



Management Discussion and Analysis for the year 2017 period ended December 31, 2017

This paper describes changes in the financial statements (unaudited)

Year 2017 Performance overview

KTC continued to generate revenue growth mainly from the credit card spending and the receivable growth from both credit cards and personal loans as well as the expanded customer base; while NPL remains at low level. The overall performances of 2017 are as follows:

- Net profit increased 32% from 2,495 MB in 2016 to 3,304 MB in 2017.
- Despite the effect on the regulatory changes in the last quarter of 2017 that lowered the credit card interest cap from 20% to 18%, resulting in a reduced interest income growth to 10% in 2017 from 12% in 2016; the company's total revenue was 19,525 MB compared to 17,580 MB in 2016 (due to the expanded portfolio and customer base)
- Cost to income ratio was 36.6% down from 39.3% compared to the same period of prior year.
- The credit card spending in the eleven months grew 7.4%, higher than the industry that grew 5.2%, merchant volume grew 28.9% to 68,805 MB, and merchant outlet increased to 32,875 outlets up from 29,764 outlets.
- Total portfolio increased 7% to 73,488 MB consisted of credit card portfolio that grew 5% to 48,338 MB from 46,196 MB, and personal loan portfolio that grew 13% to 24,757 MB from 21,959 MB.
- Net interest margin was 15.13% maintained at a similar level to that of 2016 which was 15.12% due to slight increase in the difference between interests received and cost of fund.
- Continued to maintain Portfolio quality, total portfolio NPL by the end of 2017 was 1.32% down from the 1.66% of the same period of prior year.
- The company's dividend policy was set to pay out dividend no less than 40% of net profit after tax and legal reserves.

Net profit grew 32%

- The company reported 3,304 MB net profits, a 32% increased due to the ability to generate revenue in both business, and increased recovery income. Although cost of fund increased but the improved efficiency rendered the administration expense to grow at a decelerated rate and hence the continuous profit growth.

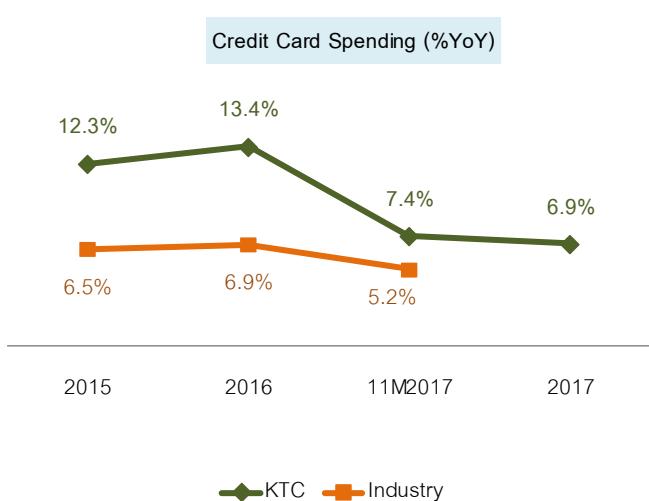
Operating Result (Unit: Baht Million)	2017	2016	Y-Y(%)
Total Revenue	19,525	17,580	11%
- Bad debt recovery	2,855	2,398	19%
Administrative Expense	7,143	6,902	3%
Financial Cost	1,629	1,482	10%
Bad Debt and Doubtful Accounts	6,627	6,070	9%
- Bad Debt	6,323	5,684	11%
- Doubtful Accounts	303	387	(21%)
Profit Before Tax	4,127	3,126	32%
Income Tax Expense	(822)	(631)	30%
Net Profit	3,304	2,495	32%
Other comprehensive Income net of income tax	(18)	(68)	(74%)
Total comprehensive income	3,287	2,427	35%

- The total revenue growth resulted from the interest income growth of both credit card and personal loans that grew 3% and 19% respectively, bad debt recovery grew 19%, fee income excluding credit usage grew 11%, merchant discount grew 18%, interchange fee grew 7%, and collection fee grew 10%; however, cash advance fee decreased 2%.
- Administrative expense was 7,143 MB, grew 3% yoy; however the 3% yoy growth is a declined from the 12% yoy growth in 2016. The higher administrative expense consisted mainly of 9% increased in fee expense (due to merchants fee, and collection fee paid to outsourced collections services), personal expense grew 8% yoy, and other administrative expense moved up 7% yoy. Marketing expenses, however, dropped 21% yoy due to lower than

anticipated new card acquisitions as well as efficient use of marketing budget by the application of technology to maximize the budget.

- Financial expenses went up 10% yoy due to 5% yoy increased in borrowing that paralleled with the portfolio's 7% growth. Although company experienced the full effect (the decreased of credit card interest) of the regulatory change in the last quarter of 2017, the quality of the portfolio resulted in a higher profit than previous expected.

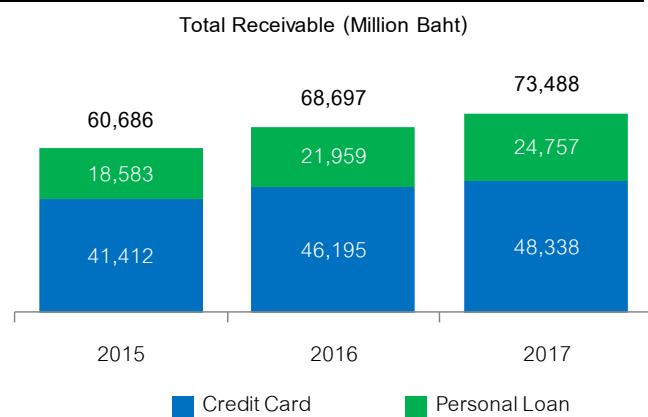
Credit card spending in 2017 remains higher than the industry



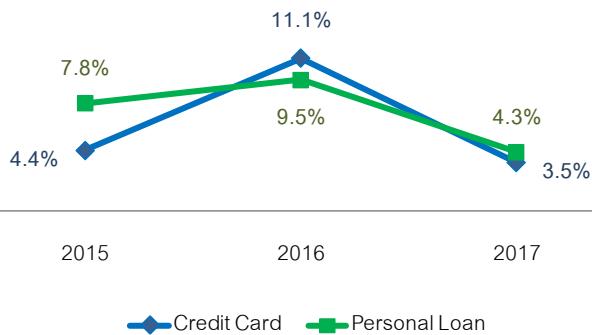
- Credit card spending grew 6.9% from the previous year. Compared to the industry in the eleven months of this 2017, KTC spending grew 7.4% higher than the industry's spending that grew 5.2%. In terms of monthly growth, in the last quarter of 2017 the industry's credit card spending growth in October and November was 3.7% and 14.4% respectively; while KTC credit card spending growth was 2.3% and 15.4% respectively. The jump in November's spending resulted from the government tax break program during Nov 13th to Dec 3rd, 2017. KTC spending growth in the last quarter of 2017 was 6.3% yoy.

Portfolio quality

- Total portfolio was 73,488 MB, a 7% yoy growth, consisted of 48,338 MB credit card portfolio (5% yoy growth), and 24,757 MB personal loan portfolio (13% yoy growth). Once the 5,699 MB total allowance was deducted, total net receivable was 67,788 MB; consists of 45,048 MB credit card net receivable, and 22,596 MB personal loan net receivable.

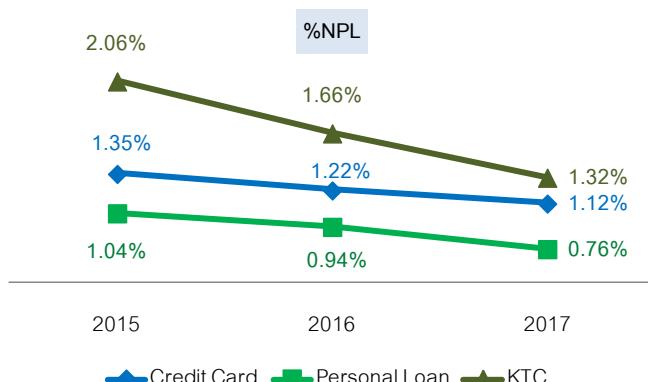


Member Base (%YoY)



- The company continued to prioritize on the portfolio's quality; by the end of 2017 the company reported 1.32% NPL a decrease from the 1.66% of last year. Credit cards and personal loan NPL lowered to 1.12% and 0.76% from the previous year NPL of 1.22% and 0.94% respectively.

- At the end of December, KTC member base grew 3.7% from the prior period to 3.0 million members, consisted of 2,169,370 credit cards (3.5% growth), and 852,915 personal loan accounts (4.3% growth).



2018 Outlook

The company targeted at least 15% spending growth, at least 10% portfolio growth, continue to maintain NPL level to that of 2017, and therefore the company expects to generate profit no less than that of 2017.