



Management Discussion and Analysis for the year 2016 period ended December 31, 2016

This paper describe changes in the financial statements (unaudited)

Net profit grew 20%

Operating Result (Unit: Baht Million)	2016	2015	Y-Y(%)
Total Revenue	17,580	15,559	13%
- <i>Bad debt recovery</i>	2,398	2037	18%
Administrative Expense	6,902	6,139	12%
Financial Cost	1,482	1621	(9%)
Bad Debt and Doubtful Accounts	6,070	5,183	17%
- Bad Debt	5,684	5,039	13%
- Doubtful Accounts	387	145	167%
Profit (Loss) Before Tax	3,126	2,616	20%
Income Tax - Income (Expense)	(631)	(543)	16%
Net Profit (Loss)	2,495	2,073	20%
Other comprehensive Income net of income tax	(68)	1	(7620%)
Total comprehensive income	2,427	2,074	17%

- KTC net profit for the year 2016 was 2,495 MB, a 20% increase from the ability to generate revenue from both credit card and personal loans. Bad debt recovery continued to grow, while financial costs remained low.

- Revenue for the year 2016 was 17,580 MB; the growth was contributed by higher interest income from credit card (9% increased), personal loan (17% increased), bad debt recovery (18% increased), fee income excluding credit usage (13% increased), merchant discounts (21% increased), interchange fee (21% increased), and cash advance fee (12% increased). However, collection fee decreased 32%

- In 2016 administrative expense was 6,902 MB. Fee expense grew 21% (generally from the outsourced collection service). Marketing expense increased 17% yoy as a consequence of marketing campaign expansion to stimulate

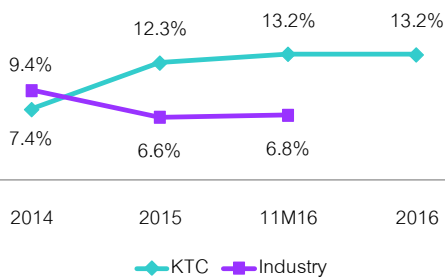
spending; marketing expense increased especially on the fourth quarter (22% growth qoq) to support the government's stimulus package. Bad debt and doubtful account increased 17% yoy from both write off and provision for the total portfolio that grew 13% or 8,011 MB (the difference between 2015 year end and 2016 year end receivables). The company was able to reduce financial cost down 9% by replacing matured debenture with lower interest rate but longer maturity as well as broaden the proportion of institutional investors. Combining the expanded member base that supported the revenue growth and a good control of the portfolio's quality, the company was able to deliver higher profit than previously forecasted.

Spending in the 11 months remain higher than the industry

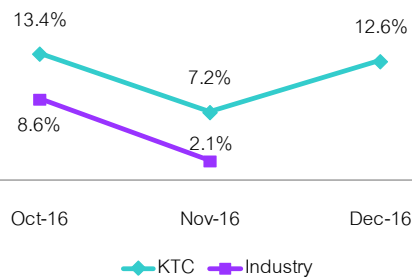
Credit card spending in the 11 months grew 13.2% yoy compared to the industry that grew 6.8%. In terms of monthly growth, the industry's growth in October and November was 8.6% and 2.1% respectively. KTC's spending growth in October, November, and December was 13.4%, 7.2% and 12.6% respectively. The growth was achieved by a variety of marketing campaigns that addressed customers' demand in all major spending categories; as a result the company's spending growth in the last quarter of 2016 was 11.2%



Credit Card Spending (%YoY)



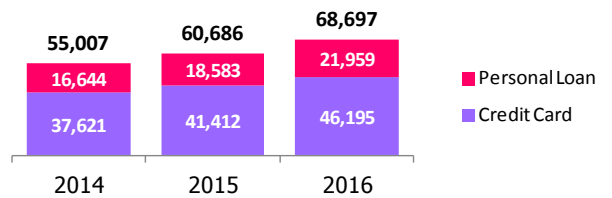
Monthly Credit Card Spending (%YoY)



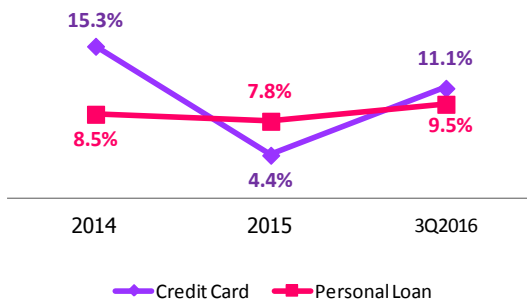
Portfolio's Quality

- Total portfolio expanded 13% yoy to 68,697 MB, consisted of 46,195 MB credit card receivables (increased 12% yoy) and 21,959 MB personal loan receivables (increased 18% yoy). After deducting the 5,394 MB total allowance, the company's total net receivable was 63,303 MB; credit card receivable was 42,988 MB and personal loan receivable was 20,154 MB.

Total Receivable (Million Baht)



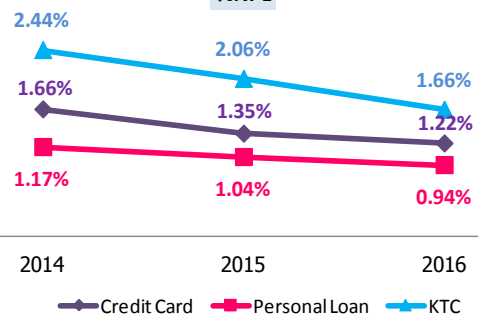
Member Base (%YoY)



- By the end of December 2016 KTC reported a total of 2.9 million accounts, a 10.6% increase from the previous year. The members consist of 2,095,563 credit card holders (11.1% gain) and 818,068 personal loan accounts (9.5% gain).

- The company continued to emphasize the importance of portfolio's quality and maintained control over NPL of both credit card and personal loan. Total portfolio NPL was 1.66% a decrease compared to the same period of the prior year which was 2.06%. Credit card NPL was 1.22% down from 1.35% yoy, and personal loan NPL was 0.94% down from 1.04% yoy.

%NPL





Year 2016 performance overview

The company generated profit and earning from credit card spending growth, expanded portfolio, and the growing personal loan business, with appropriate proportion of NPL. The overall performance in the year 2016 was:

- The company reported 2,495 MB net profit, a 20% growth compared to 2015 which was 2,073 MB.
- Cost to income ratio was 39.3% about the same level of the last year which was 39.5%.
- In 11 months of 2016 KTC credit card spending grew 13.2%, higher than the industry that grew only 6.8%. Moreover, merchant volume grew 14.9% to an amount of 57,658 MB up from 50,180 MB in the previous year contributed by increased merchants base from 23,041 in 2015 to 29,764 in 2016 (29.2% increase); as a result of campaigns to increase merchants which in turn increased merchant volume.
- Total net receivables expanded 14% from the same period of previous year, an amount of 63,303 MB. Credit card net receivable increased from 38,429 MB to 42,988 MB, and personal loan net receivable increased from 17,073 MB to 20,154 MB.
- Net interest margin at the end of 2016 was 15.1%, higher due to lower financial cost that decreased from 3.7% to 3.1%.
- Continuous quality control of portfolio, total portfolio NPL was 1.66% down from 2.06% at the end of 2015.
- In 2016 there are changes in assumption used to calculate employee benefit that differs from 2015, as a result other comprehensive income net of income tax decreased 68 MB; the company's total comprehensive income was 2,427 MB.
- KTC dividend policy is to pay no less than 40 percent of net profit after the deduction of income tax and appropriation of legal reserve.
- Additional information can be found in the link below:

https://www.ktc.co.th/en/ktc/InvestorRelations/InvestorPresentation/index.htm?_checkRefresh=false&cate=tab1