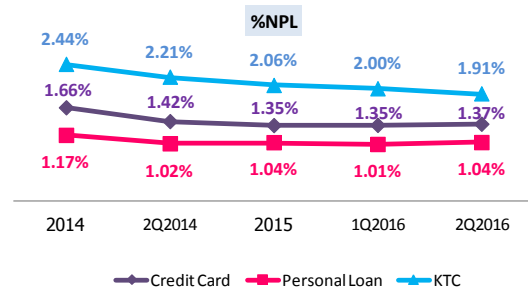
Portfolio Quality

Total portfolio grew 12% (YoY): In the second quarter KTC reported 61,282 MB of receivables, which 41,102 MB was Credit card portfolio (increased 10%), and 19,597 MB was personal loan portfolio (increased 17%). Once the total allowance was deducted, the company's total net receivable was 56,129 MB, consisted of 38,024 MB credit card portfolio and 17,939 MB personal loan portfolio.



KTC Membership expanded 6% by the end of June 2016, reporting a total of 2.8 million accounts up from 2.6 million accounts from the same period of prior year. The members consisted of 1,988,842 credit card holders (5% increased) after the purge of inactive credit cards in 2Q16, and 784,395 personal loan accounts (10% increased).

NPL remained consistently low. KTC continues to emphasize control of portfolio quality. The company reported 1.91% total portfolio NPL compared to the 2.21% of the same period last year. Credit card's NPL dropped to 1.37% from 1.42%, while personal loan's NPL increased slightly to 1.04% up from 1.02%.



First half of 2016 performance overview

The company was able to increased overall revenue, profiting from credit card spending, and from expanding portfolio of both the credit card and the personal loan businesses; while retaining NPL at low level. The overview of 1H16 performance was:

- KTC reported net profit of 1,215 MB an increase of 17% compared to the same period of prior year of 1,039 MB.
- Cost to income ratio was 39.8% up from 38.3% of 2Q15.
- Five months Card spending grew 15.9% higher than the industry that grew 8.5%.
- Net account receivable increased 12%. Net credit card receivable increased to 38,024 MB up from 34,417 MB, while net personal loan receivable increased to 17,939 MB up from 15,349 MB.
- Net interest margin for the first half of 2016 was 15.3%, an increase due to lower cost of fund of 3.34% down from 4.05%.
- KTC maintained good control of the portfolio's quality, total portfolio NPL was 1.91% down from 2.06% at the end of 2015; also lower than 2Q15 (2.21%) and 1Q16 (2.00%). The company expects to maintain NPA at the low level.

In the first half of 2016, KTC's portfolio expanded as a result of effective marketing, while employing lower than expected marketing expense. Meanwhile, the company realized increase net interest margin from the declining financial expense; and maintained good control in portfolio quality. Consequently, the company's reported better than expected performance, and as a result the company expects the performance of 2016 to be better than initially estimated