



Management Discussion and Analysis for 3rd Quarter 2023

Executive Summary

**“Total portfolio and credit card spending volume continued to expand.
Asset Quality has been controlled at an acceptable level.
Annual profit is expected to reach the estimate.”**

Krungthai Card Public Company Limited and its subsidiaries (“KTC” or “the Company”) achieved a net profit of Baht 5,534 million for 9M23 when compared a net profit of Baht 5,414 million in the same period last year, net profit increased by 2.2%. Meanwhile, for 3Q23 net profit of Baht 1,857 million increased by 4.7% when compared to a net profit of Baht 1,773 million in the same period last year.

In 3Q23, KTC total portfolio was equivalent to Baht 106,701 million, growing at a rate of 10.0% (YoY) due to the supportive factors from private consumption sector. Credit card portfolio kept on expanding satisfactorily as consumption demand contributed to an increase in credit card spending. At the same time, KTC PROUD portfolio grew incessantly. Notably, KTC’s strategy still focused on maintaining portfolio growth along with credit quality screening under an appropriate and acceptable risk level.

Regarding to KTC P BERM Car for Cash, its new booking in 9M23 totaled Baht 1,929 million, proven to be of a good quality of new portfolio, fostering confidence that KTC P BERM portfolio will be able to generate significantly growing revenue base in the future.

KTC’s total revenue grew at 9.8% (YoY), mainly attributed to interest and fee income, while total expenses increased by 13.4% (YoY), partly due to expansion of portfolio, which resulted in higher provisioning and expected credit losses (ECL). In addition, operating expenses also increased while financial costs increased, following the rise in market interest rates.

During the past nine months, overall growth momentum of credit card and personal loan portfolios were on track towards achieving set targets. As per the separate financial statement, NPL stood at 1.9% and allowance for expected credit losses to NPL ratio at 443.3%, which was nearly the same level as last year. In the meantime, KTC’s NPL stood at 2.3%. Even though NPL ratio went up slightly mainly from leasing portfolio and ongoing economic pressures, which yielded an allowance for expected credit losses to NPL ratio of 381.5%, it is still at a manageable level. KTC is still confident that we can deliver targeted profit.

Target 2023 vs 9M2023 Actual Performance

Target	2023 Target	9M23 Actual Performance
Net Profit (MB)	> 7,079	5,534
Total Portfolio Growth (%)	15%	10.0%
Credit Card Spending Growth (%)	10%	13.7%
KTC PROUD Portfolio Growth* (%)	7%	6.2%
New Booking of P BERM Car for Cash (MB)	9,000	1,929
New Booking of KTBL Commercial Loan (MB)	3,000	1,446
Portfolio Quality (%Total NPL)	< 1.8%	2.3%

*KTC PROUD Portfolio excludes BOT's Relief Measures

Industry Overview

As at the end of 3Q23, the Bank of Thailand (BOT) revised forecasted GDP growth for 2023 and 2024 to 2.8% (previous estimate as of 2Q23 was 3.6%) and 4.4% (previous estimate as of 2Q23 was 3.8%) respectively. A slower GDP growth this year was attributed to a slower-than-anticipated pace of recovery in export and tourism sectors. Nonetheless, in 2024, a higher GDP growth can be expected as the tourism sector is poised for a sustained recovery, and the export sector is set to return to a growth trajectory. Additionally, the government stimulus programs may contribute to increased spending volumes, further bolstering economic growth.

Industry Data	Y2022	8M2023
Credit Card Receivables (Million Baht)	482,966	461,707
Growth (%)	5.4%	2.6%
KTC Market Share (%)	14.4%	14.9%
Amount of Credit Card (Cards)	25,733,923	26,026,516
Growth (%)	3.6%	2.2%
KTC Market Share (%)	9.9%	10.0%
Credit Card Spending (Million Baht)	2,004,737	1,406,658
Growth (%)	21.5%	11.0%
KTC Market Share (%)	11.9%	12.1%
Personal Loan Receivables (Excluding Auto Title Loan) (Million Baht)	515,628	512,390
Growth (%)	14.0%	5.9%
KTC Market Share (%)	6.1%	6.2%

Industry Data	Y2022	8M2023
Auto Title Loan Receivables (Million Baht)	247,518	308,949
Growth (%)	36.9%	41.0%

Source: Bank of Thailand

The consumer finance industry continued to expand as consumption spending demands and consumer confidence have been at a high level for a certain period. The total credit card receivables as at August 2023 totaled Baht 461,707 million, up 2.6% (YoY). The total volume of credit card spending increased by 11.0% (YoY) during the past eight months. Meanwhile, personal loan receivables (excluding auto title loan) amounted to Baht 512,390 million, up 5.9% (YoY), and auto title loan increased significantly by 41.0% (YoY).

Compared to the industry, KTC market share of credit card receivables for 8M23 stood at 14.9%, and its market share of credit card spending stood at 12.1%, which was higher than the same period last year. As for personal loan receivables (excluding auto title loan), KTC market share was at 6.2%.

Portfolio Overview

“The overall portfolio grew by 10.0% (YoY), while KTC card spending surged by 14.5% (YoY) in 8M23.”

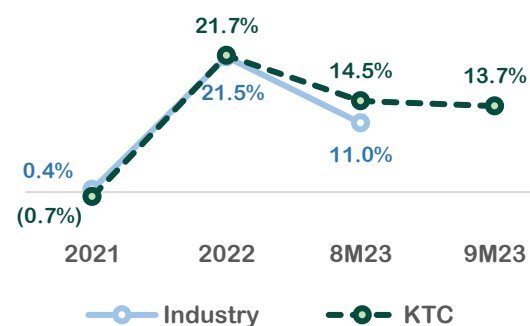
As of 3Q23, total loan and accrued interest receivable reached Baht 106,701 million, marking a 10.0% (YoY) increase. This amount can be broken down as follows: **1)** Credit card receivables totaled Baht 69,225 million with a 8.9% (YoY) growth, maintaining a good growth momentum in tandem with an increase in KTC card spending.

In 8M23, the volume of KTC card spending totaled Baht 170,883 million, up 14.5% (YoY). As for 9M23, total spending volume totaled Baht 192,270 million, grew 13.7% (YoY). The Company’s members totaled 3,331,065 accounts, including 2,616,269 credit cards, up 3.2% (YoY) and 714,796 personal loan accounts, down 3.3% (YoY). The reduced number of personal loan accounts was due to closure of inactive KTC PROUD accounts.

2) KTC PROUD portfolio totaled Baht 30,246 million, up 6.2% (YoY).

3) KTC P BERM Car for Cash portfolio totaled Baht 2,058 million. In 3Q23, P BERM new booking amounted to 794 million, and 9M23 new loan receivables amounted to 1,929 million.

Credit Card Spending Growth



4) The lease receivable amounted to Baht 3,369 million with the new booking of KTBL Commercial Loans of Baht 1,446 million in 9M23. However, KTC currently hold back on this type of loan after signs of rising bad debts became more evident.

Loans to customers and accrued interest receivables

(Unit: Million Baht)	3Q2022	3Q2023	%Growth
Credit Card: Loans to customers and accrued interest receivables	63,558	69,225	8.9%
Personal Loan: Loans to customers and accrued interest receivables*	31,524	34,106	8.2%
KTC PROUD	28,492	30,246	6.2%
KTC P BERM Car for Cash	895	2,058	129.9%
Leasing: Loans to customers and accrued interest receivables	1,934	3,369	74.2%

* Includes BOT's Relief Measure

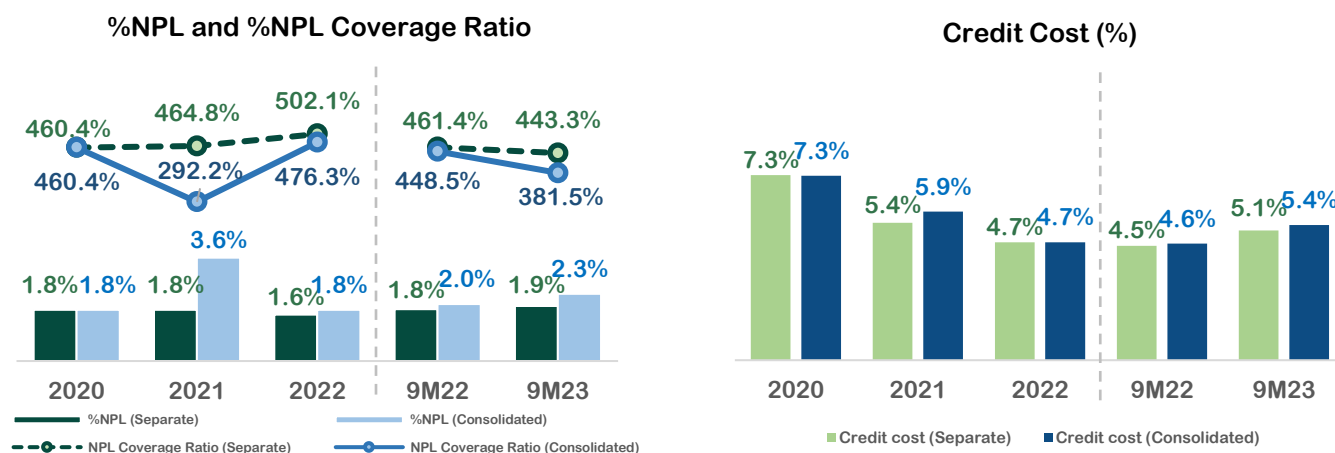
The changes in the allowance for expected credit loss as of September 30, 2023 are as following table.

(Unit: Million Baht)	Allowance for Expected Credit Loss				
	Financial assets where there has not been a significant increase in credit risk (Stage 1)	Financial assets where there has been a significant increase in credit risk (Stage 2)	Financial assets that are credit-impaired (Stage 3)	Financial assets where applied simplified approach to calculate lifetime expected credit loss	Total
Balance as of January 1, 2023	4,247	2,782	1,139	624	8,792
Changes in staging	318	(445)	127	-	-
Changes in risk parameters	(529)	1,496	4,289	274	5,530
New financial assets originated or purchased	428	-	-	70	498
New financial assets derecognized	(259)	(676)	(767)	(44)	(1,746)
Written-off	-	-	(3,429)	(175)	(3,604)
Balance as of September 30, 2023	4,204	3,157	1,359	749	9,469

**“NPL increased but it is still at a manageable level.
Total portfolio quality is robust with high NPL coverage ratio of 381.5%”**

Regarding the separated financial statement at the end of 3Q23, non-performing loan ratio (%NPL) stood at 1.9%, which was almost the same level as last year at 1.8%. KTC could maintain asset quality at a decent level. Allowance for expected credit losses amounted to Baht 8,720 million, generated allowance for expected credit losses to NPL ratio of 443.3%, a slight decrease from 461.4% in the same period last year.

Furthermore, KTC's non-performing loans ratio (%NPL) for consolidated financial statement stood at 2.3%, rose from the same period last year which was at 2.0% due mainly to defaults by lease debtors. At the end of 3Q23, total NPL ratio for credit card, personal loan, and lease receivables stood at 1.3%, 3.1% and 15.3% respectively. Besides, KTC generated an allowance for expected credit losses of Baht 9,469 million, up 10.1% (YoY), which yielded an allowance for expected credit losses to NPL ratio of 381.5%, a decrease from 448.5% recorded in the same period last year.



Bad debt recovery in 3Q23 totaled Baht 821 million, which comprised of KTC and KTBL amounted to Baht 806 million and Baht 15 million respectively. Total bad debt recovery went up by 7.3% (QoQ) compared to 2Q23 which equaled Baht 765 million. However, total bad debt recovery dropped by 4.2% (YoY) compared to the same period last year. As the result, KTC still constantly monitored the situation and adjusted strategy aligning with the situation to enhance the efficiency of the debt collection process.

NPL 2.3%

	3Q2022		2Q2023		3Q2023	
	NPL	%NPL	NPL	%NPL	NPL	%NPL
Total NPL	1,917	2.0%	2,129	2.0%	2,482	2.3%
NPL – Credit Card	783	1.2%	833	1.2%	919	1.3%
NPL – Personal Loan	920	3.0%	975	3.0%	1,048	3.1%
NPL – Leasing	214	11.1%	322	9.1%	514	15.3%

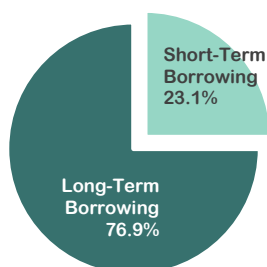
The outstanding balances of loans to customers and accrued interest receivables classified by type of business and stage as of September 30, 2023 are as follows

(Unit: Million Baht)	Consolidated Financial Statements			
	Credit Card	Personal Loan	Leasing	Total
Stage 1	61,080	26,727	-	87,807
Stage 2	6,946	5,938	-	12,883
Stage 3	919	1,048	-	1,967
Financial assets applied simplified approach to calculate lifetime expected credit losses	-	-	3,369	3,369
Total loans to customers	68,945	33,713	3,369	106,027
Add Accrued interest receivables and undue interest receivables	280	393	-	674
Total loan to customers and accrued interest receivables	69,225	34,106	3,369	106,701
Less Allowance for expected credit loss	(4,700)	(4,020)	(749)	(9,469)
Total loans to customers and accrued interest receivables, net	64,525	30,086	2,621	97,231

Borrowing

“Low D/E ratio at 2.07 times with an available credit line of Baht 24,150 million”

3Q23 Borrowing Proportion

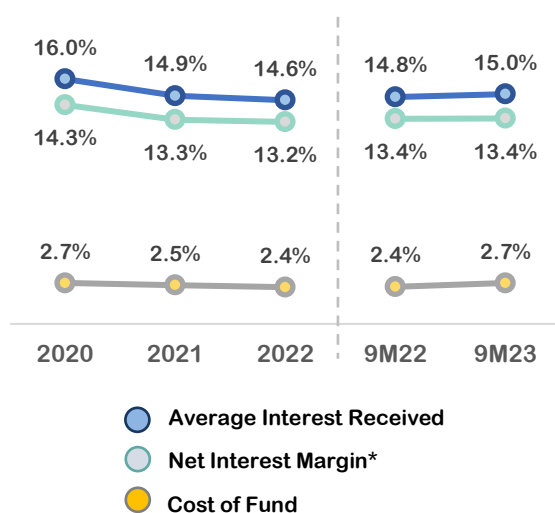


As at the end of Q23, The Company’s total borrowings amounted to Baht 62,730 million, an increase of 9.8% (YoY). The source of funds consisted of both short-term borrowings (short-term loans and current portion of long-term borrowings due within 1 year) and long-term borrowing in a proportion of 23.1% : 76.9%. The funds were from various sources, including commercial banks, securities companies, insurance companies, and asset management.

The short-term borrowings from related parties accounted for Baht 1,990 million, while other financial institutions accounted for Baht 4,180 million, as well as Baht 8,000 million of long-term loans from Krung Thai Bank and Baht 48,561 million of debentures.

D/E Ratio
(Times) | **2.07**

**Average Interest Received,
Net Interest Margin and
Cost of Fund**



* Net Interest Margin =
(Interest Income (Inc. Credit Usage) - Financial Expense) /
Average Gross Receivables

D/E ratio of 2.07 times was lower than 2.14 times recorded in the same period last year and well below debt covenants set at 10 times.

KTC has a total short-term credit line of Baht 29,371 million (including Baht 19,061 million from Krung Thai Bank) and utilized Baht 5,221 million, resulting in a remaining credit available balance of Baht 24,150 million.

In 3Q23 and 9M23, the cost of funds rose to 2.8% and 2.7% respectively, corresponding to the rising interest rates in money markets, as compared to 2.5% and 2.4% in 3Q22 and 9M22.

Average interest received in 3Q23 was at 15.4%, slightly declined from 15.5% in the same period last year. As for 9M23, the average interest received rose to 15.0%, mainly attributed to credit card and personal loan portfolios, as compared to 14.8% in the same period last year.

Besides, net interest margin in 3Q23 was at 13.8% dropped from 14.1% in the same period last year. As for 9M23, net interest margin stood at 13.4%, which is the same level as in the same period last year.

Revenue & Expense

(Unit: Million Baht)	Consolidated Financial Statement					
	9M2022	9M2023	Growth (%YoY)	3Q2022	3Q2023	Growth (%YoY)
Total Revenues	16,978	18,755	10%	5,887	6,461	10%
Bad Debt Recovery	2,565	2,408	(6%)	857	821	(4%)
Total Operating Cost	5,840	6,371	9%	2,056	2,252	10%
Finance Costs	1,014	1,247	23%	343	441	29%
Profit before Expected Credit Loss	10,131	11,167	10%	3,487	3,780	8%
Expected Credit Loss	3,360	4,282	27%	1,276	1,477	16%

(Unit: Million Baht)	Consolidated Financial Statement					
	9M2022	9M2023	Growth (%YoY)	3Q2022	3Q2023	Growth (%YoY)
Bad Debt	4,456	3,604	(19%)	2,495	1,233	(51%)
Doubtful Accounts	(1,096)	678	162%	(1,218)	244	120%
Profit before Income Tax	6,771	6,884	2%	2,210	2,303	4%
Net Profit	5,409	5,505	2%	1,764	1,838	4%
Total Comprehensive Income (Loss)						
Owners of the parent	5,414	5,534	2%	1,773	1,857	5%
Earning per Shares (Baht)	2.10	2.15	2%	0.69	0.72	5%
Book Value per Share (Baht)	11.60	13.23	14%	11.60	13.23	14%

Total Revenue 3Q23

6,461
(Million Baht)

9.8%
(YoY)

Total interest income

▲ **11.3%**
(YoY)

Fee income still growth

▲ **10.6%**
(YoY)

The total interest income (including credit usage fee) for 3Q23 amounted to Baht 4,096 million, representing an increase of 11.3% (YoY). This is divided into interest income from credit card, amounting to Baht 2,025 million, interest income from personal loan, amounted to Baht 2,009 million, and interest income from lease receivables of Baht 62 million. The increase in interest income came from every business as economic recovery has been spurred by tourism sector and domestic spending as well as the expansion of new booking, which has contributed to expanding income base.

In 3Q23, fee income (excluding credit usage fee) amounted to Baht 1,381 million, representing an increase of 10.6% (YoY) due mainly to the merchant discount fees, increased by 16.3% (YoY), interchange fees, increased by 10.2% (YoY), cash advance fees, increased by 11.1% (YoY), and debt collection fees, increased by 3.5% (YoY). The increase in fee-based income was attributed by the higher transaction volumes.

Interest Income (Including Credit Usage Fee)	3Q2022	%Total Revenue	3Q2023	%Total Revenue	%Growth
4,096 Million Baht					
Interest Income - Credit Card	1,805	30.7%	2,025	31.3%	12.2%
Interest Income - Personal Loan	1,845	31.3%	2,009	31.1%	8.9%
KTC PROUD	1,803	30.6%	1,913	29.6%	6.2%
KTC P BERM Car for Cash	42	0.7%	95	1.5%	124.6%
Interest Income - Leasing	30	0.5%	62	1.0%	105.5%

Fee Income (Excluding Credit Usage Fee)	3Q2022	%Total Revenue	3Q2023	%Total Revenue	%Growth
1,381 Million Baht					
Fee income (Excluding credit usage fee)	1,249	21.2%	1,381	21.4%	10.6%

Total Expense 3Q23 **4,170** | **13.4%**
(Million Baht) (YoY)

In 3Q23, the Group's total operating expenses amounted to Baht 2,252 million, an increase of 9.5% (YoY). This rise was primarily driven by fee expenses, rose by 17.5% (YoY) aligned with the increase in transaction volumes. Meanwhile, marketing expenses were nearly the same, compared to the same period last year. However, the growth in revenue resulted in cost to income ratio in 3Q23 at 34.9%, which was same rate as 3Q22.

Cost to Income Ratio 3Q23

34.9%

Expected credit losses amounted to Baht 1,477 million, representing an increase of 15.7% (YoY) derived from higher provisioning due to portfolio expansion.

“Total expenses increased (YoY) due to higher provisioning and financial expense”

Financial expense amounted to Baht 441 million, up 28.5% (YoY). Such increase was resulted from higher interest expenses, which have increased in tandem with upward interest rates in money markets.

Total Operating Expense	3Q2022	%Total Revenue	3Q2023	%Total Revenue	%Growth
2,252 Million Baht					
Personal expense	624	10.6%	664	10.3%	6.3%
Marketing expense	206	3.5%	204	3.2%	(0.8%)
Fee and service expense	674	11.5%	793	12.3%	17.5%
Other administrative expense	552	9.4%	591	9.2%	7.4%



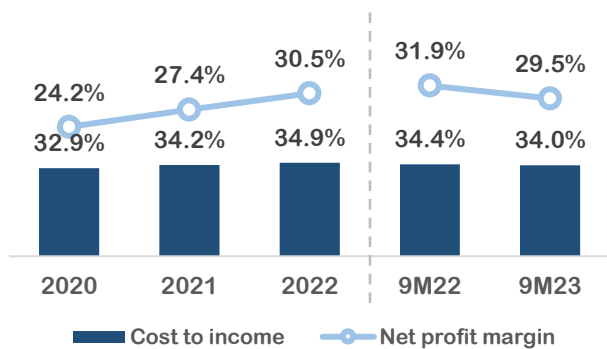
Expected Credit Loss (ECL)

1,477 Million Baht

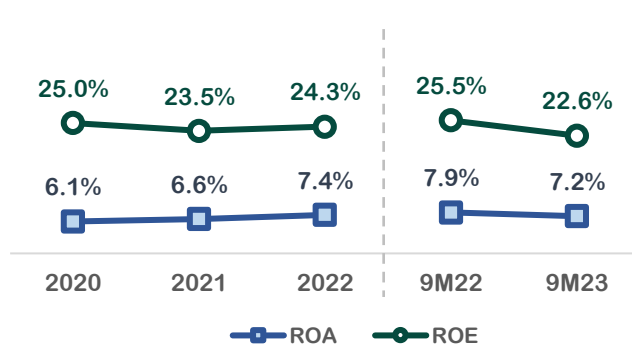
	3Q2022	%Total Revenue	3Q2023	%Total Revenue	%Growth
ECL - Credit Card	604	10.3%	752	11.6%	24.5%
ECL - Personal loan	586	9.9%	624	9.7%	6.6%
ECL - Leasing	87	1.5%	101	1.6%	16.0%

Key Financial Ratio

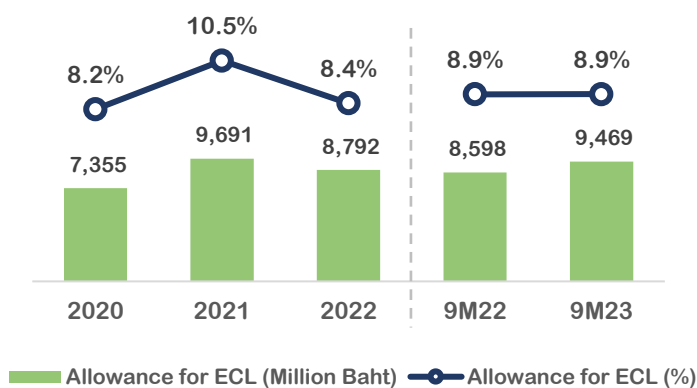
Net Profit Margin and Cost to income ratio



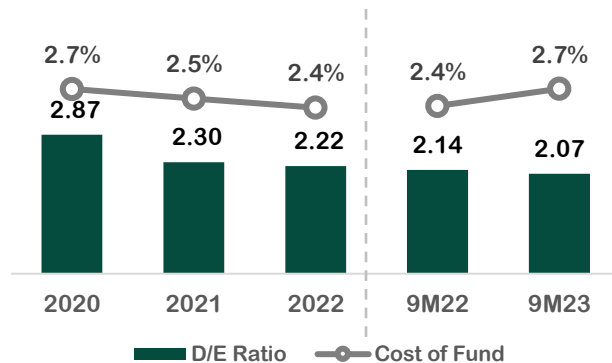
Return on Asset (ROA) and Return on Equity (ROE)



Allowance for ECL to Total Port (Unit : MB)



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



Sustainable Household Debt Solution Framework & Its Effects

The Bank of Thailand (BOT) held public hearing sessions on consultation papers titled “draft responsible lending (RL) rules” and “draft risk-based pricing (RBP) mechanism” during September 4-20, 2023 and September 29 - October 17, 2023 respectively in order to formulate approaches to change behaviors of creditors and debtors by enhancing responsible lending standards throughout a debt cycle.

KTC has set rules on advertisement and sales offers and always conducts its business as a responsible finance provider. Most rules are similar to BOT’s guidelines, so the Company is confident that responsible lending (RL) rules and guidelines to be issued and enforced will not have any significant impacts on its operation. It is expected that RL rules will be implemented in January 2024.

As for measures to help debtors with persistent debt (PD) that will be enforced from April 2024 onwards, BOT will focus its efforts on revolving personal loans of individuals who have a monthly income of no more than 20,000 baht and have paid interest more than principal over the past 5 years. In this regard, the Company will give options to qualified debtors so that they can decide to change from revolving loan to term loan, which charges an interest rate no more than 15% per annum. Moreover, it will require that repayments must be paid off within 5 years. To be eligible, debtors must express interest to participate in this program voluntarily and close a previous credit balance. In terms of financial impacts, the Company assessed that if all eligible debtors participate in the program, it will impact interest income around Baht 18 million per month.

As for the risk-based pricing (RBP) concept, participating financial institutions must apply for sandbox testing with BOT prior to actual implementation. In this regard, two loan products will be eligible – that is, personal loan under supervision, excluding auto title loan (unsecured personal loan) and nano-finance loan under supervision. It is expected that acceptance of sandbox test application will begin in the middle of 2024.

With regard to measures to provide credit commensurate with debt repayment ability so as to ensure that borrowers will have enough money to make a living, a debt service ratio (DSR) will be established. No public hearing on this particular issue has been organized. According to the original plan, BOT will implement these measures in 2025. However, it will undertake reassessment of economic situation beforehand.

Over the years, KTC has implemented various programs to help debtors as laid out in BOT’s guidelines through its responsible lending management practices. As of September 30, 2023, KTC has provided assistance to debtors in all statuses valued at Baht 1,802 million, accounting for 1.8% of 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>

KTC organizes Opportunity Day every quarter for shareholders, bondholders, analysts, fund managers and any stakeholders who are interested in KTC's operating results, business directions, industry overview, etc. In 3Q23, KTC Opportunity Day will be taken place on Wednesday, November 15, 2023, 10:15 – 11:00 hrs, through official channels of the Stock Exchange of Thailand as follows.



KTC Direction in 2024

KTC set the business targets for 2024 by emphasizing on three core businesses which are Credit Card, KTC PROUD, and KTC P BERM Car for Cash as KTC believes that there are demands for each type of loan. Moreover, it will also foster and expand MAAI by KTC business as a customer relationship management service business, In order to achieve these targets, KTC will focus on 3 main cores which are human, process and technology to maximize the efficiency of products and services. Thereby, KTC aims to generate higher profits than 2023 and monitor total portfolio growth which will be much expanded under the appropriate and acceptable risk level.

