



# Management Discussion and Analysis for 2<sup>nd</sup> Quarter 2023

## Executive Summary

**“Card spending volume showed an ongoing increase alongside steady portfolio growth with well-manageable NPL quality. We assure in achieving projected annual profits”**

The net profit for the second quarter (“2Q23”) and the first half 2023 (“1H23”) in the separate financial statement of Krungthai Card Public Company Limited (“KTC” or “the Company”) amounted to Baht 3,648 million and Baht 1,805 million respectively. Meanwhile, the consolidated financial statement of Krungthai Card Public Company Limited and its subsidiaries (“the Group”) showed a net profit for the first half 2023 amounted to Baht 3,678 million, marking an increase of 1.0% from the same period in 2022, which was Baht 3,641 million. However, the net profit of the Group for the second quarter 2023 amounted to Baht 1,806 million, representing a decrease of 4.6% from the same period of the previous year, which was Baht 1,894 million.

In 2Q23, the total portfolio of the Group was equivalent to Baht 105,589 million, growing at a rate of 11.1% (YoY). Total Non-Performing Loans (NPL) were recorded at 2.0%, a figure closely resembling the previous quarter which was at 1.9%. This follows the expansion trend of the total portfolio, which has seen continuous growth over the last five consecutive quarters on a year-on-year basis. However, NPL level remains lower than the industry average, while NPL coverage ratio stands at 433.2%.

The credit card portfolio continues to expand due to domestic demand. The volume of card spending has increased significantly, while the personal loan portfolio continues to grow. Nevertheless, the company maintains an emphasis on careful screening for quality personal loans through a rigorous approval process. This involves selecting customers whose risk profiles align well with the established interest rate levels for personal loans.

KTC P BERM Car for Cash received an increasingly favorable response every month. New booking multiplied significantly towards the end of 2Q23 but remained slower than estimated. However, the new booking portfolio has proven to be of well asset quality, fostering confidence that KTC P BERM portfolio will be able to generate significantly growing revenue base in the future.

The Group’s performance for 2Q23 demonstrated a growth in total revenue by 8.8% (YoY), owing to an increase in interest income. Total expenses rose by 18.7% (YoY), part of the increase is due to the portfolio expansion, which led to an increase in non-performing loans (NPL). This results in an increase in expected credit loss (ECL), as well as an increase in write-offs. Additionally, financial costs increased slightly, following the rise in market interest rates.

In the second half of 2023, given the current acceleration rate, KTC P BERM Car for Cash is planning to multiply the volume of new bookings. The growth of the credit card and personal loan portfolios is progressing as targeted. The Non-Performing Loans (NPL) are at manageable levels and are not a cause for concern. Thus, the company remains confident in its ability to achieve its profit goals.

## Target 2023 vs 1H2023 Actual Performance

Target	2023 Target	1H2023 Actual	Description
Net Profit (MB)	> 7,079	3,678	The trends are in line with our goals.
Total Portfolio Growth (%)	15%	11.1%	Steady growth in total portfolio across all businesses. The volume of new booking for KTC P BERM Car for Cash is improving at an evident pace.
Credit Card Spending Growth (%)	10%	16.3%	Credit Card spending continues to increase.
Personal Loan Receivables Growth (%)	7%	6.8%	Personal Loans are steadily expanding
New Booking of P BERM Car for Cash (MB)	9,000	1,132	Accelerating rate of increase in its new bookings.
New Booking of KTBL Commercial Loan (MB)	3,000	1,402	Slowdown in business expansion
Portfolio Quality (%Total NPL)	< 1.8%	2.0%	At manageable level, no significant concerns

## Sustainable Household Debt Solution Framework & Its Effects

On July 21, 2023, the Bank of Thailand (BOT) presented the "Sustainable Household Debt Solution Framework," which consists of three main approaches aimed at providing long-term solutions to address household debt problems.

The first approach is to establish criteria for Responsible Lending (RL), where debtors in debt distress receive appropriate, timely, and sufficient assistance. This includes ensuring quality and adequacy. For new debtors, there should be no excessive promotion of borrowing beyond their means. In the case of Persistent Debt (PD), alternative options will be provided to improve their debt structure, enabling them to resolve their debts. The implementation on RL measure will begin in January 2024, while the PD measure will be implemented in April 2024.

The second approach is to promote the concept of Risk-based Pricing (RBP), where individuals can access credit within the system based on their own risk profile. Financial institutions participating in this initiative will need to apply for testing in the sandbox environment with the Bank of Thailand before implementing it in practice. It is anticipated that the testing will be opened in the middle of 2024.

The third approach is to provide credit provision with borrowers' ability to repay and ensure they have sufficient income to sustain their financial situation. This will involve setting a debt service ratio (DSR) as part of the guidelines. The implementation of this long-term plan from the BOT is projected to commence around the year 2025.

Regarding the target group of Persistent Debt (PD), The BOT classifies financial institutions into two group; namely, the first one is categorized under the banking sector, including non-bank under the consolidated supervision of a bank, and the second one is categorized under the non-banking sector. In the case of KTC, we are categorized into the first group, which, BOT will initially focus on the revolving personal loans with a monthly income not exceeding Baht 20,000. The criteria for identification include cases where the interest paid exceeds the principal over a period of 5 years. Borrowers in this category will be provided with the option to convert their loans into term loans with a reduced interest rate not exceed 15% per annum. This adjustment will enable the repayment to be completed within 5 years. It should be noted that borrowers in this category will need to voluntarily participate in the program and close their existing accounts. The company has analyzed its customer base and estimated that if all eligible borrowers participate, the expected impact on interest income will be approximately Baht 18 million per month. However, the PD program will be enforced starting from April 2024.

## Industry Overview

According to the BOT at the end of 2Q23, the overall Thai economy anticipates continue to improve and expand at 3.6% and 3.8% for the year 2023 and 2024, respectively. This is driven by an improvement in the tourism sector, as reflected by the increasing number of foreign tourists. The positive effects spread to employment opportunities and improved labor income, in turn stimulating private sector consumption. Meanwhile, the export sector is currently in a phase of gradual recovery. It is expected to see a more pronounced recovery in the second half of 2023, largely due to the positive influence of the expanding economies from our trading partner-countries. This is predicted to contribute to a steady increase in spending.

Industry Data	Y2022	5M2022	5M2023
<b>Credit Card Receivables (Million Baht)</b>	<b>482,966</b>	<b>441,618</b>	<b>457,781</b>
Growth (%)	5.4%	9.8%	3.7%
KTC Market Share (%)	14.4%	13.7%	14.9%
<b>Amount of Credit Card (Cards)</b>	<b>25,733,923</b>	<b>25,216,260</b>	<b>26,002,945</b>
Growth (%)	3.6%	3.3%	3.1%
KTC Market Share (%)	9.9%	10.0%	10.0%
<b>Credit Card Spending (Million Baht)</b>	<b>2,004,737</b>	<b>767,858</b>	<b>875,170</b>
Growth (%)	21.5%	18.5%	14.0%
KTC Market Share (%)	11.9%	11.8%	12.2%
<b>Personal Loan Receivables (Excluding Auto Title Loan) (Million Baht)</b>	<b>515,628</b>	<b>467,371</b>	<b>507,359</b>
Growth (%)	14.0%	3.6%	8.6%
KTC Market Share (%)	6.1%	6.3%	6.2%
<b>Auto Title Loan Receivables (Million Baht)</b>	<b>247,518</b>	<b>198,844</b>	<b>280,252</b>
Growth (%)	36.9%	27.3%	40.9%

Source: Bank of Thailand

The personal loan industry continued to expand significantly due to increasing consumer spending and improved consumer confidence in line with the prevailing economic trends. This is evidenced by the total credit card receivables as of May 2023, amounting to Baht 457,781 million, exhibiting an expansion of 3.7%. The total volume of credit card spending in industry has also expanded by 14.0%. Meanwhile, the personal loan receivables (excluding auto title loan) for the first half of the year equaled to Baht 507,359 million, showing a growth of 8.6%. Significantly, auto title loan had a substantial growth of 40.9% from the same period in 2022.

KTC market share on credit card receivables for the first 5-month 2023 stands at 14.9% and KTC credit card spending equals 12.2%, representing an increase compared to the same period in 2022. KTC market share of personal loan receivables (excluding auto title loan) relative to the industry equaled to 6.2%.

## Portfolio Overview

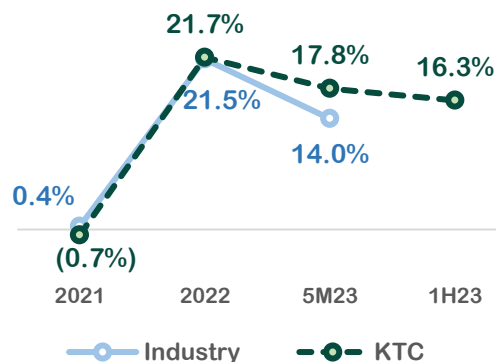
### “Total Portfolio Well-Expanded 11.1% YoY while KTC Card spending volume rose by 16.3% YoY”

At the end of 2Q23, the total loans and accrued interest had expanded by 11.1% (YoY), amounted to Baht 105,589 million. This includes credit card receivables amounted to Baht 68,664 million, grew by 11.8% (YoY), corresponding with an increase in KTC credit card spending.

The company's overall card spending volume for 2Q23 and 1H23 expanded by 10.6% and 16.3% amounted to Baht 63,655 million and Baht 127,644 million respectively. Total cardmembers of credit card and personal loan were equivalent to 3,358,994 accounts, categorized into credit card members for 2,605,984 accounts, increased by 3.2% (YoY), and personal loan members for 753,010 accounts, which represents a decrease of 1.0% (YoY).

The total receivable of personal loan portfolio (KTC PROUD) amounted to Baht 31,727 million, an increase of 6.8% (YoY) while total receivable of KTC P BERM Car for Cash portfolio amounted to Baht 1,658 million with its new booking at the end of 2Q23 equivalent to Baht 797 million, an increase of 138.5% (QoQ) or an increase of 175.7% (YoY). As the result, the new booking in 1H23 amounted to Baht 1,132 million. It implied that the new booking is in upward trend with well-response rate month-on-month.

Credit Card Spending Growth (%YoY)



Regarding lease receivables, the total receivables amounted to Baht 3,540 million, representing an increase of 11.2% (YoY). Notably, the outstanding receivable for large-scale industrial vehicles accounted for Baht 1,402 million in 1H23. However, the company has decelerated its loan disbursement due to an increasing trend in non-performing loans.

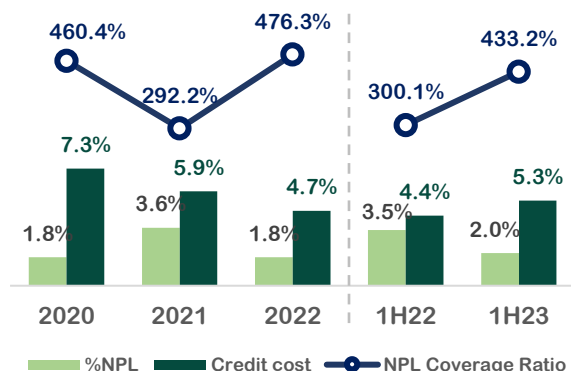
#### Loans to customers and accrued interest receivables

(Unit: Million Baht)	2Q2022	2Q2023	%Growth
<b>Credit Card:</b> Loans to customers and accrued interest receivables, net	61,426	68,664	11.8%
<b>Personal Loan:</b> Loans to customers and accrued interest receivables, net	30,460	33,385	9.6%
<b>KTC PROUD</b>	29,701	31,727	6.8%
<b>KTC P BERM Car for Cash</b>	758	1,658	118.6%
<b>Leasing:</b> Loans to customers and accrued interest receivables, net	3,184	3,540	11.2%

The changes in the allowance for expected credit loss as of June 30, 2023 are as following table.

(Unit: Million Baht)	Allowance for Expected Credit Loss				
	Financial assets where there has not been a significant increase in credit risk	Financial assets where there has not been a significant increase in credit risk	Financial assets that are credit impaired	Financial assets where applied simplified approach to calculate lifetime expected credit loss	Total
	(Stage 1)	(Stage 2)	(Stage 3)		
Balance as of January 1, 2023	4,247	2,782	1,139	624	8,792
Changes in staging	237	(391)	154	-	-
Changes in risk parameters	(431)	1,180	2,947	190	3,886
New financial assets originated or purchased	275	-	-	25	300
New financial assets derecognized	(137)	(491)	(738)	(16)	(1,382)
Written-off	-	-	(2,236)	(135)	(2,371)
Balance as of June 30, 2023	4,191	3,080	1,266	688	9,225

**“Total portfolio remained strong.  
NPL coverage ratio maintained at a high level. Credit cost showed a slight increase”**



The non-performing loan ratio (%NPL) at the end of 2Q23 stands at 2.0%, a decrease from 2Q22 level of 3.5%. The NPL ratio for credit card, personal loan and lease receivables were 1.2%, 3.0% and 9.1% respectively. Despite the extended holiday period during the second quarter which may have impacted debt collection and repayments, NPL was slightly increased. The company continues to adhere strictly to credit approval procedures aligning with the risk appetite to maintain a consistently robust portfolio quality.

In 2Q23, the allowance for expected credit losses of the company amounted to Baht 9,225 million, representing a decrease of 6.0% (YoY) which resulted in a high level of NPL coverage ratio for the Group at 433.2%.

The bad debt recovery in 2Q23 amounted to Baht 765 million, a decrease from Baht 851 million or representing a decrease of 10.1% (YoY). KTC is accounted for Baht 741 million or 11.4% (YoY), and KTBL accounted for Baht 24 million, representing an increase of 67.3% (YoY). The overall revenue from debt recovery has decreased partly due to fewer working days in the second quarter for debt collection compared to other quarters. Nonetheless, the company continues to closely monitor and appropriately adjust its strategy to enhance the efficiency of the debt collection process.

**Bad Debt Recovery**



**NPL 2.0%**

	2Q2022		1Q2023		2Q2023	
	NPL	%NPL	NPL	%NPL	NPL	%NPL
<b>Total NPL</b>	<b>3,270</b>	<b>3.5%</b>	<b>1,932</b>	<b>1.9%</b>	<b>2,129</b>	<b>2.0%</b>
<b>NPL – Credit Card</b>	<b>716</b>	<b>1.2%</b>	<b>739</b>	<b>1.1%</b>	<b>833</b>	<b>1.2%</b>
<b>NPL – Personal Loan</b>	<b>836</b>	<b>2.8%</b>	<b>902</b>	<b>2.8%</b>	<b>975</b>	<b>3.0%</b>
<b>NPL – Leasing</b>	<b>1,718</b>	<b>54.0%</b>	<b>290</b>	<b>8.8%</b>	<b>322</b>	<b>9.1%</b>

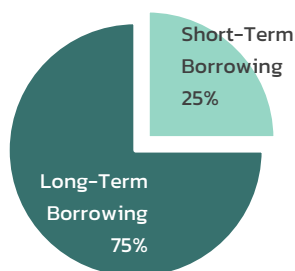
The outstanding balances of loans to customers and accrued interest receivables classified by type of business and stage as of June 30, 2023 are as follows

(Unit: Million Baht)	Consolidated Financial Statements			
	Credit Card	Personal Loan	Leasing	Total
Stage 1	60,741	26,189	-	86,930
Stage 2	6,811	5,832	-	12,643
Stage 3	833	975	-	1,807
Financial assets applied simplified approach to calculate lifetime expected credit losses	-	-	3,540	3,540
<b>Total loans to customers</b>	<b>68,384</b>	<b>32,996</b>	<b>3,540</b>	<b>104,920</b>
Add Accrued interest receivables and undue interest receivables	279	389	-	668
<b>Total loan to customers and accrued interest receivables</b>	<b>68,664</b>	<b>33,385</b>	<b>3,540</b>	<b>105,589</b>
Less Allowance for expected credit loss	(4,600)	(3,937)	(688)	(9,225)
<b>Total loans to customers and accrued interest receivables, net</b>	<b>64,064</b>	<b>29,447</b>	<b>2,852</b>	<b>96,363</b>

## Borrowing

**“The Debt-to-Equity Ratio (D/E Ratio) remains at a low level with an available credit line of Baht 20,480 million.”**

1H23 Borrowing Proportion



In 2Q23, the total borrowings of the company amounted to Baht 62,833 million, an increase of 12.9% (YoY). The funding sources consisted of both short-term and long-term loans in a proportion of 25% : 75%. The borrowings were from various capital providers, including commercial banks, securities companies, insurance companies, and mutual funds. The short-term borrowings from financial institutions and related individuals accounted for Baht 5,340 million, while other financial institutions accounted for Baht 4,199 million. In addition, the Group had long-term loans from Krung Thai Bank (KTB) in the amount of Baht 6,000 million and debentures in the amount of Baht 47,294 million.

**D/E Ratio**  
(Times) | **2.18**

The D/E ratio remains at a low level of 2.18 times, showing a decrease compared to the same period in the previous year and staying below the debt covenants set at 10 times



The company has a total credit line of Baht 35,371 million. Short-term credit line amounted of Baht 29,371 million (including Baht 19,061 million from Krungthai Bank) and long-term credit line amounted in Baht 6,000 million from Krungthai Bank. The company utilized Baht 14,891 million of the available credit line at the end of 2Q23, resulting in a remaining credit available balance of Baht 20,480 million.

### “NIM remained steady in 1H23”



Net Interest Margin (NIM)

12.2%



Average Interest Received

14.8%



Cost of Fund

2.6%

In 2Q23 and 1H23, the cost of funds of the company was at 2.7% and 2.6% respectively, an increase corresponding to the higher interest rates in the financial market. This compares to 2Q22 and 1H22, both of which had equal values of 2.4%.

Meanwhile, the average interest income increased to 15.2% and 14.8% in 2Q23 and 1H23, an increase from 15.1% and 14.6% in the same periods of 2022, respectively.

The net interest margin in 2Q23 was at 12.5%, a slight decrease compared to the same period in the previous year, which stood at 12.7%. Meanwhile, the net interest margin in the 1H23 was at 12.2%, identical to the same period in the previous year.

## Revenue & Expense

(Unit: Million Baht)	Consolidated Financial Statement					
	1H2022	1H2023	Growth (%YoY)	2Q2022	2Q2023	Growth (%YoY)
Total Revenues	11,091	12,295	11%	5,735	6,240	9%
Bad Debt Recovery	1,708	1,587	(7%)	851	765	(10%)
Total Operating Cost	3,784	4,120	9%	1,986	2,135	7%
Finance Costs	671	805	20%	334	415	24%
Profit before Expected Credit Loss	6,645	7,387	11%	3,419	3,702	8%
Expected Credit Loss	2,084	2,805	35%	1,039	1,438	38%
Bad Debt	1,961	2,371	21%	970	1,147	18%
Doubtful Accounts	122	434	255%	69	292	323%
Profit before Income Tax	4,560	4,582	0.5%	2,380	2,263	(5%)
Net Profit	3,645	3,667	1%	1,901	1,800	(5%)



(Unit: Million Baht)	Consolidated Financial Statement					
	1H2022	1H2023	Growth (%YoY)	2Q2022	2Q2023	Growth (%YoY)
<b>Total Comprehensive Income (Loss)</b>						
Owners of the parent	3,641	3,678	1%	1,894	1,806	(5%)
Earning per Shares (Baht)	1.41	1.43	1%	0.73	0.70	(4%)
Book Value per Share (Baht)	10.9	12.5	15%	10.9	12.5	15%

### “Total revenues have shown substantial growth due to both interest and fee income”

The total interest income (including credit usage fee) for 2Q23 amounted to Baht 3,972 million, representing an increase of 11.8% (YoY). This is divided into interest income from credit card, amounted to Baht 1,974 million, interest income from personal loan, amounted to Baht 1,934 million, and interest income from lease receivables of Baht 64 million. The increase in interest income was attributed to the expansion of the new booking, which strengthen the revenue base for future growth.

### Total Revenue

**6,240** | **8.8%**  
(Million Baht) | YoY

In 2Q23, fee income (excluding credit usage fee) amounted to Baht 1,326 million, representing an increase of 10.6% compared to the previous year due mainly to the interchange fees, increased by 14.7% (YoY), merchant discount fees, increased by 12.4% (YoY), cash advance fees, increased by 10.5% (YoY), and debt collection fees, increased by 5.9% (YoY). The increase in fee-based income was attributed by the higher transaction volumes.

#### Interest Income (Including Credit Usage Fee)

**3,972** Million Baht

	2Q2022	%Total Revenue	2Q2023	%Total Revenue	%Growth
Interest Income - Credit Card	1,742	30.4%	1,974	31.6%	13.3%
Interest Income - Personal Loan	1,784	31.1%	1,934	31.0%	8.4%
KTC PROUD	1,750	30.5%	1,867	29.9%	6.7%
KTC P BERM Car for Cash	34	0.6%	67	1.1%	98.1%
Interest Income - Leasing	27	0.5%	64	1.0%	138.5%

#### Fee Income (Excluding Credit Usage Fee)

**1,326** Million Baht

	2Q2022	%Total Revenue	2Q2023	%Total Revenue	%Growth
Fee income (Excluding credit usage fee)	1,200	20.9%	1,326	21.3%	10.6%

## “The overall expenses increased from expected credit losses and finance expenses”

The Group has total operating expenses of Baht 2,135 million for 2Q23, representing an increase of 7.5% (YoY). This rise was primarily driven by fee expenses which increased by 18.3% (YoY) aligned with the increase in transaction volumes. On the other hand, marketing expenses decreased by 25.3%. However, the growth in revenue resulted in a decreased in cost-to-income ratio for 2Q23 which stood at 34.2%, slightly dropped from 34.6% in 2Q22.

The expected credit losses amounted to Baht 1,438 million, representing an increase of 38.5% (YoY). This increase is primarily attributed to higher provisions resulting from portfolio expansion and write-offs.

The finance expense amounted to Baht 415 million, reflecting an increase of 24.3% (YoY), due mainly to higher interest from money market which is currently in the upward adjustment of interest rate trend.

### Total Expense

**3,988**  
(Million Baht) | **18.7%**  
YoY



### Cost to Income Ratio

**2Q66**  
**34.2%**



#### Total Operating Expense

**2,135** Million Baht

	2Q2022	%Total Revenue	2Q2023	%Total Revenue	%Growth
Personal expense	667	11.6%	692	11.1%	3.9%
Marketing expense	242	4.2%	181	2.9%	(25.3%)
Fee and service expense	622	10.9%	736	11.8%	18.3%
Other administrative expense	455	7.9%	525	8.4%	15.4%



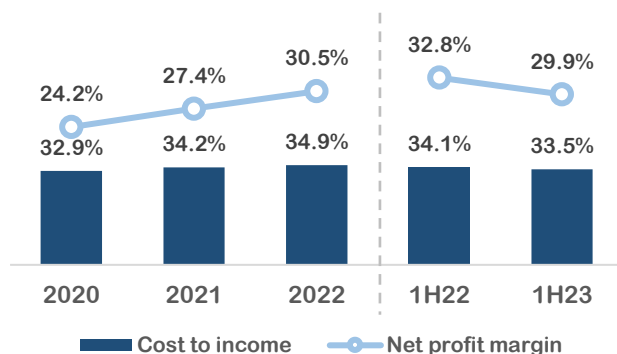
#### Expected Credit Loss (ECL)

**1,438** Million Baht

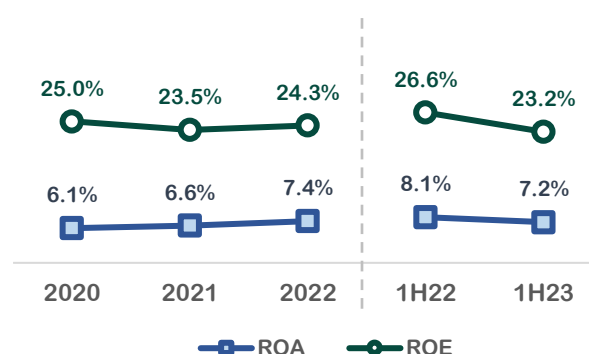
	2Q2022	%Total Revenue	2Q2023	%Total Revenue	%Growth
ECL - Credit Card	507	8.8%	738	11.8%	45.7%
ECL - Personal loan	507	8.8%	659	10.6%	29.9%
ECL - Leasing	25	0.4%	41	0.7%	66.2%

## Key Financial Ratio

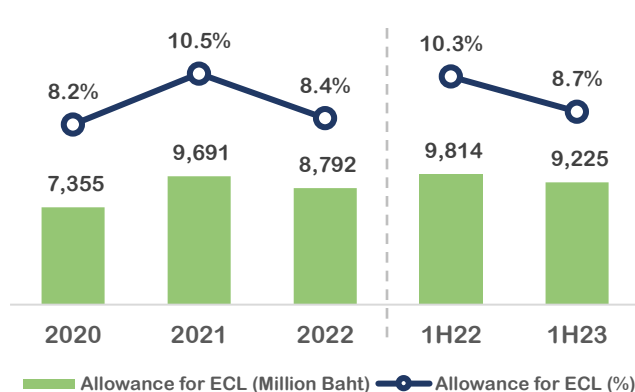
### Net Profit Margin and Cost to income ratio



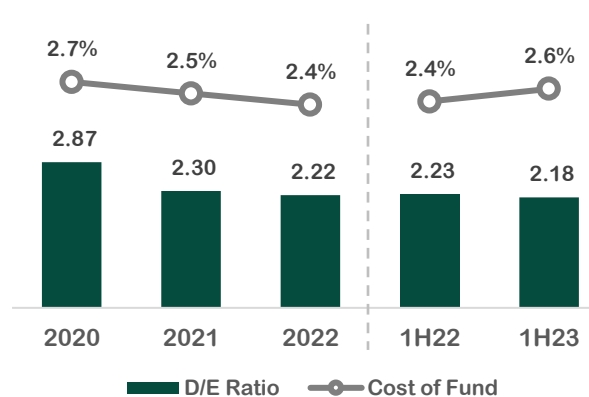
### Return on Asset (ROA) and Return on Equity (ROE)



### Credit Cost (Unit : MB)



### Debt to Equity (D/E) Ratio (Unit: Times) and Cost of Fund



## BOT Forbearance Measure

The Bank of Thailand (BOT) has raised its supervision and market conduct of customer service practices through the implementation of BOT.FCD.C. 951/2564, through emphasizing on the assistance in monitoring and resolving debt-related issues in order to timely help retail debtors on point. The BOT is committed to developing sustainable end-to-end credit processes to ensure comprehensive support throughout the entire lending process.

KTC has implemented various initiatives to assist borrowers in managing their credit effectively. As of June 30, 2023, KTC provided assistance to borrowers in all situations, totaling Baht 1,876 million, which represents 1.9% of the total loan portfolio.

# KTC Integrated Strategies with Sustainable Development



KTC's strategy has integrated sustainable economic, social, and environmental dimensions through Better Product and Service, Better Quality of Life, and Better Climate. KTC conducts its business with responsibility and continuously develops products, services, technology, digital innovation, and human resources to meet business demands, build trust with stakeholders, increase access to financial products and services for Thai society, alleviate environmental impacts, and support sustainable development goals of the United Nations.

For more information, please visit the company's website at <https://www.ktc.co.th/en/sustainability-development>