



บริษัท บัตรกรุงไทย จำกัด (มหาชน)

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Krungthai Card Public Company Limited

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KTC 444 / 2562

May 10, 2019

To: The President of the Stock Exchange of Thailand

The Stock Exchange of Thailand

Subject: Operating result notification of the quarter ended March 31, 2019

Enclosure: Management Discussion and Analysis for the quarter ended March 31, 2019

KTC's Board of Directors has approved the Company's Financial Statements and the Report of certified public accountant for the quarter ended March 31, 2019, which were reviewed 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)

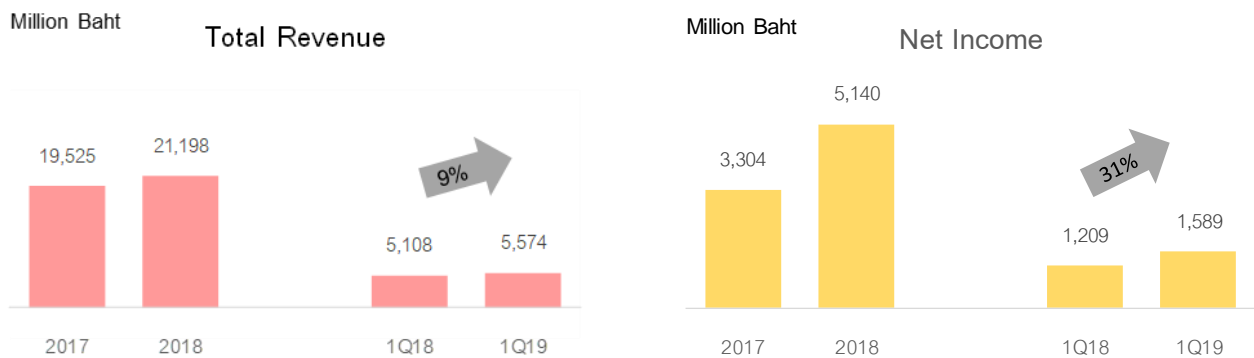
Chief Financial Officer

Executive Summary

Net profit for the first quarter of 2019 grew at 31%. KTC had acquired net profit of 1,589 MB, a 31% growth compared to that of 1,209 MB for the same period of last year. The company's total portfolio continued to expand at 7% (yoy) compared to the 6% (yoy) growth of the same period prior year. Due to the ongoing capability in effectively managed its portfolio, the company was able to set up less bad debts write-offs and provisions. In addition, its financial expense was declined as a result of lower cost from its new funding. The company's total operating cost to income ratio was also reduced thanks to not only its steady total expense but also its significantly higher income. Moreover, its income from bad debts recovery was increased owing to its efficiency in debt collection. As a result, the company had sustainably accomplished its higher profit growth.

Overall performance analysis for the first quarter of 2019

For the first quarter of 2019, the company had continuously attained its sustainable profit growth with its net profit of 1,589 MB, a growth of 31% from the same period of last year. This was mainly due to the ongoing expansion in both businesses of 7%. For credit card business, the company had focused on generating impressive client experience, developing its differentiation marketing strategies, as well as aiming to achieve its credit card spending growth as estimated. For continued growing personal loan business, the company had emphasized on organizing activities to help alleviate member's cost burden by expanding member base towards various occupational target groups together with promoting products truly satisfied member's needs to secure their-long term loyalty. Furthermore, the company's NPL level remained lower than the industry's as a result of its capability in managing debt collection effectively. KTC's performance overview can be summarized as the followings.



- Total receivables in Q1, 2019 was 75,209 MB, a 7% growth from the same period of last year. Credit card receivables increased from 45,317 MB to 48,413 MB and personal loan receivables increased from 24,469 MB to 26,483 MB.
- Total revenue was up 9% compared to the same period of the prior year or amounted to 5,574 MB. This was owing to the increase in interest income (including credit usage fee) of 9%, in fee income of 8% and in bad debt recovery income of 13%.
- KTC has persistently managed high quality of its total receivable portfolio. Its total NPL for the first quarter was at 1.18%, down from 1.34% (yoy) but slightly up from 1.14% at the end of last year. Nevertheless, the company has expected to effectively manage its NPL to continuously be approximately at the same level.
- Bad debt and doubtful accounts amounted to 1,371 MB, down 2% (yoy). Although total receivable portfolio continued to expand, thanks to high quality of its new coming receivables, less provisions were required. Bad debt write-offs were also declined. Additionally, with its low NPL level, the Company's allowance for doubtful accounts to NPL ratio increased to 605%, compared to that of 591% for the same period of last year.

Operating Result (unit: Million Baht)	1Q19	Revenue (%)	1Q18	Revenue (%)	YoY (%)
Total Revenue	5,574	100%	5,108	100%	9%
- Bad debt recovery	948	17%	838	16%	13%
Administrative Expense	1,839	33%	1,811	35%	2%
Financial Expenses	380	7%	388	8%	-2%
Bad debt and Doubtful Accounts	1,371	25%	1,404	27%	-2%
Profit before tax	1,984	36%	1,506	29%	32%
Income tax expense	394	7%	297	6%	33%
Net Profit	1,589	29%	1,209	24%	31%

- Cost to income ratio stood at 33%, down from that of 35.4% for the same period of the previous year. Since the Company was able to achieve significantly high revenue growth while maintained the same level of administrative expenses, its net operating cost to income ratio was much lower.
- Net interest margin in Q1, 2019 was at 15.43%, up from that of 15.08% for the same period of last year. This was due to the average interest received increased from 18.01% to 18.33% caused by larger portfolio values of personal loan receivables. Meanwhile, the Company also managed to slightly reduce cost of fund from 3.02% to 2.91%.
- For the first quarter of 2019, credit card spending of the industry grew at 8.6%, lower than KTC's growth of 10.4%. By monthly comparison, the industry's growth in January, February and March were at 8.8%, 8.5% and 8.5% respectively whereas KTC's were at 8.6%, 10.2% and 12.1% respectively. To ensure confidence of its new target members and to secure KTC brand loyalty of its existing members, the Company had consistently enhanced its

strategies by continuingly providing them with better privileges through discounts, cash rebate, and points redemption, together with promoting online marketing campaign with simple and convenient use. Therefore, the company's credit card spending remained persistently growing.

- In term of merchant business, merchant volume for the first quarter of 2019 grew at 6% to 22,282 MB, up from 20,966 MB. Merchant outlets increased from 33,304 to 37,787, up 13% due to merchant expansion online and Alipay, thus resulting in higher merchant volume.

Thai Economic outlook and consumer finance business overview in Q1, 2019

Last March, the Bank of Thailand has trimmed its GDP forecast for 2019 from 4.0% to 3.8%, mainly due to sluggish external demand from the slowdown in trading partners' economies and in global trade. Thai merchandise export contracted, consistent with the decline in industrial production. Nonetheless, domestic demand continued to expand. Continuous growth in private consumption and investment, along with consistent expansion in government spending particularly in transportation infrastructure investment for both double track trains and Skytrain would remain to be the key driving forces for the ongoing growth of Thai economy.

Industry Comparison	2016	2017	2018	1Q19
Credit Card Receivable (MB)	360,096	394,123	418,747	386,642
Growth (%)	8.0%	9.4%	6.2%	7.9%
KTC credit card receivables to industry	12.8%	12.3%	12.2%	12.5%
Number of cards (cards)	20,136,341	20,334,780	22,105,554	22,466,076
Growth (%)	6.1%	1.0%	8.7%	9.0%
Credit card spending (MB)	1,488,273	1,572,599	1,730,488	437,275
Growth (%)	6.9%	5.7%	10.0%	8.6%
KTC credit card spending to industry	11.1%	11.2%	11.2%	11.2%
Personal loan receivables (MB)	332,996	354,243	383,278	492,094 ⁽¹⁾
Growth (%)	4.6%	6.4%	8.2%	39% ⁽¹⁾
KTC Personal loan receivables to industry	6.6%	7.0%	7.0%	5.4% ⁽¹⁾

Source: The Bank of Thailand

⁽¹⁾ starting in February 2019 BOT includes Car Title Loan into the Personal loan amount

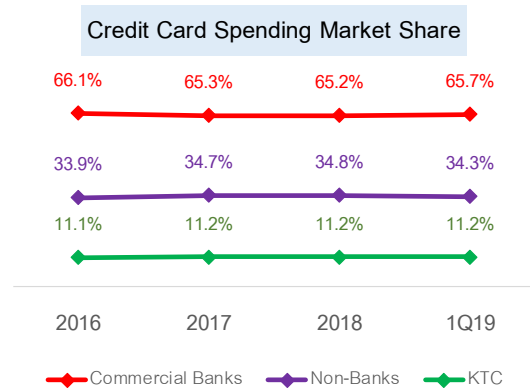
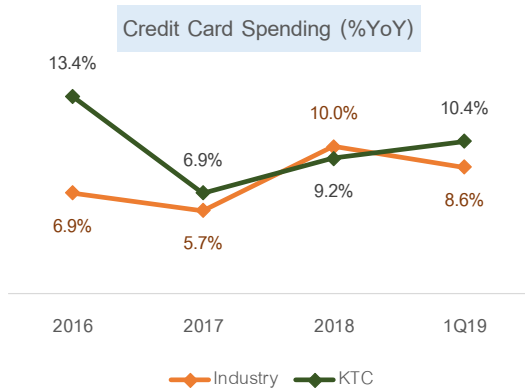
The overall consumer finance industry continues to grow steadily despite the intensifying competition when the commercial banks penetrates the industry. Contesting for market share, all companies in the market has to adjust promptly to the changes. The industry's credit card receivables as of March 2019 amounted to 386,642 MB, a 7.9% growth higher than the last year's growth of 7.5% an amounted of 358,291 MB. The industry's personal loan receivables growth for the first quarter of this year amounted to 492,094 MB, however, was incomparable to the last

year's growth due to the inclusion of auto title deed receivables into the personal loan's industry's receivable. For the credit card industry, credit card spending amounted to 437,275 MB, an 8.6% growth in the first quarter of 2019. The growth is slower than the 10.1% growth for the same period of the prior year.

In the first quarter of 2019 KTC's credit card receivables market share was 12.5%, increased from the end of last year that stood at 12.2%. The KTC's credit card NPL was 1.04% lower than the industry's NPL of 2.02%. The 5.4% personal loan receivables market share was also incomparable to the 7.0% market share by the end of 2018 due to the inclusion of auto title deed receivables. KTC's personal loan NPL was 0.78% lower than the industry NPL of 3.49%.

KTC credit card spending compared to the industry

- Credit card spending for 2019 has continued to grow.** KTC's credit card spending growth in this first quarter was at 10.4%, compared to that of the industry at 8.6% while the company's market share was at 11.2%. To successfully achieve its goals, the company has intended to regularly and continuously adjust its marketing strategies to promptly deal with any changes in competitive environment to achieve the target.



Increase in interest income from both main businesses

- Higher total revenue.** Total revenue for the first quarter of 2019 amounted to 5,574 MB, a 9% increase. Interest income (including credit usage fee), fee income and other incomes amounted to 3,267 MB, 1,235 MB and 1,072 MB respectively and were accounted for 59%, 22% and 19% of total revenue respectively. In term of other revenues, 88% of those were from bad debt recovery.
- Higher interest income from both credit card and personal loan businesses.** Interest income (including credit usage fee) from credit card and personal loan businesses grew at 9% and 10%, with total receivable portfolios grew at 7% and 8% respectively. This year, the company has evidently planned its market expansion strategy by aiming to provide members using online channel with benefits and privileges of no less than the ones using cards

Unit: Million Baht	1Q19	% of total revenue	1Q18	% of total revenue	Growth
Total interest income including credit usage fee	3,267	59%	2,995	59%	9%
- Credit card receivables	1,501	27%	1,383	27%	9%
- Personal loan receivables	1,759	32%	1,604	31%	10%
- Other receivables (Circle loans / self-employ)	7	0.1%	8	0.2%	-17%
Fee income (excluding credit usage fee)	1,235	22%	1,140	22%	8%
Financial cost	380	7%	388	8%	-2%
Net Interest Margin	15.43%		15.08%		

through conventional shops so that KTC's existing members or potential ones would consider KTC brand as their preferred top choice of credit cards. The company's total interest income grew at 9% due to ongoing expansion in its member base. New members in Premium segment were acquired while member base in Mass segment was still well maintained. To stimulate more member's card spending, marketing campaigns to promote impressive customer experience were organized as well as online medias to offer the company's products and services were created.

- Increase in net interest margin.** In the first quarter of 2019, the company's average interest rate received was at 18.33%, up from that of 18.10% for the same period of last year. This was owing to the slightly increase in personal loan portfolio. Meanwhile, the company efficiently managed its financing cost lower to 2.91% from 3.02% compared to the same period of the previous year. Hence, net interest margin increased from 15.08% to 15.43% for the first quarter of this year.
- Higher fee income.** Fee income (excluding credit usage fee) grew at 8% compared to the same period of the prior year or amounted to 1,235 MB. The increase was mainly from interchange fee (up 15% yoy) which is the fee charged between issuing banks or issuing credit card companies and banks or intermediary payment companies, from merchant discounts fee (up 7% yoy) which is the fee charged to KTC merchants for providing services, and from cash advanced fee (up 9% yoy). However, income from debt collection fee was declined by 7% (yoy).

Company's expense

- Total expense was little changed.** For the first quarter of 2019, the company's total expense (excluding income tax) amounted to 3,590 MB, almost the same as that of 3,603 MB for the same period of last year. Total administrative expense was up only 2% (yoy) due to the increase in fee expense of 1% (yoy), in personnel expense of 4% (yoy), and in marketing expense of 2% (yoy). Other administrative expenses were slightly changed. In the meantime, bad debts and doubtful accounts were also down by 2% (yoy) and provision was less as a resulting of ongoing expansion yet

Unit: Million Baht	1Q19	% of total revenue	1Q18	% of total revenue	Growth
Personal Expense	599	11%	575	11%	4%
Marketing Expense	190	3%	187	4%	2%
Fees	593	11%	589	12%	1%
Other Administrative Expense	457	8%	459	9%	-1%
Total Administrative Expense	1,839	33%	1,811	35%	2%

high quality of receivables portfolio. Additionally, expense from financing cost was reduced by 2% (yoy) as the company efficiently managed to issue its new debentures with lower cost of funds than the average cost of its old debentures.

- **Effectively managed to decrease the already low operating cost to income ratio.** Total operating cost to income ratio was at 33.0%, lower from the previous year of 35.4%. When operating expense excluding marketing expense and interchange fee expense was only considered, net operating cost to income ratio was at 24.9%, down from that of 27.2% for the same period of last year. Due to the increase in total income and unchanged expense, both cost to income ratio and operating cost to income ratio were declined.

Constantly maintained high quality of receivables portfolio.

- **Total receivables portfolio grew at 7%.** For the first quarter of 2019, total receivables amounted to 75,209 MB, a 7% growth compared to that of 6% for the same period of last year. Total credit card receivables amounted to 48,413 MB (up 7% yoy) and total personal loan receivables amounted to 26,483 MB (up 8% yoy). When deducting the allowance for doubtful accounts of 5,359 MB, the company's net receivables was at 69,850 MB, net credit card receivables was 45,379 MB which accounted for 65% of total net receivables, and net personal loans receivables was 24,343 MB.

Unit: Million Baht	1Q19	% of total revenue	1Q18	% of total revenue	Growth
- Credit card's bad debts and doubtful accounts	707	13%	689	13%	3%
- Personal loan's bad debts and doubtful accounts	662	12%	711	14%	-7%
- Other bad debts and doubtful accounts	2	0.0%	3	0.1%	-42%
Total bad debts and doubtful accounts	1,371	25%	1,404	27%	-2%

* Other loans include circle loan, self employed loan, etc.

- **Increase in member base.** At the end of March 2019, the company had total members of 3.3 million accounts, up by 8.2% compared to the same period of last year, with current membership consisting of total number of 2,348,990 credit cards (grew at 6.4%) and total number of 967,059 personal loan accounts (grew at 12.8 %).
- **NPL levels of both businesses almost unchanged.** Due to the company's emphasis on NPL portfolio's quality, its NPL of total portfolio for the first quarter of 2019 stood at 1.18%, dropped from that of 1.34% for the same

period of the previous year with NPL for credit card down to 1.04% from 1.14% and NPL for personal loan decreased to 0.78% from 0.82%. With the high quality of incoming receivables portfolio, even applying the previous calculation method for bad debts write offs, the company still had lower level of NPL, thus contributing to the remaining high ratio of the allowance for doubtful accounts to NPL at 605%, compared to that of 591% for the same period of last year.

- Total bad debts and doubtful accounts declined.** Bad debts and doubtful accounts decreased to 1,371 MB from 1,404 MB, a 2% decline compared to the same period of the prior year. Owing to the company's ongoing growth yet high quality of receivables portfolio, provision was less. Meanwhile, bad debts remained almost unchanged from the same period of last year.

KTC Financial Highlight (Unit: Million Baht)	1Q19	1Q18	Growth (Y-Y%)
Total Revenue	5,574	5,108	9%
Total Expense (Excluding Financial Cost)	3,210	3,215	0%
Total Expense (Including Financial Cost)	3,590	3,603	0%
Net Profit	1,589	1,209	31%
Credit card net receivables	45,379	42,137	8%
Personal loan net receivables	24,343	22,315	9%
Other net receivables	128	139	-8%
Total Assets	76,174	69,965	9%
Total Borrowing	50,555	49,375	2%
Total Liabilities	58,233	56,179	4%
Total Shareholders' Equity	17,941	13,786	30%

* Other loans include circle loan, self employed loan, etc.

Financial status and sources of funding

- Increased assets from receivables portfolio.** The company's assets at the end of first quarter, 2019 were at 76,174 MB, increased from 69,965 MB by 9% compared to the same period of the previous year. The main income generating assets were net receivables of 69,850 MB, accounted for 92% of total assets whereas the rest of 8% comprised of cash, other receivables, deferred tax assets and other assets.
- Effective fund raising.** The company's total borrowing amounted to 50,555 MB, increase by 2% from the same period of last year. Fund raising structure was both from short-term and long-term borrowings. Short term borrowings were loans from related financial institutions of 2,420 MB and from other financial institutions of 700 MB. Long term borrowings were from debentures issuances of 47,435 MB to various sources, i.e. Thai commercial banks, securities companies, insurance companies and other asset managements. At the end of first quarter, 2019, the company's available credit lines amounted to 26,730 MB, comprising of 15,720 MB from Krung Thai Bank and 11,010 MB from other commercial banks. The

company's cost of funds at the end of first quarter 2019 stood at 2.91%, down from 3.02% compared to the same period of the prior year, but slightly up from 2.89% at the end of last year. This was mainly because the company effectively managed to issue its new debentures with lower funding cost than the average cost of its old debentures. The company's debt to equity ratio was also at 3.25 times, very well below the financial covenant limited at 10 times.

KTC Financial Highlight (Unit: Million Baht)	1Q19	1Q18	Growth (Y-Y%)
Gross profit margin	87.3%	86.3%	1%
Net profit margin	28.5%	23.7%	21%
Interest coverage ratio (times)	6.22	4.88	27%
Debt to equity ratio (times)	3.25	4.08	-20%
Return on equity	37.1%	36.7%	1%
Return on asset	8.2%	6.7%	21%
Allowance/ Total receivables	7.1%	7.9%	-10%
Allowance / NPL	605%	591%	2%
Book Value	6.96	5.35	30%
Earning per shares (Baht)	0.62	0.47	32%

Company's performance compared to 2019 targets

For 2019, KTC has aimed to achieve its credit card spending growth of 15%, yet for the first quarter, it only expanded at 10%. The company has also targeted its receivables portfolio expansion at 10%, yet for the first quarter, the growth was only at 7% (YoY). In addition, the company's NPL at the end of first quarter stood at 1.2%, higher than the target of 1.1%. Nevertheless, the company is confident to manage its NPL to be as previously estimated. In term of profit, the company has anticipated to attain its profit growth of 10% for this year, and for the first quarter it already achieved the profit of 1,589 MB, a 31% growth.

	2019 target	1Q19
Total card spending growth	15%	10%
Total portfolio growth	10%	7%
% NPL	1.1%	1.2%
Net profit growth* (MB)	10%	1,589

Even though credit card spending growth in the first quarter was less than previously planned, the company has continued to aim towards its earlier estimates by continuously adjusting its marketing strategies to promptly cope with changing competitive conditions. In any case, the company had successfully managed not just to continually expand its



member base but also to maintain its portfolio's quality to be the same level as last year. The company's interest income and fee income also increased while its administrative expense was hardly higher as a result of ongoing improvement in its working process. Moreover, total expense was down because of less bad debts and less provision set up from high quality of receivables portfolio. Therefore, the company's net profit for this first quarter still significantly grew more than previously estimated.

The company has continuously planned to accomplish its business growth by primarily focusing on Customer Needs. It has aimed to engage in Collaborative Business Model by establishing alliance in various marketing partners, to provide quality service that also truly meets customer needs, and to develop KTC Mobile applications that not just fulfill customer requirements but also offer all functions with effectiveness, convenience and impressive customer experience. Furthermore, in the second half of 2019, the company has intended to initiate new business opportunities through Nano and Pico finance including auto title deed lending business with the commitment to achieve its continuous growth as well as to develop social sustainability.

Overall Performance

Business Outlook

Performance and Projections 2019