Krungthai Card Public Company Limited

Management Discussion and Analysis for the nine-month period ending 30th September 2018

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

Company's performance overview for the nine-months of 2018

KTC has continued to attain sustainable profit growth by mainly achieving operating incomes from the continuously growing of credit card spending and of the receivables base from both credit card business and personal loan business. Moreover, not only the company has managed its various expenditures efficiently, but it also has been able to maintain the same level of its bad debts recovery ratio, together with sustaining the low level of its NPL. KTC's performance overview for first 9 months of year 2018 can be summarized as the followings.

- Total net profit was 3,911 MB, increased by 65% compared to the same period of the previous year of 2,365 MB.
- Total revenue grew at 9% (yoy), up from 14,421 MB to 15,743 MB, with the growth of interest income (including credit usage fee) at 5% (yoy), of fee income at 14% (yoy), and of bad debts recovery at 22% (yoy).
- Cost to income ratio was 34.8%, decreased from 36.3% in the same period of the prior year.
- For the first 8 months, KTC credit card spending grew at 8.4%, higher than the same period of the previous year of 6.9%, while that of industry grew at 10.8%.
- Total receivable was 72,870 MB, a 6% growth of the same period of the prior year. Credit card receivables increased from 44,219 MB to 46,616 MB and personal loan receivables increased from 24,019 MB to 25,917 MB.
- Net interest margin for the first nine months was 15.46%, slightly lower than that of 15.58% from the same period of last year, with the average interest received of 18.44%, from 18.81% and the cost of fund dropped to 2.98%, from previously 3.22%.
- Total receivables portfolio has been constantly well managed. The company's total NPL stood at 1.23%, down from 1.32% at the end of year 2017 and is expected to be continuously maintained at the low level.

Net profit in the third quarter and nine-months grew 65% (yoy)

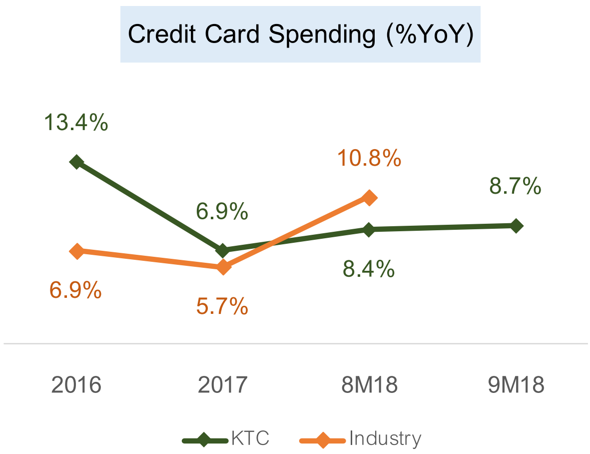
- For the third quarter, the company reported net profit of 1,396 MB, thus resulting in the total net profit for the first nine months of 2018 at 3,911 MB, a growth of 65% in which total revenue grew at 9% whereas total expense was down 5%.
- Total revenue for the first nine months was 15,743 MB, mainly due to the growth of personal loan interest income of 14 % and the increase in bad debts recovery of 22%. The fee income (excluding credit usage fee) which is comprised of merchant discounts fee, interchange fee, cash advance fee and collection fee grew at 14% while the interest income from credit card business down 4% (yoy) as a result of the interest rate limit reduction from 20% to 18%.

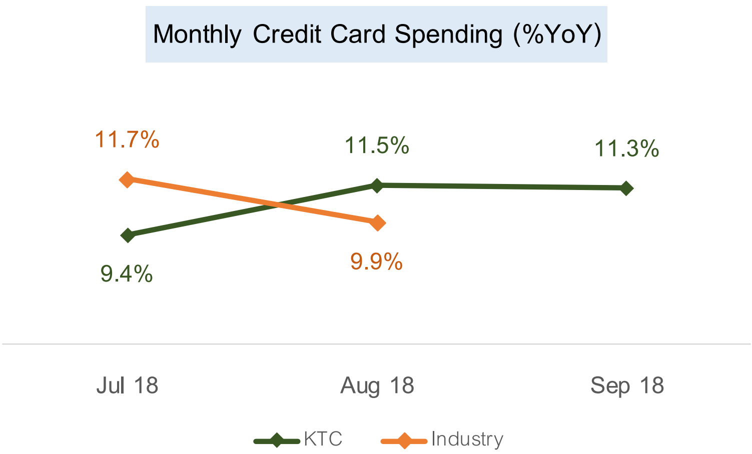
Operating Result (Unit: Baht Million)	9M18	9M17	Y-Y(%)
Total Revenue	15,743	14,421	9%
- Bad debt recovery	2,550	2,088	22%
Administrative Expense	5,472	5,242	4%
Financial Cost	1,168	1,220	(4%)
Bad Debt and Doubtful Accounts	4,222	4,997	(16%)
- Bad Debt	4,407	4,732	(7%)
- Doubtful Accounts	-186	265	(170%)
Profit Before Tax	4,882	2,961	65%
Income Tax Expense	(971)	(596)	63%
Net Profit (Loss)	3,911	2,365	65%

- Administrative expense was at 5,472 MB, up 4% from the same period of last year. This was caused by not only from the higher fee expense of 6% from outsourced collection fee and interchange fee but also from the increase in personnel and other administrative expenses. Nevertheless, the company was able to lower its overall marketing expense by 7% because of its less spending, yet effective and better response, in both the acquisition of new credit cards and the new marketing campaigns. Furthermore, the company's cost of funding was down to 4%, together with the lower levels of bad debts and doubtful accounts, resulting from the decrease in write-offs and provisions of 16%.
- Due to the higher growth of revenue and the shrinking expense, the company has continuously managed to achieve sustainable increase in profits for the first nine months and is well confident that this whole year profits would be better than originally estimated.

Credit card spending

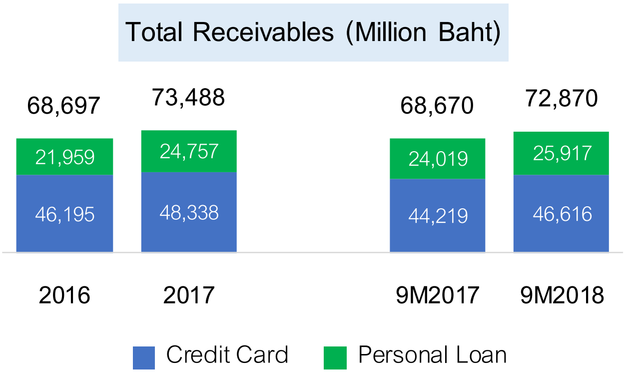
- For the first 8 months, credit card spending of the industry grew at 10.8% while that of KTC grew at 8.4%. By monthly comparison for the third quarter of this year, the growth for industry in July and August was 11.7% and 9.9% while the growth for KTC in July, August and September was 9.4%, 11.5% and 11.3% respectively. August spending growth was the first month that KTC reclaim higher spending growth than the industry. Thus, for the third quarter and for the first nine months of 2018, the company's credit card spending grew at 10.7% and 8.7%.

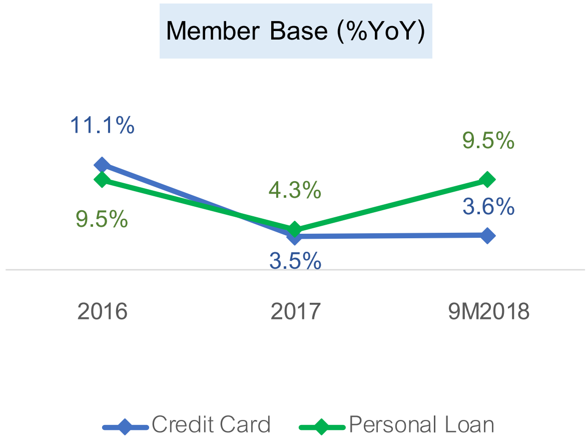




Portfolio quality

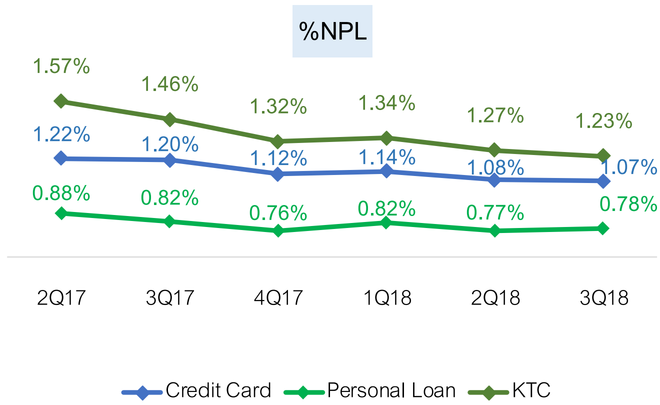
- Total receivables portfolio grew 6% (YOY). For the third quarter, the company had total receivables amounted to 72,870 MB, consisted of total credit card receivables amounted 46,616 MB (up 5%) and total personal loans receivables amounted to 25,917 MB (up 8%). Once the amount of 5,516 MB provision for doubtful accounts was deducted, the company's total net receivables was 67,355 MB, of which, 43,476 MB was the net receivables of credit cards and 23,743 MB was that of personal loans.





- Member base grew 5%. At the end of September 2018, the company had total member of 3.23 million accounts, increased by 5% compared to that of 3.07 million accounts for the same period of last year, with current membership consisting of 2,301,431 credit cards (grew 4%) and total number of 929,634 personal loan accounts (grew 9%).

- **NPL was continuously maintained at the lower level.** KTC has consistently emphasized the importance of the receivables portfolio's quality. The company has total NPL of 1.23%, down from that of 1.46% for the same period of last year in which NPL of credit cards down from 1.20% to 1.07% and NPL of personal loans down from 0.82% to 0.78%.



2018 Growth outlook

In the nine months KTC experienced continuous revenue growth which was driven by the growth in the credit card spending volume, and the increased of personal loan portfolio. Combined with good portfolio quality, NPL remain low resulting in higher revenue growth. Despite, the intensifying competition within the industry combined with stricter control from the regulators, the company expects to deliver the superior performance than initially forecasted.