Management Discussion and Analysis for the 1st Quarter, 2017

This paper describe changes in the financial statements (unreviewed)

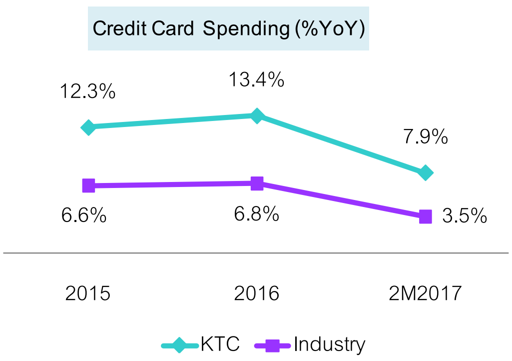
Profit grew 15%

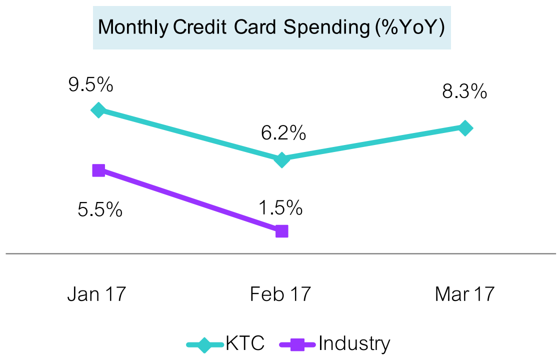
Operating Result (Unit: Baht Million)	1Q17	1Q16	Y-Y(%)
Total Revenue	4,633	4,152	12%
- *Bad debt recovery*	638	581	10%
Administrative Expense	1,678	1,652	2%
Financial Cost	400	383	4%
Bad Debt and Doubtful Accounts	1,640	1,317	25%
- Bad Debt	1,580	1,312	20%
- Doubtful Accounts	59	5	1,026%
Profit (Loss) Before Tax	916	800	14%
Income Tax - Income (Expense)	(183)	(165)	11%
Net Profit (Loss)	733	635	15%
Other comprehensive Income net of income tax	0	0	-
Total comprehensive income	733	635	15%

- Net profit on the first quarter of 2017 was 733 MB, due to the ability to generate revenue from both businesses; bad debt recovery remained high, while administrative expense grew at a declining rate. As a result the company continued to enjoy profit growth.
- Revenue on the first quarter of 2017 was 4,633 MB (12% increase) contributed by interest income of credit card and personal loan that grew 8% and 18% respectively. Revenue growth was also contributed by; bad debt recovery (10% growth), fee income excluding credit usage fees (14% growth), Merchant discount fee (18% growth), interchange fee (6% growth), and collection fee (56% growth). Cash advance fee, however, remains at the same level of last year.
- The company's administrative expense increased only 2% on the first quarter compared to the same period of prior year, or an amount of 1,678 MB. The increased administrative expense was contributed by, a 9% increased in fee expense, an 8% increased in personnel expense, and a 25% increase in bad debt and doubtful accounts. Marketing expense, however, decrease 26%.
- Although financial expense increased 4% due to the rising interest trend, the company is confident that by adjusting the balance of the short term and long term funding sources, the firm would be able to maintain a stable cost of fund.
- The company's revenue grew as a result of the expanded member base, while able to maintain total portfolio quality; these factors will led pto profit as projected earlier.

Industry spending growth decelerated

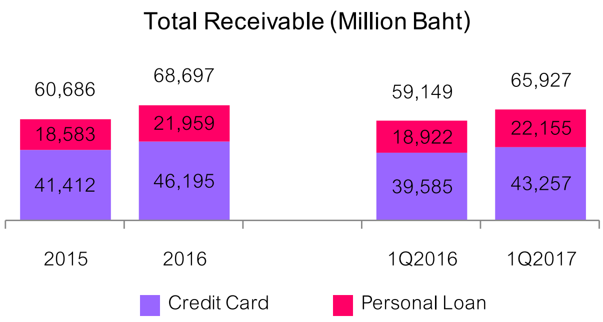
- The company's two months cumulative spending growth continued to grow 7.9% higher than the industry that grew 3.5%. The industry's monthly spending growth in the first quarter was 5.5% and 1.5% in January and February, while KTC spending growth in January, February and March was 9.5%, 6.2% and 8.3% respectively. The decelerating in spending growth was due to the uncertainty in long term economic outlook, as well as increased competition within the industry. As a result, KTC spending growth in the first quarter of 2017 was 8.0% which was still higher than the industry.

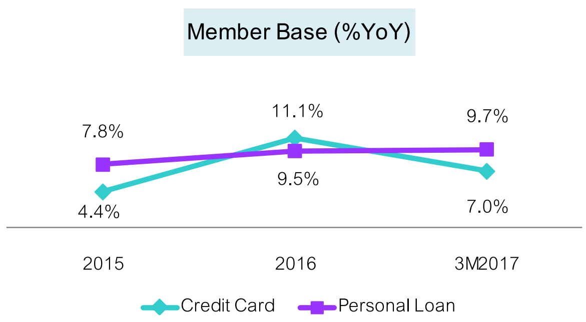




Portfolio Quality

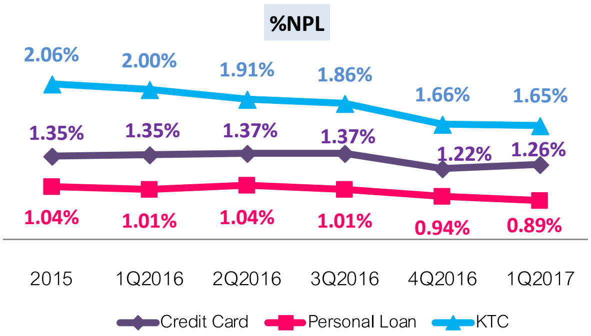
- Total portfolio grew 11% yoy to 65,927 MB, consisted of 43,257 MB credit card receivables (increased 9% yoy) and 22,158 MB personal loan receivables (increased 17% yoy). After deducting 5,453 MB of total allowance, the company total net receivable was 60,474 MB; credit card net receivable was 40,035 MB and personal loan net receivables was 20,286 MB.





- By the end of March 2017 Member base grew to 2.97 million accounts or 7.7% increase from the same period of last year. The member base consisted of 2,133,994 credit cards (7.0% growth) and 834,336 personal loan accounts (9.7% growth).

- Market share as of February grew to 13.4% from 12.9% of the same period last year. Credit card spending market share was 11.2% increased from 10.7% of last year. Similarly, total personal loan receivable market share was 6.7% increased from 5.8% of last year.



- The company continued to prioritize on the portfolio's quality of both credit card and personal loan. Total portfolio NPL was 1.65% declined from 2.00% of last year. Credit card NPL was 1.26% down from 1.35%, and personal loan NPL was 0.89% down from 1.01% of last year.

First quarter 2017 performance overview

In the first quarter of 2017 the company reported increased in profit from both business. Although financial expense, and write offs were increasing, the company was able to minimize administrative expenses as well as maintain NPL at low level. The performance overviews are as follows.

- Net profit was 733 MB a 15% increase compared to 635 MB from the same period of last year.
- Cost to income ratio was 36.2% reduced from 39.8%, operating cost to income ratio was 27.2% down from 28.9% from the same period of last year.
- In the first two month of 2017, the company spending volume grew 7.9%, higher than the industry that grew 3.5%. Merchant volume was 10,564 MB grew 18.9% from 8,882 MB in 2016, as a result of the merchant expansion project that increased merchants by 24.5% from 24,147 outlets in 2016 to 30,030 outlets in 2017 that successively increased merchant volume.
- Total portfolio grew 12% from the same period of last year an amount of 60,474 MB, consisted of credit card receivable that increased from 36,627 MB to 40,035 MB and personal loan receivable that increased from 17,339 MB to 20,286 MB
- Net interest margin in the first quarter of 2017 was 15.6% higher compared to the same period of 2016 which was 15.3%. Interest received of 2016 and 2017 was similar at 18.8% but cost of fund in the first quarter of 2016 was 3.5%, higher than 3.2% in 2017.
- The company continued to control NPL at low level; total portfolio NPL was 1.65% down from 2.00% in the first quarter of 2016, and lower than 1.66% at the end of 2016.