

บริษัท บัตรกรุงไทย จำกัด (มหาชน)

591 อาคารสมัยชาวนา ชั้น 2 ชั้น 14 ถนนสุขุมวิท แขวงคลองตันเหนือ เขตวัฒนา กรุงเทพฯ 10110
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Krungthai Card Public Company Limited

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KTC 345 / 2020

May 11, 2020

To: The President of the Stock Exchange of Thailand
The Stock Exchange of Thailand

Subject: Operating result notification of the quarter ended March 31, 2020

Enclosure: Management Discussion and Analysis for the quarter ended March 31, 2020

KTC's Board of Directors has approved the Company's Financial Statement and the Report of certified public accountant for the quarter ended March 31, 2020, 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

KTC's net profit for the first quarter of 2020 was 1,641 MB. The Company had expanded in both its revenue and its profit with a relatively well number of incoming applications. The Company also gained higher growth in its loans to customers and accrued interest receivables. Simultaneously, the Company continued to effectively manage its financial expense. Income from bad debt recovery reached a satisfactory level while NPL level under the TFRS 9 standard stood at 4.02% as previously planned. Despite of the increase in the Company's total operating cost to income ratio, such rise was mainly due to new member acquisition which later would lead to revenue base expansion.

Overall Performance for the First Quarter of 2020

The Company's performance for Q1, 2020 remained remarkable with its total revenue and net profit of 5,669 MB and 1,641 MB respectively. Its total loans to customers and accrued interest receivables expanded whereas its funding cost and income from bad debt recovery stayed at a satisfactory level. Regardless of the inevitable situation of the current Covid-19 worldwide outbreak it has to face, the Company has taken this opportunity to further develop its organization with the priority to analyze and enhance its entire work procedures to achieve more effective end to end process, hence increasing its work efficiency as well as potentially reducing its administrative expense. In term of credit card spending, KTC's growth was better than that of the industry. Also, as the Company had not just constantly managed high quality of its receivables portfolio but also effectively handled its debt collection. The Company's performance overview can be summarized as the followings.

- For the first quarter of 2020, KTC's credit card spending grew at 2.2% or amounted to 50,167 MB while that of industry contracted at 0.7%. The Company's cardmember base expanded 5.6% (yoy) or accounted for total members of 3.5 million accounts, comprising of 2,593,947 credit cards (up 10.4% yoy) and 926,729 personal loan accounts (down 6.0% yoy from non-active accounts closing during the end of last year).
- Total loans to customers and total accrued interest receivables for Q1, 2020 equaled to 82,102 MB, consisting of those from credit card business and those from personal loan business of 52,137 MB and 29,965 MB respectively.

(Unit: Million Baht)	Consolidate March 31, 2020 (TFRS9)	Consolidated January 1, 2020 (TFRS9)	Consolidated December 31, 2019 (Previous Standard)
Total Loans to Customers and Accrued Interest Receivables	82,102	86,426	86,426
Allowance for Expected Credit Loss	6,668	5,670	5,670
Loans to Customers and Accrued Interest Receivables, net	75,434	80,756	80,756

- As the Company's total NPL under the TFRS 9 standard reported at 4.02%, the Company has remained giving its priority for conducting the strategy to consistently maintain high quality of its receivable portfolio.
- Expected credit loss (bad debts and doubtful accounts) declined to 1,308 MB due to the slower pace in bad debts write-offs process under the TFRS 9 standard. Meanwhile, as doubtful accounts were higher from impairment setup of credit loss in each business and provisions setup for accrued interest receivables, the ratio of the allowance for expected credit loss to NPL (NPL Coverage Ratio) stood at 203%.

% NPL	March 31, 2020 (TFRS9)	January 1, 2020 (TFRS9)	March 31, 2019 (Previous Standard)
Total NPL (%)	4.02%	2.19%	1.18%
-NPL Credit card(%)	3.45%	1.88%	1.04%
-NPL Personal Loan(%)	5.03%	2.80%	1.43%
Allowance for Expected Credit Loss to Total Receivables (%)	8.1%	6.6%	7.1%
NPL Coverage Ratio (%)	203%	299%	605%

- Total revenue for Q1, 2020 equaled to 5,669 MB, a 2% increase. Interest income (including credit usage fee), fee income and other incomes amounted to 3,615 MB, 1,183 MB and 870 MB respectively and were accounted for 64%, 21% and 15% of total revenue respectively. The most of other revenues were from bad debt recovery.
- Net interest margin was at 15.63%, higher from the increase in average interest received as well as the decline in cost of funds.

(Unit: Million Baht)	Consolidated 1Q2020 (TFRS9)	Proportion (%)	Consolidated 1Q2019 (Previous Standard)	Proportion (%)
Total Revenue	5,669	100%	5,574	100%
- Bad Debt Recovery	814	14%	948	17%
Administrative Expenses	1,929	34%	1,839	33%
Financial Expense	394	7%	380	7%
Expected Credit Loss (Bad Debt and Doubtful Accounts)	1,308	23%	1,371	25%
- Bad Debt	310	5%	1,502	27%
- Doubtful Accounts	998	18%	(132)	-2%
Profit before Tax	2,038	36%	1,984	36%
Income Tax Expense	397	7%	394	7%
Net Profit (Loss)	1,641	29%	1,589	29%

- For the first quarter of 2020, the Company's total expense (excluding income tax) amounted to 3,631 MB, up only 1% (yoy). Total administrative expense increased 5% (yoy), mainly from marketing expense for new member acquisition. Nevertheless, expected credit loss (bad debts and doubtful accounts) declined 5% (yoy) owing to the change in methods for bad debts write-offs and NPL receivables under the TFRS 9 standard.
- Net operating cost to income ratio stood at 25.2%, slightly higher from the same period of last year at 25.0%.

Business Overview in the First Quarter of 2020

For the first quarter of 2020, the Thai economy was unavoidably impacted from the slowdown in the world economy due to the Covid-19 pandemic. The Bank of Thailand has forecasted the Thai GDP for 2020 to contract by 5.3%.

During this strenuous period, overall consumer finance industry had grown at a slower pace. The industry's total credit card receivables as of March 2020 equaled to 395,182 MB, a 2.2% growth from last year and its total personal loan receivables for the first quarter of this year amounted to 572,680 MB with a 13% increase. Meanwhile, the industry's credit card spending for Q1, 2020 valued 434,418 MB in total, a 0.7% decline.

For the first quarter of 2020, in term of credit card receivables, KTC's market share to the industry was at 13.2% and in term of personal loan receivables, KTC's market share to the industry was at 5.2%.

Industry Comparison	1Q2020	Y2019
Credit Card Receivables (MB)	395,182	457,090
Growth (%)	2.2%	9.2%
KTC Credit Card Receivables to Industry (%)	13.2%	12.4%
Number of Credit Card (Cards)	23,913,269	23,620,374
Growth (%)	6.4%	6.9%
Total Credit Card Spending (MB)	434,418	1,885,725
Growth (%)	-0.7%	9.0%
KTC Credit Card Spending to Industry (%)	11.5%	11.3%
Personal Loan Receivables (MB)	572,680	579,911 ⁽¹⁾
Growth (%)	12.6%	51.3% ⁽¹⁾
KTC Personal Loan Receivables to Industry (%)	5.2%	5.0% ⁽¹⁾

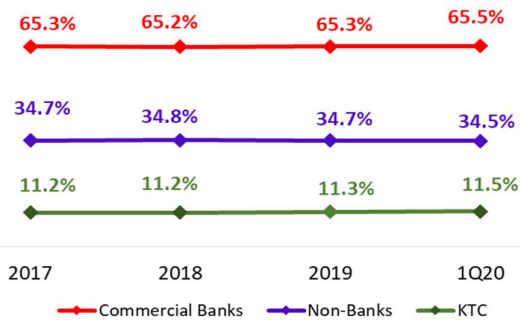
Source : Bank of Thailand

Remark : ⁽¹⁾ Starting in February 2019 BOT includes car title deed into the personal loan amount.

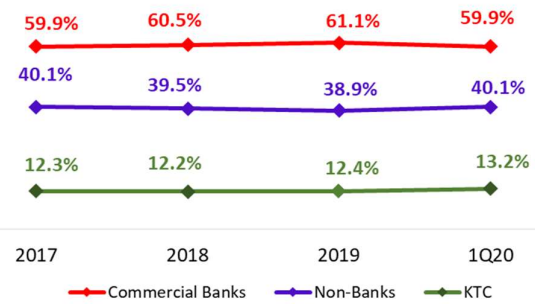
KTC Credit Card Spending Compared to the Industry.

- KTC's credit card spending growth for Q1, 2020 was at 2.2%, higher than that of the industry which declined at 0.7%. The Company's market share for credit card spending stood at 11.5%, increased from 11.3% at the end of 2019.

Credit Card Spending Market Share



Credit Card Receivables Market Share



Company's Total Revenue Derived from Interest and Fee Income.

- **Higher interest income from both main businesses.** The Company had expanded its member base by primarily focusing on customer needs, along with promoting marketing campaigns that truly respond to member demands as well as thoroughly cover their daily spending. The Company has also utilized KTC FOREVER reward points as a tool to create member's long-term loyalty. In addition, the Company has provided compelling online privileges to motivate members to select KTC as their primary card. As credit card and personal loan receivables had expanded by 8% and 12% respectively, the Company's interest income (including credit usage fee) had been generated for total of 3,615 MB in which interest income from credit card business and from personal loan business increased by 12% and 9% respectively.

(Unit: Million Baht)	1Q2020	% of Total Revenue	1Q2019	% of Total Revenue	Growth (YoY)
Total Interest Income (including credit usage fee)	3,615	64%	3,267	59%	11%
- Credit Card Receivables	1,683	30%	1,501	27%	12%
- Personal Loan Receivables	1,932	35%	1,766	32%	9%
Fee Income (excluding credit usage fee)	1,183	21%	1,235	22%	-4%
Financial Cost	394	7%	380	7%	4%
Net Interest Margin (%)	15.63%		15.43%		
- Average Interest Receive (%)	18.52%		18.33%		
- Cost of Fund (%)	2.88%		2.91%		

- Less fee income.** Fee income (excluding credit usage fee) amounted to 1,183 MB, down by 4% compared to the same period of last year. This was mainly due to the 10% (yoy) decline in interchange fee which is the fee charged between issuing banks or issuing credit card companies and banks or intermediary payment companies, the 12% (yoy) decline in merchant discounts fee which is the fee charged to KTC merchants for providing services, and the 1% (yoy) decline in income from bad debt recovery. In the meantime, cash advance fee rose 20% (yoy).

Company's Expense.

- 5% (yoy) increase in administrative expense.** For the first quarter of 2020, the Company's administrative expense amounted to 1,929 MB, mainly increased from marketing expense in acquiring new member.

(Unit: Million Baht)	1Q2020	% of Total Revenue	1Q2019	% of Total Revenue	Growth
Personal Expense	619	11%	599	11%	3%
Marketing Expense	264	5%	190	3%	39%
Fees	608	11%	593	11%	3%
Other Administrative Expense	438	8%	457	8%	-4%
Total Administrative Expense	1,929	34%	1,839	33%	5%

- Change of expected credit loss.** Expected credit loss for Q1, 2020 equaled to 1,308 MB. Under the TFRS 9 standard, the methods for bad debts write-off and NPL receivables are changed from the previous standard with slower write-off methods.

(Unit: Million Baht)	1Q2020	% of Total Revenue	1Q2019	% of Total Revenue	Growth
Total Expected Credit Loss	1,308	23%	1,371	25%	-5%
-Expected Credit Loss-Credit Card	672	12%	707	13%	-5%
-Expected Credit Loss-Personal Loan	636	11%	664	12%	-4%

Financial Status and Sources of Funding.

- Increase in the Company's assets.** The Company's assets at the end of first quarter, 2020 were at 79,624 MB, up 5% (yoy). The main income generating assets were loans to customers and net accrued interest receivables of 75,434 MB, accounted for 95% of total assets whereas the rest of 5% comprised of cash, other receivables, deferred tax assets and other assets.

KTC Financial Highlight (Unit: Million Baht)	1Q2020	1Q2019	Growth (Y-Y%)
Total Revenue	5,669	5,574	2%
Total Expense (Excluding Financial Cost)	3,237	3,210	1%
Total Expense (Including Financial Cost)	3,631	3,590	1%
Net Profit	1,641	1,589	3%
Loans to Credit Card Customer and Accrued Interest Receivables, net	48,243	45,379 ⁽¹⁾	6%
Loans to Personal Loan Customer and Accrued Interest Receivables, net	27,190	24,471 ⁽¹⁾	11%
Total Asset	79,624	76,174	5%
Borrowings	51,885	50,555	3%
Total Liabilities	58,248	58,233	0%
Total Shareholders' Equity	21,376	17,941	19%

Remark : ⁽¹⁾ According to financial statement 1Q2019, loans to customers excludes accrued interest

- Effective fund raising.** The Company's total borrowing amounted to 51,885 MB, up 3% (yoy). Fund raising structure was both from short-term and long-term borrowings. Short term borrowings were loans from related financial institutions of 2,130 MB and from other financial institutions of 2,590 MB. Long term borrowings were from debentures issuances of 47,165 MB to various sources, i.e. Thai commercial banks, securities companies, insurance companies and other asset managements. At the end of first quarter, 2020, the Company's total credit lines amounted to 30,140 MB, consisting of 18,030 MB from Krung Thai Bank and 12,110 MB from other commercial banks. As the Company has utilized some of those credit lines, at the end of March 2020, its available credit lines equaled to 26,519 MB. The Company's cost of funds stood at 2.88% and its debt to equity ratio was at 2.72 times, very well below the bond covenant limited at 10 times.

Impacts from the Covid-19 Outbreak

The Covid-19 pandemic has inevitably impacted the Company's performance on credit card spending and the expansion of its receivable portfolio. In addition, as the Ministry of Finance and the Bank of Thailand have announced relief measures to assist clients affected by the Covid-19 outbreak, the Company has proceeded accordingly to such measure by lowering its credit card minimum payment rate from 10% to 5% for all of its credit card customers automatically without their advanced requests. For its personal loan, the minimum payment rate of KTC PROUD is currently at 3%, already in consistent with such relief measure. For the rest of other relief measures, the Company has intended to proceed from April 20, 2020 to June 30, 2020.

The management anticipates that the impacts from the Covid-19 outbreak cannot be clearly assessed at the present but will rather be more evidently revealed in the second quarter of this year, the period in which the emergency decree is fully enforced. In the meantime, the management has entirely put its efforts to ease and assist its clients following the policies of the Ministry of Finance and the Bank of Thailand while maintain the quality of its receivable portfolio at best. The management also hastens to implement end to end process improvement in order to enhance the Company's work efficiency as well as to continuously well respond to customer demands.

Key Financial Ratio	1Q2020	1Q2019	Growth (Y-Y%)
Gross Profit Margin (%)	87.8%	87.3%	1%
Net Profit Margin (%)	28.9%	28.5%	2%
Interest Coverage Ratio (Times)	6.2	6.2	-1%
Debt to Equity Ratio (Times)	2.7	3.3	-16%
Return on Equity (%)	31.9%	37.1%	-14%
Return on Asset (%)	8.0%	8.2%	-3%
Allowance for Expected Credit Loss/Total Receivables (%)	8.1%	7.1%	14%
NPL Coverage Ratio (%)	203%	605%	-66%
Cost to Income Ratio (%)	34.0%	33.0%	3%
Operating Cost to Income Ratio (%)	25.2%	24.9%	1%
Book Value (Baht)	8.3	7.0	19%
Earning per Share (Baht)	0.64	0.62	3%