



# Management Discussion and Analysis for the year 2023

## Executive Summary

**“KTC continuously grows the profits.  
Credit card spending has exceeded the targets.  
The total portfolio has expanded while maintaining control over  
the asset quality within an acceptable risk level.”**

Krungthai Card Public Company Limited and its subsidiaries (“the Group”) reported a net profit of THB 7,295 million for the fiscal year 2023, reflecting an increase of 3.1% from the same period in 2022, where the net profit amounted to THB 7,079 million. Meanwhile, the net profit from the separate financial statement of Krungthai Card Public Company Limited was THB 7,241 million, marking a 1.4% growth compared to the same period of the previous year, which had a net profit of THB 7,140 million.

At the end of the year 2023, KTC had a total portfolio value of 112,346 million Baht, showing a growth of 7.8% (YoY). This expansion was supported by the gradual recovery of the Thai economy, driven by private consumption. The credit card portfolio continued to expand due to the increase in the demand in everyday spending. Besides, the KTC PROUD portfolio saw moderate growth and KTC P BERM Car for Cash has acquired the new booking for 2023 amounted for THB 2,590 million. Nonetheless, KTC has focused on portfolio growth while emphasizing quality screening with an acceptable and manageable risk level.

The Group reported a total revenue growth of 9.4% (YoY), driven by interest income and fee income. On the other hand, the total expense increased by 14.0% (YoY). This resulted from the increase in operating expenses due mainly to the expanded transaction from fee and service expense. Additionally, the expected credit loss rose due to higher provisioning and the finance costs increased in line with the rising interest rates in the financial market.

For the year 2023, the card spending of the Group expanded by 11.4% with an overall portfolio expansion of 7.8%. This includes growth in credit card and personal loan portfolios by 7.2% and 7.5%, respectively. The Non-Performing Loans (NPL) for the separate financial statement were at 1.7%, and NPL Coverage Ratio was at 476.4%. However, according to the consolidated financial statement of the Group, NPL was at 2.2% with 400.3% of NPL coverage ratio, which improved from the previous quarter. Although, the mentioned ratios were slightly increased compared to the same period in 2022 due mainly to the leasing portfolio and economic situation which was under pressure consistently, it is still in the manageable level.



## Target vs Actual Performance 2023

Target	2023 Target	2023 Actual Performance
Net Profit (MB)	> 7,079	7,295
Total Portfolio Growth (%)	15%	7.8%
Credit Card Spending Growth (%)	10%	11.4%
KTC PROUD Portfolio Growth* (%)	7%	4.4%
New Booking of P BERM Car for Cash (MB)	9,000	2,590
New Booking of KTBL Commercial Loan (MB)	3,000	1,449
Portfolio Quality (%Total NPL)	< 1.8%	2.2%

\*KTC PROUD Portfolio excludes BOT's Relief Measures

## Industry Overview

The Bank of Thailand has adjusted its economic growth forecasts for the Thai economy for the fourth quarter of 2023 to 2.4% and for the year 2024 to 3.2% (excluding the impact of the THB 10,000 digital wallet top-up project). This is a revision from the previous estimates in the third quarter of 2023, which were 2.8% and 4.4%, respectively. In 2023, the slow recovery of exports and the tourism sector contributed to the lower- than-expected economic growth. However, in 2024, the economy is expected to improve as both exports and the tourism sector continue to rebound.

Industry Data	Y2022	11M2022	11M2023
<b>Credit Card Receivables (Million Baht)</b>	<b>482,966</b>	<b>475,011</b>	<b>473,544</b>
Growth (%)	5.4%	11.1%	(0.3%)
KTC Market Share (%)	14.4%	14.0%	15.1%
<b>Amount of Credit Card (Cards)</b>	<b>25,733,923</b>	<b>25,728,778</b>	<b>26,193,804</b>
Growth (%)	3.6%	3.8%	1.8%
KTC Market Share (%)	9.9%	9.9%	10.1%
<b>Credit Card Spending (Million Baht)</b>	<b>2,004,737</b>	<b>1,791,191</b>	<b>1,949,188</b>
Growth (%)	21.5%	22.6%	8.8%
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>500,639</b>	<b>515,346</b>
Growth (%)	14.0%	10.9%	2.9%
KTC Market Share (%)	6.1%	6.3%	6.3%
<b>Auto Title Loan Receivables (Million Baht)</b>	<b>247,518</b>	<b>240,888</b>	<b>303,906</b>
Growth (%)	36.9%	37.1%	26.2%

Source: Bank of Thailand

The consumer finance industry continues to expand, driven by consumer spending demands and consumer confidence. As of November 2023, the total credit card receivables for the industry was THB 473,544 million, showing a 0.3% decrease. However, the overall credit card spending for the industry in 11M23 expanded by 8.8%. Personal loan (excluding auto title loan) reached THB 515,346 million, growing by 2.9%, while auto title loan receivables amounted to THB 303,906 million, with a substantial 26.2% growth compared to the same period in 2022.

For 11M23, KTC holds 15.1% of the credit card receivables market share, and the market share in credit card spending is 12.2%, indicating an increase compared to the same period in 2022. The market share for personal loan receivables (excluding auto title loan) compared to the industry is 6.3%

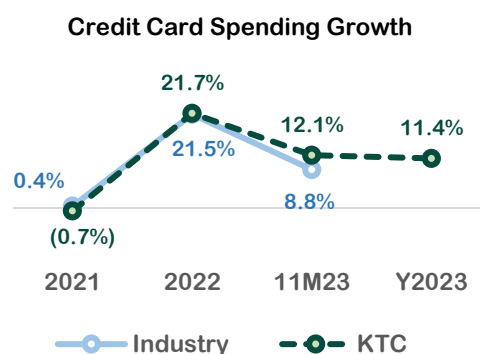
## Portfolio Overview

### “KTC overall portfolio grew by 7.8% YoY while Credit card spending increased by 11.4% YoY”

The overall volume of KTC card spending for 11M23 and the year of 2023 amounted to THB 237,844 million and THB 265,383 million, growing by 12.1% and 11.4% YoY, respectively. The company’s members totaled 3,358,926 accounts, including 2,637,183 credit cards, up 3.4% (YoY) and 721,743 personal loan accounts, down 3.0% (YoY). The reduced number of personal loan accounts was due to closure of inactive KTC PROUD accounts.

As at the end of 2023, total loan and accrued interest receivable reached Baht 112,346 million, showing a 7.8% (YoY) growth compared to the previous year. This amount can be broken down as follows:

1. Credit card receivables amounted to THB 74,441 million, expanding by 7.2% (YoY), in line with the increase in KTC card spending.
2. KTC PROUD portfolio amounted to THB 30,597 million, indicating a 4.4% growth compared to the previous year.
3. KTC P BERM Car for Cash portfolio amounted to THB 2,287 million, experiencing a 134.1% growth compared to the year-end of 2022, which was THB 977 million.
4. The lease receivable amounted to THB 3,189 million. Due to the increasing signs of non-performing loans, KTC has ceased issuing this type of loan since August 2023 to manage the quality of portfolio and debt collection.



## Loans to customers and accrued interest receivables

(Unit: Million Baht)	Y2022	Y2023	%Growth
Credit Card: Loans to customers and accrued interest receivables	69,462	74,441	7.2%
Personal Loan: Loans to customers and accrued interest receivables*	32,283	34,716	7.5%
KTC PROUD	29,321	30,597	4.4%
KTC P BERM Car for Cash	977	2,287	134.1%
Leasing: Loans to customers and accrued interest receivables	2,449	3,189	30.2%

\* Includes BOT's Relief Measure

The changes in the allowance for expected credit loss as of December 31, 2023 are as following table.

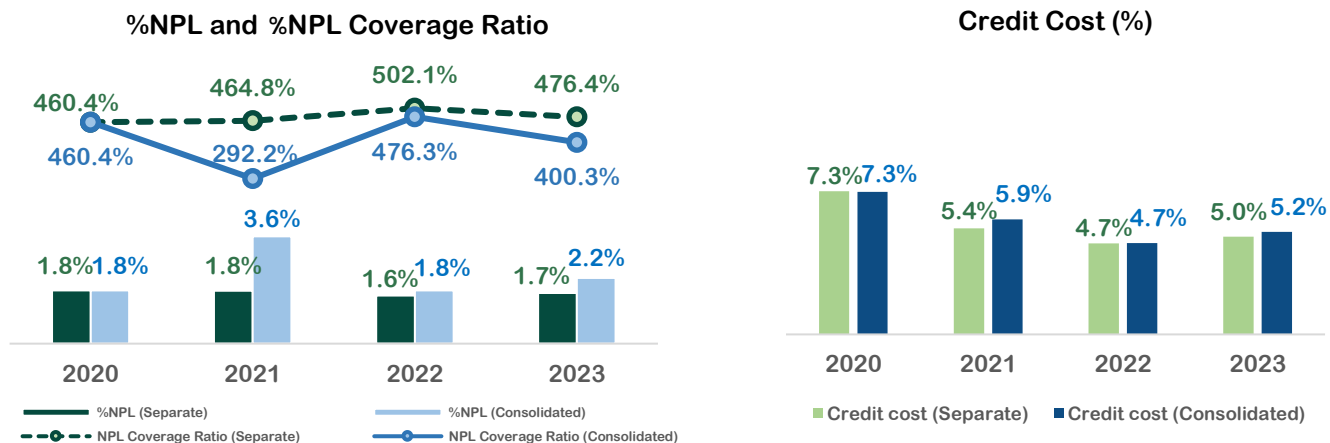
(Unit: Million Baht)	Allowance for Expected Credit Loss					Total
	Financial assets where there has not been a significant increase in credit risk	Financial assets where there has been a significant increase in credit risk	Financial assets that are credit-impaired	Financial assets where applied simplified approach to calculate lifetime expected credit loss		
	(Stage 1)	(Stage 2)	(Stage 3)			
Balance as of January 1, 2023	4,247	2,782	1,139	624	8,792	
Changes in staging	356	(417)	61	-	-	
Changes in risk parameters	(579)	1,772	5,574	340	7,107	
New financial assets originated or purchased	669	-	-	132	801	
New financial assets derecognized	(361)	(822)	(786)	(44)	(2,014)	
Written-off	-	-	(4,704)	(220)	(4,924)	
Balance as of December 31, 2023	4,332	3,316	1,283	832	9,763	

### “Portfolio quality remains strong. Overall NPL was at 2.2% NPL Coverage Ratio maintains high level at 400.3%”

The Non-Performing Loans (NPL) to total receivables of the separate financial statement (%NPL) for 2023 was at 1.7%, slightly increased compared to the operating result for 2022 which was at 1.6%. The overall portfolio quality remains robust, with effective NPL control. The expected credit loss equaled THB 8,931 million, contributing to an NPL Coverage Ratio of 476.4%, a decrease from 502.1% in the same period last year.

In contrast, NPL ratio for consolidated financial statement 2023 was at 2.2% increased from 1.8% in 2022. The majority of this increase was attributed to the delinquencies of leasing customers. Furthermore, the NPL ratio for credit card, personal loans, and leasing portfolio in 2023 stood at 1.1%, 3.0%, and 17.7%, respectively. The

expected credit loss of the Group was equivalent to THB 9,763 million, representing an increase of 11.0% (YoY). The NPL Coverage Ratio for the Group is 400.3%, dropped from 476.3% in the same period of 2022.



In the 4Q23, Bad debts recovery amounted to THB 841 million, showing an increase of 2.5% (QoQ). This recovery is divided into THB 804 million for KTC and THB 37 million for KTBL. However, the overall bad debts recovery for the entire year 2023 amounted to THB 3,249 million, indicating a decrease of 5.0% (YoY). This overall recovery is distributed into THB 3,143 million for KTC and THB 106 million for KTBL. The company continues to emphasize in the importance of debt collection processes and adjusts strategies to suit the prevailing circumstances, aiming to enhance efficiency in debt collection processes.

**NPL**

Separate  
**1.7%**

Consolidated  
**2.2%**

	4Q2022		3Q2023		4Q2023	
	NPL	%NPL	NPL	%NPL	NPL	%NPL
<b>Total NPL</b>	<b>1,846</b>	<b>1.8%</b>	<b>2,482</b>	<b>2.3%</b>	<b>2,439</b>	<b>2.2%</b>
<b>NPL – Credit Card</b>	<b>730</b>	<b>1.1%</b>	<b>919</b>	<b>1.3%</b>	<b>851</b>	<b>1.1%</b>
<b>NPL – Personal Loan</b>	<b>896</b>	<b>2.8%</b>	<b>1,048</b>	<b>3.1%</b>	<b>1,024</b>	<b>3.0%</b>
<b>NPL – Leasing</b>	<b>219</b>	<b>8.9%</b>	<b>514</b>	<b>15.3%</b>	<b>564</b>	<b>17.7%</b>

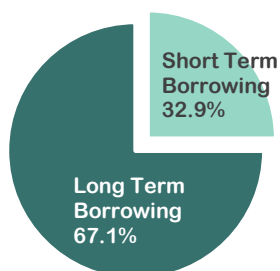
The outstanding balances of loans to customers and accrued interest receivables classified by type of business and stage as of December 31, 2023 are as follows

(Unit: Million Baht)	Consolidated Financial Statements			
	Credit Card	Personal Loan	Leasing	Total
Stage 1	65,882	27,093	-	92,974
Stage 2	7,400	6,185	-	13,585
Stage 3	851	1,024	-	1,875
Financial assets applied simplified approach to calculate lifetime expected credit losses	-	-	3,189	3,189
Total loans to customers	74,132	34,302	3,189	111,622
Add Accrued interest receivables and undue interest receivables	309	415	-	724
Total loan to customers and accrued interest receivables	74,441	34,716	3,189	112,346
Less Allowance for expected credit loss	(4,827)	(4,104)	(832)	(9,763)
Total loans to customers and accrued interest receivables, net	69,614	30,613	2,357	102,583

## Borrowing

**“D/E Ratio remains at a low level of 2.15 times and short-term available credit line is THB 24,390 million”**

### Y2023 Borrowing Proportion



**D/E Ratio**  
(Times) | **2.15**

For the year 2023, the Group's total borrowings amounted to THB 66,404 million, showing an increase of 7.7%. The structure of capital sources is distributed with 32.9% from short-term borrowings (short-term loans and current portion of long-term borrowings due within 1 year) and 67.1% from long-term borrowings. The funds were from various sources, including commercial banks, securities companies, insurance companies, and asset management, including the short-term borrowings from related parties accounted for THB 2,860 million, other financial institutions accounted for THB 6,597 million, as well as THB 9,500 million of long-term loans from Krung Thai Bank and THB 47,447 million of debentures.

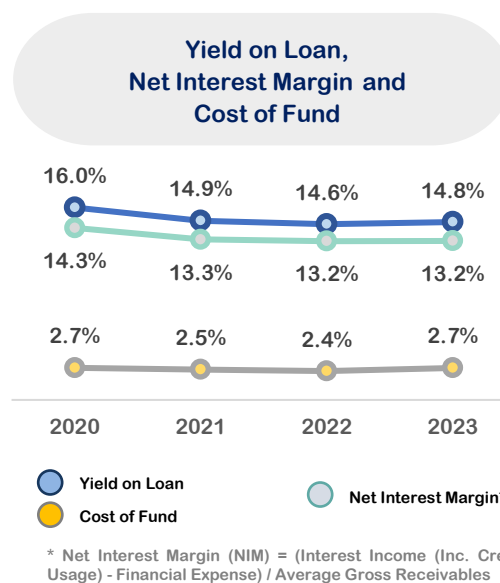
The debt-to-equity ratio is 2.15 times, slightly lower than the 2.22 times at the end of the previous year, and below the Debt Covenants threshold of 10 times.

Additionally, the total short-term credit line is THB 29,371 million (including THB 19,061 million from Krung Thai Bank), utilized for THB 4,981 million, leaving a remaining balance of THB 24,390 million.

In 2023, cost of fund is 2.7%, increasing from 2.4% in 2022 due to the rising interest rates in the money market.

Simultaneously, the yield on loan is 14.8%, up from the previous year's 14.6%, driven by the growth in overall portfolios.

This results in a consistent net interest margin in 2023 at 13.2%, compared to the previous year.



## Revenue & Expense

(Unit: Million Baht)	Consolidated Financial Statement					
	Y2022	Y2023	Growth (%YoY)	4Q2022	4Q2023	Growth (%YoY)
<b>Total Revenues</b>	23,231	25,418	9%	6,253	6,663	7%
Bad Debt Recovery	3,421	3,249	(5%)	855	841	(2%)
<b>Total Operating Expenses</b>	8,117	8,801	8%	2,276	2,429	7%
Finance Costs	1,392	1,703	22%	378	456	21%
<b>Profit before Expected Credit Loss</b>	13,740	14,962	9%	3,609	3,796	5%
Expected Credit Loss	4,868	5,894	21%	1,508	1,612	7%
Bad Debt	5,770	4,924	(15%)	1,314	1,320	1%
Doubtful Accounts	(902)	970	(208%)	194	292	50%
<b>Profit before Income Tax</b>	8,871	9,068	2%	2,101	2,184	4%
<b>Net Profit</b>	7,054	7,250	3%	1,645	1,745	6%
<b>Total Comprehensive Income (Loss)</b>						
Owners of the parent	7,079	7,295	3%	1,666	1,761	6%
Earning per Shares (Baht)	2.75	2.83	3%	0.65	0.68	6%
Book Value per Share (Baht)	12.25	13.90	14%	12.25	13.90	14%

## Total Revenue Y2023

**25,418**  
(Million Baht) | **9.4%**  
YoY

### Total interest income

▲ **11.4%**  
YoY

### Fee income increased by

▲ **11.7%**  
YoY

In 2023, the total interest income (including credit usage fee) is THB 16,020 million, marking a 11.4% (YoY) increase. This comprises interest income from credit card amounting to THB 7,943 million, personal loan THB 7,845 million, and lease receivables THB 232 million. The rise in interest income is attributed to the overall growth in every business sector, driven by the improving economy in line with domestic demands and the expansion of the new booking portfolio, contributing to the increase in revenue.

For the year 2023, fee income (excluding credit usage fee) amounts to THB 5,557 million, showing a 11.7% (YoY) increase. The overall fee income comes from higher transaction volumes. Specifically, merchant discount fee income increased by 15.0% (YoY), Interchange fee income increased by 13.9% (YoY), cash advance fee increased by 12.9% (YoY), and collection fees increased by 3.7% (YoY).



Interest Income  
(Including Credit Usage Fee)

**16,020** Million Baht

	Y2022	%Total Revenue	Y2023	%Total Revenue	%Growth
Interest Income - Credit Card	7,051	30.4%	7,943	31.3%	12.7%
Interest Income - Personal Loan	7,220	31.1%	7,845	30.9%	8.7%
KTC PROUD	7,070	30.4%	7,519	29.6%	6.4%
KTC P BERM Car for Cash	150	0.6%	326	1.3%	116.9%
Interest Income - Leasing	110	0.5%	232	0.9%	110.1%



Fee Income  
(Excluding Credit Usage Fee)

**5,557** Million Baht

	Y2022	%Total Revenue	Y2023	%Total Revenue	%Growth
Fee income (Excluding credit usage fee)	4,973	21.4%	5,557	21.9%	11.7%



## Total Expense Y2023

**16,397** | **14.0%**  
(Million Baht) | YoY

In the year 2023, the Group's total operating expenses amounted to THB 8,801 million, showing a 8.4% (YoY) increase. This rise was attributed to higher fee expenses which rose by 19.7% (YoY), aligned with the increase in volume of trade transactions. Total marketing expenses that slightly decreased, showcasing the Group's efficient in Card Usage Promotion. Despite this, revenue growth resulted in a lower Cost to Income Ratio for 2023, which now stands at 34.6%, decreasing from 34.9% in 2022. Expected credit losses amount to THB 5,894 million, marking a 21.1% (YoY) increase due to a higher level of provision.

### Cost to Income Ratio

 **34.6%**

**“Total Expense Increased (YOY)  
from the increase in transaction  
and portfolio expansion”**

Financial expense amounted to THB 1,703 million, increased 22.3% (YoY), reflecting the rise of interest rates in money market.



### Total Operating Expense

**8,801** Million Baht

	Y2022	%Total Revenue	Y2023	%Total Revenue	%Growth
<b>Personal expense</b>	2,501	10.9%	2,661	10.5%	6.4%
<b>Marketing expense</b>	877	3.8%	808	3.2%	(7.8%)
<b>Fee and service expense</b>	2,599	11.2%	3,112	12.2%	19.7%
<b>Other administrative expense</b>	2,140	9.2%	2,219	8.7%	3.7%



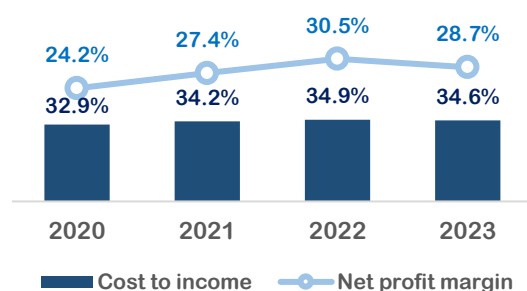
### Expected Credit Loss (ECL)

**5,894** Million Baht

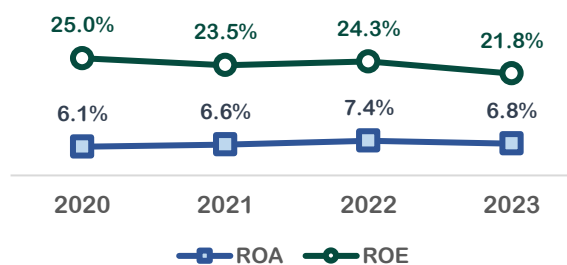
	Y2022	%Total Revenue	Y2023	%Total Revenue	%Growth
<b>ECL - Credit Card</b>	2,409	10.4%	2,955	11.6%	22.7%
<b>ECL - Personal loan</b>	2,337	10.1%	2,512	9.9%	7.5%
<b>ECL - Leasing</b>	122	0.5%	427	1.7%	250.8%

## Key Financial Ratio

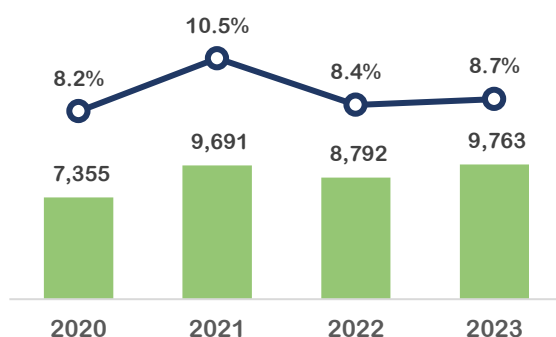
**Net Profit Margin and Cost to income ratio**



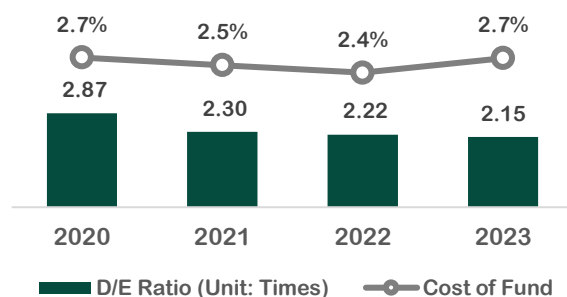
**Return on Asset (ROA) and Return on Equity (ROE)**



**Allowance for ECL to Total Port (Unit : MB)**



**Debt to Equity (D/E) Ratio and Cost of Fund**



## Sustainable Household Debt Solution Framework & Its Effects

Bank of Thailand (BOT) published the regulations for Responsible Lending (RL), according to the Notification of Bank of Thailand No. SorKorChor 7/2566, The objective is to reinforce the role of service providers in responsibly serving customers throughout the credit lifecycle. These criteria have been effective since January 1, 2024.

These lending management criteria encompass 8 main areas: (1.) Product Development (2.) Advertising (3.) Sales Process (4.) Consideration of customers' debt repayment capability (affordability) (5.) Discipline Promotion and Financial Management during the indebtedness period (6.) Assistance for Customers with Persistent Debt (PD) (7.) Assistance for Customers with Payment Problems including restructuring of non-NPL debt for both Preemptive Debt Restructuring (Preemptive DR) and Troubled Debt Restructuring (TDR) (8.) Compliance with Laws and Debt Transfers

KTC has implemented measures to assist debtors in the long term in compliance with the announcement of BOT as follows.

Regarding the adjustment of the minimum credit card payment rate from 5% to 8% which was effective from January 1, 2024, to December 31, 2024, KTC believes that most customers can afford the increased minimum payment.



However, recognizing that some customers may not have the ability to pay, the company has prepared various initiatives to provide assistance.

Additionally, KTC will propose assistance measures for non-performing loans (Non-NPL) customers. This involves proactively and preemptively adjusting the debt structure (Pre-Emptive DR) to prevent potential issues when there are early signs that a customer may face difficulties in repayment at least once. The aim is to help customers manage their debt effectively and avoid transitioning into Non-Performing Loans (NPL) status. Besides, KTC will also propose assistance measures for customers with Non-Performing Loans (NPL), particularly before taking legal actions, debt sales, contract cancellations, or asset seizures. This assistance will be provided at least once. KTC will assess these support measures in alignment with the customer's ability to repay, ensuring that the assistance doesn't unduly increase the customer's debt burden.

As the implementing these assistance measures, KTC already considered and assured that it would not have any significant adverse impact on the overall operations.

Furthermore, KTC has assessed the impact of BOT's guidelines for assisting customers with Persistent Debt (PD) issues, effective from April 2024 onwards. If all eligible customers participate in the program, it is estimated to result in a reduction of approximately THB 18 million in monthly interest income.

Regarding the progress in the Risk-Based Pricing (RBP) concept, there is still a wait for the official testing phase, expected to commence in mid-2024. As for the determination of the Debt Service Ratio (DSR) threshold, specific details have not been opened for public input yet. BOT anticipates initiating its implementation in 2025, subject to further economic assessments as originally planned.

Over the year, KTC has implemented various programs to provide assistance to debtors following the guidelines regulated by BOT for responsible and fair lending. As of December 31, 2023, KTC had provided assistance to debtors in all statuses, totaling THB 1,833 million, accounting for 1.7% of the total receivable 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 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. According to the operating result for the year 2023, KTC Opportunity Day will be taken place on Thursday, February 22, 2024, 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.

