



Management discussion and analysis for the 1st half 2017 ending 30th June 2017

This paper describe changes in the financial statements (unreviewed)

Profit grew 25% in the first half of 2017

Operating Result (Unit: Baht Million)	1H17	1H16	Y-Y(%)
Total Revenue	9,453	8,437	12%
- <i>Bad debt recovery</i>	1,321	1,156	14%
Administrative Expense	3,429	3,357	2%
Financial Cost	806	758	6%
Bad Debt and Doubtful Accounts	3,316	2,797	19%
- Bad Debt	3,128	2,652	18%
- Doubtful Accounts	188	145	30%
Profit (Loss) Before Tax	1,902	1,525	25%
Income Tax - Income (Expense)	(383)	(311)	23%
Net Profit (Loss)	1,519	1,215	25%

- The company's net profit in the first half of 2017 was 1,519 MB, increased 25% due to higher income growth at 12% while expense increased 9%.

- Total revenue for the first half of 2017 was 9,453 MB contributed by the 8% growth of credit card and 19% growth of personal loan interest income. Bad debt recovery grew 14%. And, fee income excluding credit usage fees (a mix of merchant discount fee, interchange fee, cash advance fee, and collection fee) grew 11%.

- Administrative expense increased to 3,429 MB due to 7% growth in fee expense; contributed by collection fee to outsourced and higher interchange fee paid.

Marketing expense lowered by 22% as a result of effective marketing allocation under highly competitive environment. Financial expense increased 6% as well as 10% higher bad debt and doubtful accounts a 5,946 MB increment to the portfolio (the difference between gross receivables at the end of 2016 and that of the second quarter of 2017).

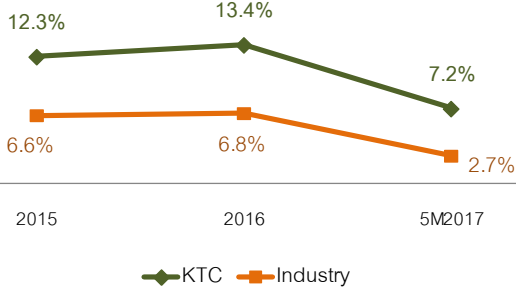
- Since the revenue growth surpassed the company's expense, the company profitability in the first half of 2017 grew continuously from the last year. The company is determined to achieve the projected goal.

Maintained credit card spending growth

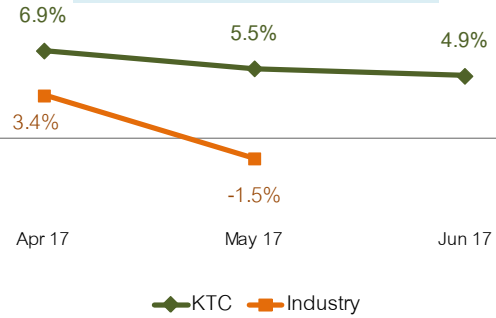
- Credit card spending growth in the five months of 2017 was 7.2% outperforming the industry that grew just 2.7%. The industry's growth in April and May was 3.4% and -1.5%, while KTC spending growth in April, May, and June was 6.9%, 5.5%, and 4.9% respectively. Consequently, the company's spending growth in the second quarter and the first half of 2017 was 5.7% and 6.8%.



Credit Card Spending (%YoY)



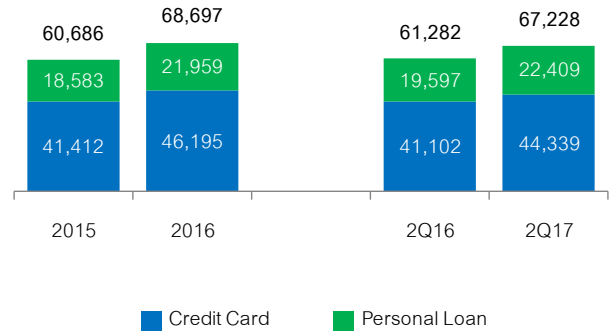
Monthly Credit Card Spending (%YoY)



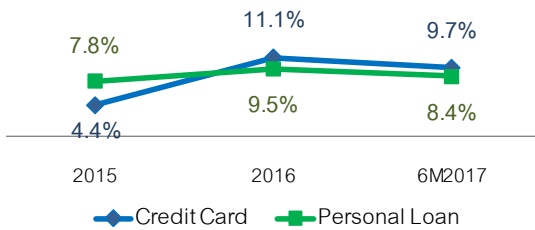
Portfolio quality

- In the second quarter, total portfolio was 67,228 MB, a 10% yoy growth; consists of 44,339 MB (8% growth) credit card receivables, and 22,409 MB (14% growth) personal loan receivables. Once the 5,583 MB total allowance was deducted, total net receivable was 61,645 MB; consists of 40,992 MB credit card net receivable, and 20,503 MB personal loan net receivable.

Total Receivable (Million Baht)



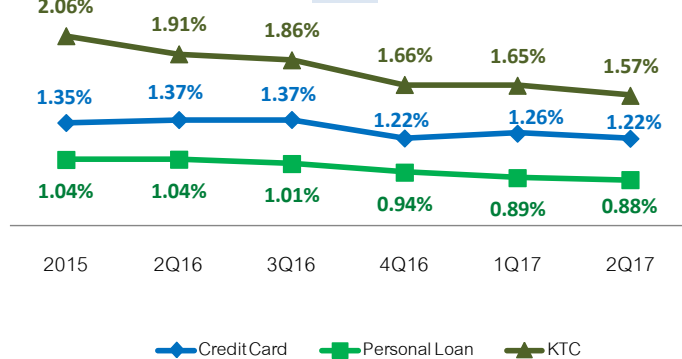
Member Base (%YoY)



- At the end of June 2017, the company reported 3.0 million members; a 9% increase compared to 2.8 million members in June 2016. KTC members consisted of 2,180,786 cards (10% growth), and 850,383 personal loan accounts (8% growth).

- The company continuously prioritized portfolio's quality control. Total portfolio NPL in the first half of 2017 was 1.57% down from 1.91% of the same period last year. Credit card NPL was 1.22% down from 1.37% and personal loan NPL was 0.88% down from 1.04% of last year.

%NPL





First half 2017 Performance overview

The ability to generate profit grew continuously from the first half of 2016. The company generated higher revenue while kept control on the overall expense. Profitability resulted from the credit card spending, and portfolios growth; while keeping NPL at low level. The performance overviews are listed below.

- Net profit was 1,519 MB or a 25% increase compared to 1,215 MB of the same period of last year
- Cost to income ratio was 36.3% down from 39.8% from the same period of last year
- Credit card spending in the first five months was 7.2% outperformed the industry that grew 2.7%
- Total portfolio grew 10% from the same period of last year; consist of 40,992 MB credit card net receivables increased from 38,024 MB, and 20,503 MB personal loan net receivables increased from 17,939 MB of last year.
- Net interest margin in the first half of 2017 increased to 15.6%; due to the lower cost of fund of 3.28% that dropped from 3.34% in the same period last year.
- Maintained portfolio quality, with total portfolio NPL of 1.57%; comparing to 1.65% at the end of 1Q17, 1.66% at the end of 2016, and 1.91% at the end of June 2016.

The total portfolio continued to grow with quality during the first half of 2017. Marketing budget was utilized efficiently, resulted in lower than expected expenses. As a consequence, the company's performance remained strong. However, due to the weakening growth in the credit card industry compared to that of the previous year; once the first half of 2017 credit card industry figures are announced in August, KTC will then consider the adjustment on credit card spending growth target. Despite all the changes, the company is expected to deliver the 2017 profit as projected.

Additionally, on 11th July 2017 at the government press center, the government spokesperson disclosed that the Bank of Thailand has planned to tighten regulations on credit cards and personal loan to address the household debts. The new regulation is currently under development and no official announcement has been made. KTC believes that we are capable to adjust to the upcoming regulatory change.