Krungthai Card Public Company Limited

Management Discussion and Analysis for the first half of 2018 ending 30th June 2018

This paper describes changes in the changes in the interim financial statements

Company's performance overview for the first half of 2018

Compared to the first half of the previous year, KTC continued to achieve sustainable profit growth, resulting from operating incomes of the continuously growing of credit card spending and of the receivables from both the business in credit card and personal loan. Furthermore, not only the company attained higher bad debts recovery and has maintained NPL ratio at the appropriate level, but it also has been able to reduce the expenses in various aspects. KTC's performance overview for first half of year 2018 can be summarized as the followings.

- Total net profit was 2,515 MB, increased by 66% compared to the same period of the previous year of 1,519 MB.
- Operating cost to income ratio was 35.2%, decreased from 36.3% of the same period of the prior year.
- For the first 5 months, KTC credit card spending grew at 7.6%, higher than the same period of the previous year of 7.2%, but lower than that of 12.0% of the industry's growth.
- Total receivable was 72,037 MB, a 7% growth of the same period of the prior year. Credit card receivables increased from 44,339 MB to 46,251 MB and personal loan receivables increased from 22,409 MB to 25,423 MB.
- Net interest margin for the first half of 2018 was 15.26%, slightly lower than the 15.63% from the same period of last year. This resulted from the decrease in the average interest received from 18.84% to 18.23% despite the cost of fund that has been reduced from 3.20% to 2.97%.
- Total receivables portfolio has been consistently well managed and total NPL was at 1.27%, down from 1.32% at the end of year 2017. It was also down from the first half of 2017 and the first quarter of 2018 at 1.57% and 1.34% respectively. The company expects to continuously maintain NPL at the lower level.

Net profit in first half of 2018 grew at 66%

- In second quarter, the company earned a net profit of 1,306 MB, thus resulting in total net profit for the first half of 2018 at 2,515 MB, a growth of 66% as a result of the total revenue growth of 10% while total operating cost was down 4%.
- Total revenue for the first half was 10,367 MB, contributed mainly by the growth of personal loan interest income of 14 % and the increase in bad debts recovery of 29%. Also, the fee income (composed of merchant discounts fee, interchange fee, cash advance fee and collection fee excluded credit usage) fee grew at 15%.
- Administrative expense was 3,647 MB, up 6% from the same period of the previous year. This resulted not only from the 10% higher fee expense of from outsourced collection fee and interchange fee but also the increase in personnel and other

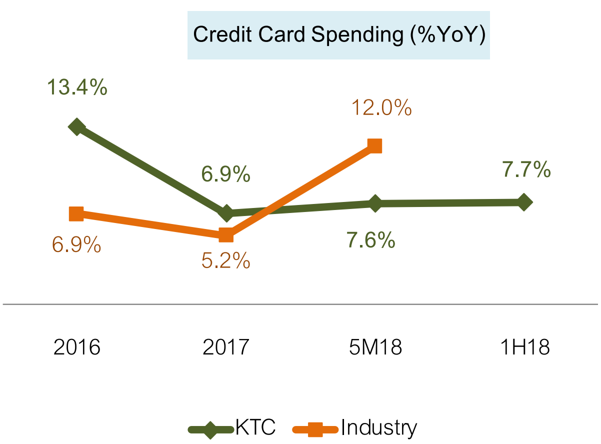
Operating Result (Unit: Baht Million)	1H18	1H17	Y-Y(%)
Total Revenue	10,367	9,453	10%
- *Bad debt recovery*	1,709	1,321	29%
Administrative Expense	3,647	3,429	6%
Financial Cost	781	806	(3%)
Bad Debt and Doubtful Accounts	2,801	3,316	(16%)
- Bad Debt	2,983	3,128	-5%
- Doubtful Accounts	-182	188	(197%)
Profit Before Tax	3,139	1,902	65%
Income Tax Expense	(624)	(383)	63%
Net Profit (Loss)	2,515	1,519	66%

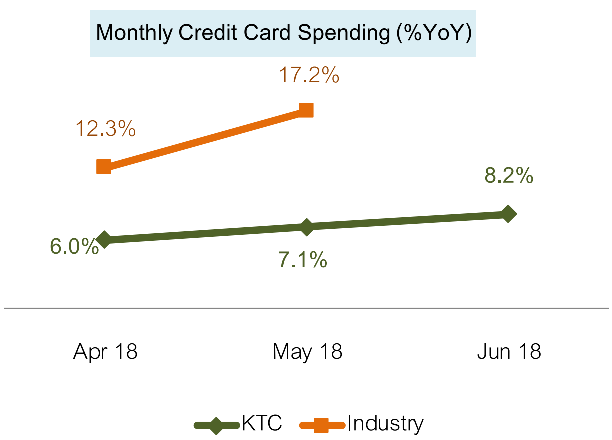
administrative expense. Although overall marketing expense decreased 5% as a result of less acquisitions expense, the company continued to spend an increasing amount on usage promotions. The financial expense was also down 3 %. Furthermore, as the company has already applied the new calculation methodology according to IFRS9 (expected to be effectively announced in the near future), the bad debts and doubtful accounts were lower; hence the reduction of 16% in write-offs and provisions.

- Due to the higher growth of revenue and the shrinking expense, continuing from last year, the company has managed to attain sustainable increase in profits for the first half of 2018 and is well confident that this whole year profits would be better than the estimated budget.

Credit card spending

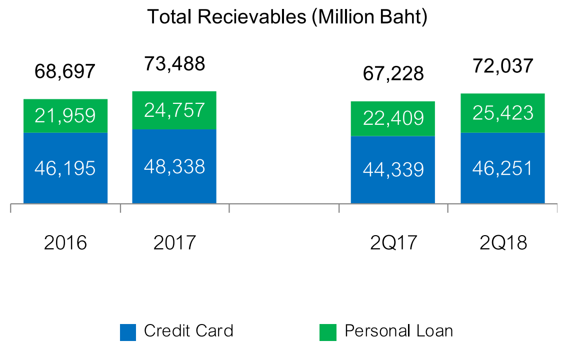
- For the first 5 months, credit card spending of the industry grew 12.0% while KTC grew 7.6%. By monthly comparison for the second quarter of this year, the growth for industry in April and May was 12.3% and 17.2% while KTC's growth in April, May and June was 6.0%, 7.1% and 8.2% respectively. Consequently, in the second quarter and for the first half of 2018, the company's credit card spending grew at 7.1% and 7.7% respectively.



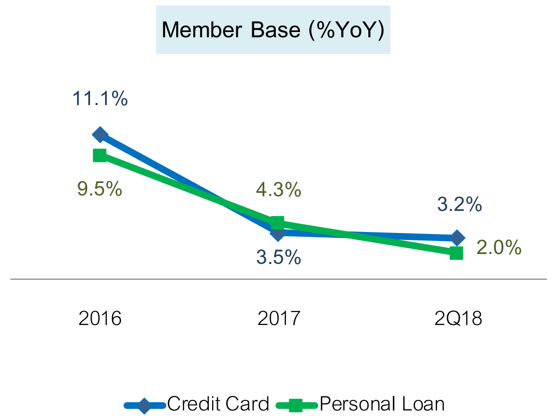


Portfolio quality

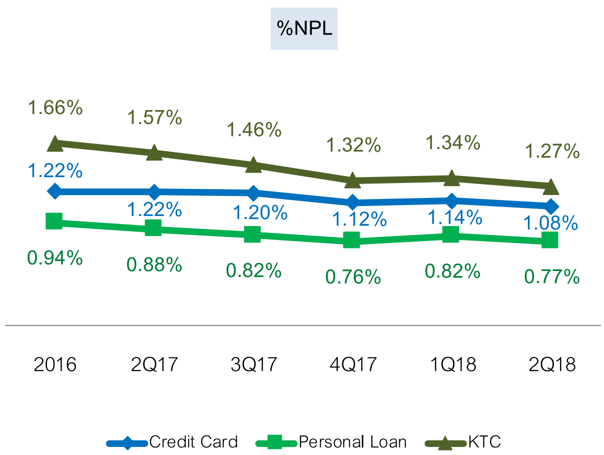
- Total receivables portfolio grew 7% (YOY). For the second quarter, the company had total receivables amounted to 72,037 MB, consisted of total credit card receivables amounted 46,251 MB (up 4%) and total personal loans receivables amounted to 25,423 MB (up 13%). Once the 5,520 MB provision for doubtful accounts was deducted, the company's total net receivables was 66,517 MB, of which, 43,113 MB was credit cards and 23,266 MB was personal loans.



- By the end of June 2018 KTC's total members was 3.12 million accounts up 3% from the same period of prior year where members were 3.03 accounts. Of all the member base 2,249,933 was credit cards (3% increase) and 867,236 was personal loan accounts (2% increase).



- NPL was continuously maintained at the lower level. KTC has consistently attributed to the importance of the receivables portfolio's quality. The company has total NPL of 1.27%, down from 1.57% from that of the same period of last year. NPL of credit cards was down from 1.22% to 1.08%, and NPL of personal loans down from 0.88% to 0.77%.



2018 Growth outlook

For the first half of this year, the company's receivables portfolio has grown projection. However, the growing in credit card usage and the expansion of the personal loan receivables has contributed to the company's sustainable income growth. Together with the portfolio's quality, thus low NPL, the company's overall performance has been consistently higher. Nevertheless, with ongoing extreme competition in credit card business and with more restricted regulatory control, this year's growth is expected to slow compared to last year. Regardless, the company expects the overall performance of year 2018 would be better than the earlier published estimates.