



## Management Discussion and Analysis for the nine-month period ended September 30, 2016

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

### 21% profit gain in the nine month of 2016

| Operation Result<br>(Unit: Million Baht) | 9M2016 | 9M2015 | Growth<br>Y-Y(%) |
|--|--------|--------|------------------|
| Total Revenue                            | 12,840 | 11,409 | 13%              |
| - <i>Bad Debt Recovery</i>               | 1,756  | 1,484  | 18%              |
| Administrative Expense                   | 5,084  | 4,447  | 14%              |
| Finance Cost                             | 1,116  | 1,229  | -9%              |
| Bad Debts and Doubtful Accounts          | 4,314  | 3,796  | 14%              |
| - Bad Debts                              | 4,153  | 3,840  | 8%               |
| - Doubtful Accounts                      | 160    | (43)   | 469%             |
| Profit (Loss) Before Tax                 | 2,326  | 1,938  | 20%              |
| Income tax - Income (expense)            | (472)  | (400)  | 18%              |
| Net Profit (Loss)                        | 1,854  | 1,538  | 21%              |

- Net profit for the nine month of 2016 was 1,854 MB, a 21% yoy increase achieved by the ability to generate income from the main businesses, ability to reduce financial cost, and effective collection.

- The company reported 12,840 MB of revenue in the nine month of 2016. The revenue gain was contributed by credit card and personal loan interest income growth of 8% and 17% respectively. Bad debt recovery increased 18%, while fee income (excluding credit usage) grew 11% resulting from merchant discounts, interchange fee and cash advance fee. The collection fee dropped from that of the same period prior year.

- Administrative expense in the nine month of 2016 was

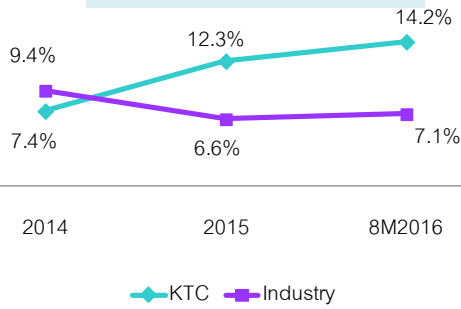
5,084 MB increased from that of prior year as a consequence of the 25% increase in fee expense (for the outsourced collection service). Due to the plan to gain market share, nine months marketing expense grew 24% yoy from the marketing activities designed to promote spending. Since the portfolio grew 11%, an increment of 6,380 MB (the difference between total receivable of 3Q16 and 3Q15) the company incurred 14% higher provision. The company, however, was able to reduce financial expense down 9% by replacing matured debts with lower interest rate as well increasing a higher mix of institutional lenders. With these factors the company was able to profit more than initially estimated.

### Eight month credit card spending remains higher than the industry

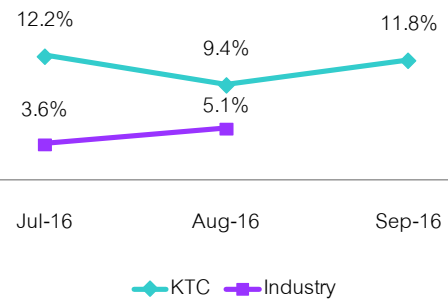
Credit card spending in the eight months grew 14.2% compared to the industry growth of 7.1% contributed by both banks and nonbanks. In terms of monthly growth, the industry's spending growth in July, and August was 3.6% and 5.1% respectively. KTC's spending growth in July, August, and September was 12.2%, 9.4% and 11.8% respectively. The growth resulted from effective marketing campaign that covers the main spending categories, and consequently the credit card spending growth in 3Q16 was 14.0% which expected to be higher than the industry.



Credit Card Spending (%YoY)

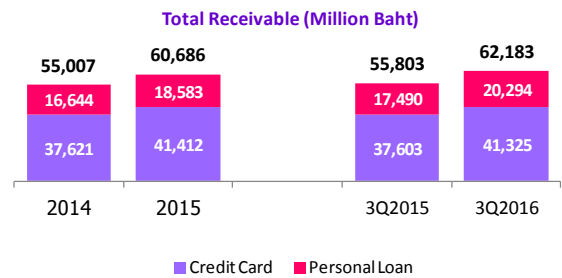


Monthly Credit Card Spending (%YoY)

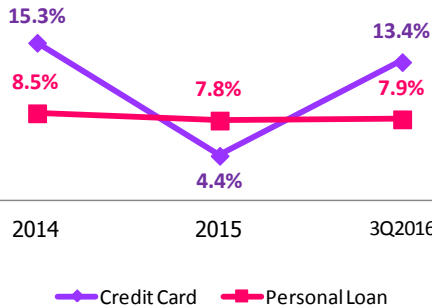


Portfolio Quality

- Total portfolio grew 11% yoy. KTC total receivable in 3Q16 was 62,183 MB, consisted of 41,325 MB credit card receivable, and 20,294 MB personal loan receivable. Once the 5,168 MB total allowance was deducted, the company's total net receivable was 57,015 MB; credit card net receivable was 38,247 MB, a 10% growth and personal loan net receivable was 18,603 MB a 16% growth.

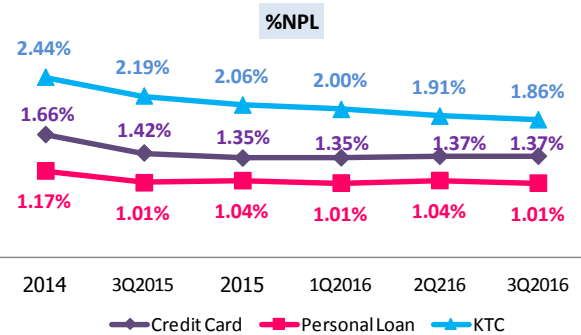


Member Base (%YoY)



- Membership was 2.8 million accounts. By the end of September 2016 KTC reported a total of 2.8 million accounts, a 12% yoy increase. The members consisted of 2,039,967 credit card holders (13% growth), and 793,486 personal loan accounts (8% growth).

- NPL of both credit card and personal loan remained low. KTC continued to emphasize in the importance of portfolio's quality. Total portfolio NPL was 1.86% a decrease compared to the same period of last year which was 2.19%. Credit card and personal loan NPL remains relatively stable compared to the previous quarter, at 1.37% and 1.01% respectively.



Nine month of 2016 performance overview

The company reported increased earnings from the growth of credit card spending, and the expansion of both credit card and personal loan portfolio; while maintained NPL at low level. The overall performance in the nine month of 2016 was:



- Net profit was 1,854 MB a 21% increase compared to the same period of 2015 that reported 1,538 MB of net profit.
- Cost to income ratio was 39.6% increased slightly from 39.0% of the same period of prior year. The increase was contributed mainly from fee expense for the outsourced collection and marketing expenses.
- Credit card spending growth in the 8 months of 2016 at 14.2%, higher than the industry growth of only 7.1%; this was achieved by effective marketing activities.
- Total portfolio expanded 11% from the same period of prior year. Credit card portfolio expanded from 37,603 MB to 41,325 MB, while personal loan portfolio expanded from 17,490 MB to 20,294 MB.
- Net interest margin in the nine month was 15.5% an increase, due to the cost of fund that declined from 3.9% to 3.3%.
- Maintained good control of the portfolio quality, total portfolio NPL was 1.86% down from 2.06% at the end of 2015, and also decline from the same quarter of prior year which was 2.19%. The company expects to maintain NPL at a consistently low level.