



บริษัท บัตรกรุงไทย จำกัด (มหาชน)

591 อาคารเม็ชชาวนิช 2 ชั้น 14 ถนนสุขุมวิท 33 แขวงคลองตันเหนือ เขตวัฒนา กรุงเทพฯ 10110 โทร: +662 665 5000 โทรสาร: +662 828 5497

Krungthai Card Public Company Limited

591 United Business Centre II, 14<sup>th</sup> Fl., Sukhumvit 33 Rd., North Klongton, Wattana, Bangkok 10110 Thailand Tel: +662 665 5000 Fax: +662 828 5497

ทะเบียนหลักทรัพย์ 0107545000110

KTC

393 / 2560

May 12, 2017

To: The President of the Stock Exchange of Thailand  
The Stock Exchange of Thailand

Subject: Operating result notification of the quarter ended March 31, 2017

Enclosure: Management Discussion and Analysis for the quarter ended March 31, 2017

KTC's Board of Directors has approved the Company's Financial Statements and the Report of certified public accountant for the year ended March 31, 2017, which were audited by Deloitte Touche Tohmatsu Jaiyos Company Limited, details enclosed. We would like to submit the corresponding Management Discussion and Analysis to the Stock Exchange of Thailand for the purpose of distributing to investors.

Please be informed accordingly

Respectfully yours,

Krungthai Card Public Company Limited

(Mr. Chutidej Chayuti)

Chief Financial Officer

## Management Discussion and Analysis

### Thai Economy and Consumer Finance Industry overview of Quarter 1 of 2017

The Bank of Thailand has revised its overall economic outlook for the country in 2017, from an expected 3.2% growth to 3.4% in March, because the Thai economy has expanded better than previously estimated. The exports and service sector, recovered significantly while government spending through mega projects remained the country's important economic driving force. Although private consumption expanded slowly, private investment improved following the recovery of exports, which signaled a continuous overall economic growth.

In the first quarter of 2017, the Bank of Thailand revised the industry economic data twice; the first revision was made by the end of February where the number of credit cards was corrected. The second revision was made by the end of March, with the restatement of the January 2017 and February 2017 industry receivable and cash advance amount, altering the original industry growth figures. The industry's total credit card receivable at the end of March 2017 was 333,249 MB or a 7.9% growth in comparison to the 5.6% growth in the previous year. Credit card spending was 365,679 MB or a 3.9% growth, which was lower than the previous year's growth of 8.2%. Meanwhile, personal loan receivables amounted to 331,489 MB or a 3.0% growth compared to the 2.8% growth of the previous year.

Industry Comparison	2015	2016	1Q2017
Credit Card Receivable (MB)	336,641	358,413	333,249
<i>Growth (%)</i>	5.8%	6.5%	7.9%
KTC credit card receivables to industry	12.3%	12.9%	13.0%
Number of Cards (Cards)	21,762,273	23,151,164	19,576,694
<i>Growth (%)</i>	7.2%	6.4%	-12.0%
Credit card spending (MB)	1,393,121	1,488,408	365,679
<i>Growth (%)</i>	6.6%	6.8%	3.9%
KTC credit card spending to industry	10.5%	11.1%	11.2%
Personal Loan receivables (MB)	324,667	338,117	331,489
<i>Growth (%)</i>	3.8%	4.1%	3.0%
KTC Personal Loan receivables to industry	5.7%	6.5%	6.7%

Source: Bank of Thailand

The company continued to expand in both businesses with KTC credit card receivables market share at 13.0%, increased from 12.8% in the previous year. KTC credit card spending market share grew from 10.8% in 2016 to 11.2% in the first quarter of 2017, and the market share of KTC personal loan receivables increased to 6.7% from 5.9% share of the past year.

## Overview of KTC's Performance during Quarter 1 of 2017

The company plan of operation in 2017 is to focus on both revenue and profitability growth, mainly from higher credit card spending, growth in credit card and personal loan receivables, and effective portfolio management to keep NPL low. KTC's performance overview during Q1 of 2017 can be summarized as follow:

- The Company reported a net income of 733 MB, increased from 635 MB or by 15% from 2016 yoy, contributed by the income from the main businesses, higher bad debt recoveries, and the ability to curb the growing administrative expenses at a declining rate. As a result, KTC's profitability continued to grow.
- KTC credit card spending expanded by 8.0% in the first quarter of 2017, which was higher than the industry's growth of 3.9%, this was driven by the Company's higher credit card spending than the industry throughout the first quarter.
- Merchant acquiring business grew 22.4% to 16,934 MB up from 13,836 MB, and merchant outlets grew 18.5% to 29,699 outlets up from 25,054 outlets; as a result of the projects to acquire more stores, the installation of more EDC terminals, the expansion of online merchants, the virtual terminal payment system, and the expansion of Alipay merchants.
- Total receivable in the first quarter of 2017 increased 11% yoy to 65,927 MB, in which credit card receivables increased from 39,585 MB to 43,257 MB and personal loan receivables increased from 18,922 MB to 22,158 MB.
- Total portfolio NPL continued to decrease to 1.65% down from 1.66% at the end of 2016, and decreased from 2.00% in the first quarter of 2016.
- Total bad debt and doubtful accounts was 1,640 MB, increased 25% from the first quarter of the previous year, due to write-offs and provision that increased with both the credit card and personal loan portfolio's growth. The ratio of allowance for doubtful accounts to NPL remained high at 500%.
- In the first quarter of 2017, total revenue grew 12% to 4,633 MB; the revenue growth was supported by 8% growth in credit card interest income, 18% growth in personal loan interest income, 10% growth in bad debt recovery, and 14% growth in fee income (excluding credit usage fee).

- Net interest margin in the first quarter of 2017 was 15.6%, which was higher than 15.3% in the first quarter of 2016, due to the similar 18.8% interest received but lower cost of funds of 3.2% in the first quarter of 2017 compared to 3.5% in the first quarter of 2016.
- The operating cost to income ratio was 27.2%, dropped from 28.9% in the same period of prior year, this indicated effective management in expenses.

#### Net Profit increased by 15%

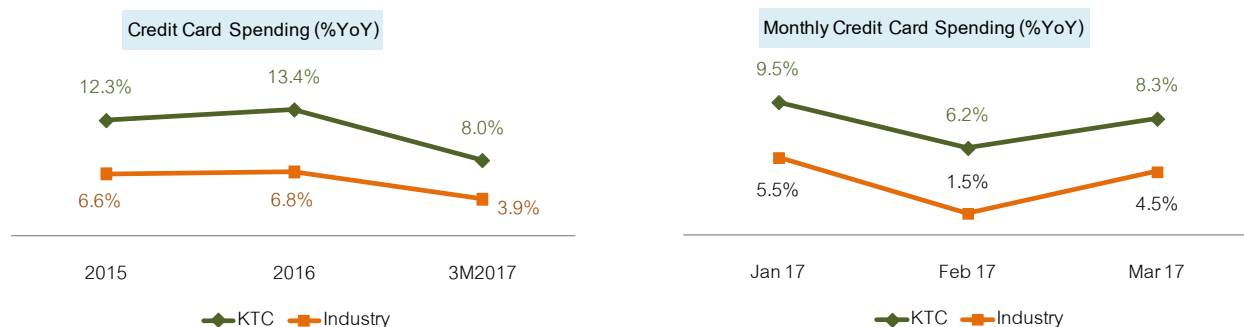
- The Company reported a net profit of 733 MB in the first quarter of 2017, which grew by 15% from the same period of 2016.
- The Company reported a total revenue of 4,633 MB in Q1 of 2017, which increased by 12% yoy (from 4,152 MB in 2016). Administrative expense was 1,678 MB, increased by only 2%, while financial expense increased 4%. Bad debts and doubtful accounts increased 25% due to more write-offs and provision reflecting the portfolio growth. The Company's overall expenses summed up to 3,718 MB or a 11% growth. Nevertheless, revenue exceeded expenses due to more income from the increased members and receivables, which resulted in the Company's net profit growth.

Operating Result	1Q2017	% of Total Revenue	1Q2016	% of Total Revenue	Growth
(unit: million Baht)					Y-Y(%)
Total Revenue	4,633	100%	4,152	100%	12%
- <i>Bad debt Recovery</i>	638	14%	581	14%	10%
Administrative Expenses	1,678	36%	1,652	40%	2%
Financial Expenses	400	9%	383	9%	4%
Bad Debts and Doubtful Accounts	1,640	35%	1,317	32%	25%
Profit (Loss) before tax	916	20%	800	19%	15%
Income tax – Income (expense)	(183)	4%	(165)	4%	11%
<b>Net Profit (Loss)</b>	<b>733</b>	<b>16%</b>	<b>635</b>	<b>15%</b>	<b>15%</b>
Other Comprehensive Income – Net of Tax	0	-	0	-	-
<b>Total Comprehensive Income</b>	<b>733</b>	<b>16%</b>	<b>635</b>	<b>15%</b>	<b>15%</b>

#### KTC Credit Card Spending continued to grow higher than the Industry

- KTC credit card spending growth in Q1 of 2017 was 8.0%, which was higher than the industry growth of 3.9%. When comparing on a monthly basis of this year's first quarter, the industry growths in January,

February, and March were 5.5%, 1.5%, and 4.5%, respectively; while KTC grew by 9.5%, 6.2%, and 8.3%, respectively. This was achieved by growth of new member base, activities that delivered to the customers' needs across all major spending categories, as well as the added benefits through reward points.



### Total interest income increased due to expansion of member base of the 2 main businesses

- **Total revenue increased.** Total revenue in Q1 of 2017 was 4,633 MB, increased by 12%, mainly contributed by 2,903 MB interest income (including credit usage fee), 993 MB fee income, and 737 MB of other income; a proportion 63%, 21%, and 16% of total income, respectively. While 87% of other income was from bad debt recovery.
- **Interest income increased from receivables of the 2 main businesses.** Portfolio of total credit card and personal loan increased by 9% and 17%, respectively, as a result interest income (including credit usage fee) growth of both credit card and personal loan was 8% and 18%, respectively. This was achieved by strategies that sought new members in the Premium segment, while maintaining member base in the mass segment. Moreover, credit card products were improved, personal loans to focus on specific customer segments, customers were assisted with financial discipline advices to create positive experience while meeting their specific needs, as well as cultivating long term brand loyalty.
- **Net interest margin increased.** The Company's net interest margin in first quarter of 2017 was 15.6% higher than the 15.3% growth in the first quarter of 2016. This was due to similar interest received rate of 18.8% but lower cost of funds at 3.2% in the first quarter of 2017 compared to the 3.5% of the same period of prior year.

The company's Financial Statements (MB)	1Q2017	% of Total Revenue	1Q2016	% of Total Revenue	Growth (%)
Total interest income including credit usage fee	2,903	63%	2,574	62%	13%
- Credit card receivables	1,483	32%	1,368	33%	8%
- Personal Loan receivables	1,410	30%	1,191	29%	18%
- Other receivables (Circle Loans / Self-employ)	11	0.2%	15	0.4%	-28%
Fee income (excluding credit usage fee)	993	21%	874	21%	14%
Financial Cost	400	9%	383	9%	4%
Net Interest Margin	15.6%		15.3%		

- **Fee income continued to increase.** Fee income (excluding credit usage fee) grew 14% or an amount of 993 MB. The increase was due to the growth of merchant discounts by 18% (fee received from merchants who are members of KTC), interchange fee by 6% (fee from transactions between banks/card issuers and banks/payment service provider), and collection fee by 56%. The cash advance fee, however, remained at the same level.

#### Total expense grew at a slower rate

- The Company reported a total expense (excluding income tax) of 3,718 MB in the first quarter of 2017, increased by 11% from 3,352 MB last year. Total administrative expense increased slightly by 2%, which was contributed by 9% fee expense (from increased credit card spending by merchants) and personnel expense that grew 8%. Meanwhile marketing expense decreased 26% due to effective campaign management. On the other hand, bad debts and doubtful accounts increased 25%, and cost of funds increased by 4%.

The company's Financial Statements (MB)	1Q2017	% of Total Revenue	1Q2016	% of Total Revenue	Growth (%)
Personnel Expense	547	12%	506	12%	8%
Marketing Expense	199	4%	270	7%	-26%
Fees	523	11%	480	12%	9%
Other Administrative Expense	409	9%	396	10%	3%
Total Administrative Expense	1,678	36%	1,652	40%	2%

- Cost to income ratio was 36.2%, which decreased from 39.3% at 2016 year-end and decreased from 39.8% in the first quarter of 2016, due to reduced marketing expense. When only the operating cost (excluding marketing expense and interchange fee) are considered, operating cost to income ratio was 27.2%, which was less than 28.5% at 2016 year-end and 28.9% in the first quarter of 2016. This indicated that the Company was able to effectively manage its expenses, in which the growth rate of the net income outpaced that of the operating costs.

### Quality of the receivables portfolio

- In the first quarter of 2017, the company total receivables was 65,927 MB or an 11% yoy growth, consisted of 43,257 MB (9% yoy) credit card receivables, and 22,158 MB (17% yoy) personal loan receivables. When 5,453 MB of bad debt and doubtful accounts were deducted, total net receivables was 60,474 MB. Net credit card receivables portfolio was 40,035 MB, which accounted for 66% of total net receivables portfolio; and personal loan receivables portfolio was 20,286 MB.
- **NPL continued to improve.** The Company emphasized on portfolio quality, total portfolio NPL was at 1.65% in Q1 of 2017, decreased from 2.0%. Credit card's NPL decreased to 1.26% down from 1.35% and personal loan's NPL decreased to 0.89% down from 1.01% due to quality of expanding portfolio. Although the Company adhere to the same provisioning policy, the Company continued to experienced lowering NPL which resulted a high allowance to NPL ratio of 500%, increased up from 423% in Q1 of the previous year.
- **Member base continued to expand in both businesses.** The Company had a total member of 2.97 million accounts as at the end of March 2017, or a growth of 7.7%; consisted of 2,133,994 current credit card members (7.0% growth), and 834,336 current personal loan accounts (9.7% growth).

The company's Financial Statements (MB)	1Q2017	% of Total Revenue	1Q2016	% of Total Revenue	Growth (%)
Credit Card's bad debts and doubtful accounts	878	19%	711	17%	23%
Personal Loan's bad debts and doubtful	756	16%	601	14%	26%
Other Loan's bad debts and doubtful accounts*	6	0.1%	5	0.1%	8%
<b>Total bad debts and doubtful accounts</b>	<b>1,640</b>	<b>35%</b>	<b>1,317</b>	<b>32%</b>	<b>25%</b>

\*Other loans include KTB Thanawat Loan, loans for business owners, etc.

- **Increase provision reflecting portfolio growth.** Bad debts and doubtful accounts increased to 1,640 MB in the first quarter of 2017 from 1,317 MB in the same period of prior year. Although receivables portfolio

decrease 4% from 2016 year-end, it grew by 11% yoy. As a result, provision for doubtful accounts in this quarter increased in accordance with portfolio growth. Bad debts in credit card and personal loan increased by 17% and 30%, respectively.

## Statement of financial position and source of income

- **Assets increased from receivables portfolio.** The Company's assets at the end of the first quarter was 65,450 MB, increased 13% from 58,158 MB in the previous year. The main income generating assets were net receivables of 60,474 MB or 92% of total assets while the other 8% were cash, other receivables, deferred tax assets, and other assets.
- **Effective cost of funds management.** In Q1 of 2017 the Company reported a total borrowing of 48,635 MB, an increase of 12% q-o-q. The structure of the funds was both short-term and long-term. The short-term borrowings were from other financial institutions of 6,703 MB and related financial institutions of 647 MB. The long-term borrowings were from debentures of 41,285 MB with diverse sources from Thai and Foreign commercial banks, securities companies, insurance companies, and various funds. At the end of March 2017, the Company's available credit line was 26,640 MB consisted of 18,030 MB from Krung Thai Bank and 8,610 MB of other commercial banks. The cost of funds by the end of Q1 was 3.21% up from 3.08% at 2016 year-end, but down from 3.46% q-o-q. The Company's debt to equity ratio was at 4.92 times, which remained below the bond covenant at 10 times.

## Operation Plan from Q1 of 2017

In the first quarter of 2017, the Company has progressed as planned and operated under the 3 main core values: courageous, smart & simplicity, and meaningful. These brand core values are cultivated within organization to reach out to the public covering all dimensions. The Company's operation plan from Q1 onward can be summarized as follow:

- **Credit card business to focus on member base expansion and to be more digitally responsive to customers' demands.** This is a marketing strategy to continuously increase new members in potential segments—upper and young generation—by focusing on online application and through merchants and business partners. This strategy also helps develop products and services to meet the needs of customers by improving existing digital services and creating a variety of new services that are more approachable. The mobile application optimized, be more convenient, and support all operational platforms.
- **Focus on variety and coverage of cardholders demand.** By prioritizing on being the default credit card covering all spending categories, KTC will tailored marketing programs and benefits that uphold KTC's



identities. Online benefits will also be improved as well as providing activities and events that enhance good customer experience.

- **Add value from Forever Rewards points and focus on segmentation marketing.** Manage existing portfolio for maximum effectiveness coupled with campaigning the benefits of using Forever Rewards points in both dimensions: earn and burn. Online points redemption and frequency of credit card spending will be promoted so that KTC credit card becomes the default card.
- **Merchant acquiring: to penetrate new and online businesses.** KTC aims to penetrate new and online businesses as well as expands to provincial areas by presenting KTC Pay service for transactions of e-Commerce and m-Commerce to support the growing online businesses. Stores of all type will be closely attended to so that the most appropriate KTC Payment Solutions is offered to cater each business type.
- **Elevate KTC PROUD products, enhance online experiences, expand customer base, and create long-term loyalty.** KTC PROUD focuses on elevating its products to enhance online experiences such as 24-hour online cash advance service with no restrictions on withdrawals, which is beneficial in terms of convenient and safety. Moreover, the Company aims to expand to new quality target groups to maintain market share; and also, satisfy members to promote brand loyalty in the long-term.
- **KTC plans to explore new businesses and build a lasting Total Business Relationship (TBR).** The Company will study the growing business trend, potential business or businesses that meet the lifestyle demands of customers. Other marketing campaigns that promote customer satisfaction and credit card spending such as online promotion, insurance plans, and “U Shop V Deliver” service, will not be overlooked as they create diversity. Total Business Relationship (TBR) will be applied to intertwine every business group for maximum benefits of all parties.

In summary, the Company will continue to promote marketing strategies to seek new members of the Premium segment while maintaining member base of the Mass segment. As KTC Forever Rewards points differentiate the Company from others and to encourage long-term loyalty, KTC will focus on offering various campaigns for points redemption. With the goal of becoming a leader in the intense market competition, unconventional marketing strategies will be created, concept will be expanded, and online market will be focused on. In addition, the Company will relentlessly strive to analyze, seek, and explore new business opportunities. KTC is confident that operating direction and growth prospects will be as assessed.

## KTC Financial Highlight

(Unit : Baht Million)	1Q 2017	1Q 2016	Growth (Y-Y%)
Total Revenue	4,633	4,152	12%
Total Expense (Excluding Financial Cost)	3,318	2,969	12%
Total Expense (Including Financial Cost)	3,718	3,352	11%
Net Profit	733	635	15%
Credit Card Net Receivables	40,035	36,627	9%
Personal Loan Net Receivables	20,286	17,339	17%
Other Net Receivables	153	171	-11%
Total Asset	65,450	58,158	13%
Total Borrowings	48,635	43,539	12%
Total Liabilities	54,395	48,791	11%
Total Shareholders' Equity	11,054	9,368	18%
Gross Profit Margin (%)	85.5%	85.1%	0.4%
Net Profit Margin (%)	15.8%	15.3%	3%
Interest Coverage Ratio (times)	3.3	3.1	7%
Debt to Equity Ratio (times)	4.9	5.2	-6%
Return on Equity (%)	27.4%	28.1%	-2%
Return on Asset (%)	4.4%	4.3%	2%
Allowance / Total Receivables (%)	8.3%	8.5%	-2%
Allowance / NPL (%)	500%	423%	18%
Book Value (Baht)	42.9	36.3	18%
Earnings per share (Baht)	2.84	2.46	16%

\*Other loans: Circle Loans, Self-employed Loans, and etc