

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 635 / 2562

August 14, 2019

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

Subject: Operating result notification of the quarter ended June 30, 2019

Enclosure: Management Discussion and Analysis for the quarter ended June 30, 2019

KTC's Board of Directors has approved the Company's Financial Statements and the Report of certified public accountant for the quarter ended June 30, 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)

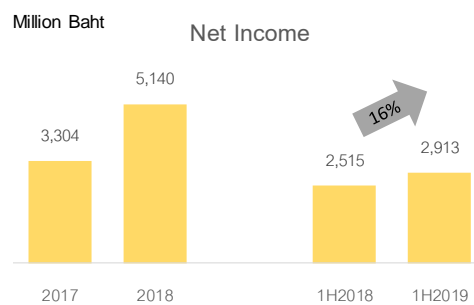
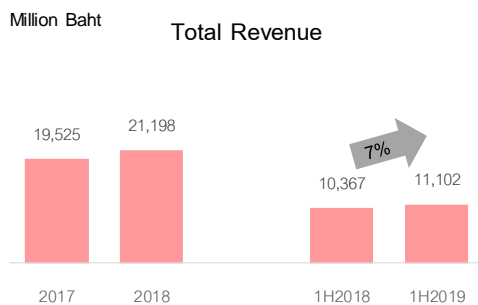
Chief Financial Officer

Executive Summary

Net profit growth for the first half of 2019 was 16%. KTC reported net operating profit of 2,913 MB, better than that of 2,515 MB for the same period of last year. As total portfolio continued to expand at 7%, interest income (including credit usage fee) increased 8% and fee income extended 5%. In addition, the company efficiently managed expense to increase merely 3% from the 3% increment in administrative expense. Nevertheless, bad debts and doubtful accounts was higher by 5% due to more bad debts write-offs and more provisions as a result of portfolio expansion. Meanwhile, thanks to the company's ability to manage its funding cost, financial expense declined slightly from the same period of last year; hence, the lowered operating cost to income ratio. Nonetheless, due to fewer business days within the quarter, debt collection was interrupted, and therefore recovery income for the first half grew at a decreasing rate. Yet, the company delivered a satisfying net profit.

Overall performance analysis for the second quarter of 2019

The company had attained a 5% rise in its total revenue and achieved its sustainable profit growth with net profit of 1,323 MB for the second quarter and 2,913 MB for the first half. The company's profit for this quarter had deviated from previously projected. This was due to higher provisions allocated for doubtful accounts, along with lower recovery income due to interrupted collection from fewer business days within the quarter. Furthermore, competition in consumer finance business has constantly intensified, such as challenges from behavioral change in consumers and the rapid technological advancement. Since access to information is one of the consumer priorities, therefore the company continuously enhance communication process with consumer to improve effectiveness. The company had also extended its new member base to upper class while continued to maintain its medium class base with the determination to promote its marketing campaigns that satisfy member needs. Moreover, the company had utilized online medias to promote credit card spending by focusing on customers' experience through effective transaction system, along with developing differentiated marketing strategies. Meanwhile, personal loan portfolio continued to grow with concentrated effort on member expansion towards professionals, as well as develop products that truly satisfy members' demands to secure long-term loyalty. Additionally, thanks to the effective collection, the company's NPL level remained lower than the industry's. KTC's performance can be summarized as follows.



- Total receivables in Q2, 2019 was 77,121 MB, a 7% growth from the same period of last year. Credit card receivables increased from 46,251 MB to 49,658 MB and personal loan receivables increased from 25,423 MB to 27,177 MB.
- Total revenue grew 5% compared to the same period of the prior year or amounted to 5,528 MB. This resulted from the increase in interest income (including credit usage fee) of 6% and in fee income of 2%. Meanwhile, income from bad debt recovery declined by 6%.
- Due to the effective risk management measure and development of new technology used to aid in credit card fraud control, fraudulent loss remained low and portfolio quality was well under control. Total portfolio NPL in the second quarter was 1.13% down from 1.27% in the same period of prior year, and down from 1.14% in the end of 2018. The company expects to consistently maintain total portfolio NPL at the same level.
- Bad debt and doubtful accounts increased 12% (yoy) to 1,567 MB as a result of the 7% portfolio growth. Consequently, with the low NPL level, KTC's allowance for doubtful accounts to NPL ratio increased to 622%.

Operating Result (unit: Million Baht)	2Q19	2Q18	YoY (%)	QoQ %	1H19	1H18	YoY (%)
Total Revenue	5,528	5,259	5%	-1%	11,102	10,367	7%
- Bad debt recovery	818	872	-6%	-14%	1,766	1,709	3%
Administrative Expense	1,913	1,836	4%	4%	3,753	3,647	3%
Financial Expenses	391	393	0%	3%	771	781	-1%
Bad debt and Doubtful A	1,567	1,397	12%	14%	2,937	2,801	5%
Profit before tax	1,657	1,633	1%	-16%	3,640	3,139	16%
Income tax expense	333	327	2%	-15%	728	624	17%
Net Profit	1,323	1,306	1%	-17%	2,913	2,515	16%

- Operating cost to income ratio for the first half of 2019 stood at 25.5%, down from that of 26.8% for the same period of the previous year. This reflected the company's continued ability to control expenses.
- Net interest margin for the first half was at 15.39%, up from that of 15.26% in the same period last year. This was owing to the decline in cost of fund from 2.97% to 2.87% and the increase in the average interest received from 18.23% to 18.26%.
- For the first half of 2019, credit card spending of the industry grew at 8.2% whereas that of KTC grew at 10.5%. By monthly comparison, the industry's growth in April, May and June were at 10.8%, 6.8% and 5.8% respectively while KTC grew at 11.3%, 10.6% and 9.7% respectively.
- In term of merchant business, the company's income from merchant discount fee decreased 8%. This resulted from the decline in merchant volume in the second quarter to 18,507 MB from 21,140 MB in the same period of last year. For the

first half of 2019, merchant volume was 40,789 MB, down 3.1% while merchant outlets increased from 33,514 to 38,907, up 16% from the same period of the prior year.

- The company provided consulting service to a financial institution for the preparation of its credit card business completed in 2011, however, the client provided partial compensation. The Company, therefore, brought an action to the court for damages from the unpaid service in the year 2015. Subsequently, on February 18, 2019, the Supreme Court has rendered judgment of the case by requesting the financial institution to repay the company for damages including interest of 48.8 MB. The Company received the payment in full for the damages including interest from the client on July 12, 2019.

Thai Economic outlook and consumer finance business overview in the second quarter

Due to decreased export, the Thai economy had expanded less than anticipated. Together with the manufacturer confidence index in May 2019 at a 15-month low of 47.3, overall confidence in the Thai economy had been downgraded. Concern over the government stability was contributed as another key factor. Additionally, trade war between the U.S and China inclined to fluctuate and are unlikely to resolve in the near term. Despite continuous private consumption growth, household debts pressure remained high. In the meantime, private investment decelerated, and government spending grew less than previously planned. Hence, the Bank of Thailand has trimmed GDP forecast for 2019 from 3.8% to 3.3%. Nevertheless, new government policies and government spending including progress of crucial infrastructure investment would be key driving forces for future private investment, which in turn would later affect consumer purchasing power.

Industry Comparison	2016	2017	2018	1H2019
Credit Card Receivable (MB)	360,096	394,123	418,747	396,082
Growth (%)	8.0%	9.4%	6.2%	8.1%
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	23,084,735
Growth (%)	6.1%	1.0%	8.7%	9.8%
KTC cards to industry	10.4%	10.7%	10.8%	10.4%
Credit card spending (MB)	1,488,273	1,572,599	1,730,488	888,068
Growth (%)	6.9%	5.7%	10.0%	8.2%
KTC credit card spending to industry	11.1%	11.2%	11.2%	11.3%
Personal loan receivables (MB)	332,996	354,243	383,278	538,045(1)
Growth (%)	4.6%	6.4%	8.2%	18.9%(1)
KTC Personal loan receivables to industry	6.6%	7.0%	7.0%	5.1%(1)

Source: The Bank of Thailand

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

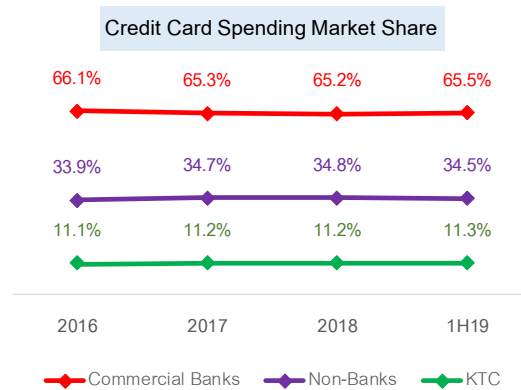
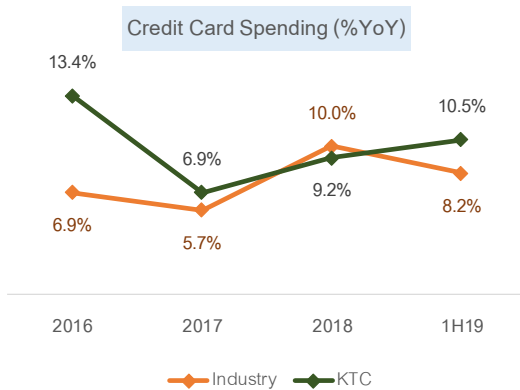
Overall consumer finance industry continued to expand with the industry's credit card receivables as of June 2019 amounted to 396,082 MB, a 8.1% growth but at a slower pace compared to the 8.9% growth in the first half 2018 or an amount of 366,309 MB. Meanwhile, the industry's credit card spending for the first half 2019 amounted to 888,068 MB, a 8.2% growth, less than the 10.8% growth or 820,983 MB for the same period of last year. The industry's personal loan receivables by the

end of the second quarter 2019 amounted to 538,045 MB, a 48.9% increase from the last year's growth of 7.6% due to the inclusion of the auto title deed loans into the personal loan's amount.

For the second quarter of 2019, in term of credit card receivables, KTC's market share was at 12.5%, up from 12.2% at the end of last year while the company's NPL for credit card stood at 1.01%, lower than the industry NPL of 1.85%. In term of personal loan receivables, KTC's market share was 5.1% whereas the company's NPL for personal loan stood at 0.81%, less than the industry NPL of 3.49%.

KTC credit card spending compared to the industry

- KTC credit card spending for 2019 expanded more than that of the industry.** KTC's credit card spending growth for this first half was at 10.5%, compared to that of the industry at 8.2%. The company's market share for credit card spending was at 11.3%, compared to the end of last year at 11.2%. To promote consumer confidence, the company had focused on innovations, eliminated unnecessary processes, and build customer satisfaction. KTC expects to modify marketing campaign regularly to keep up with the evolving competition.



Increase in interest income from both businesses

- Higher total revenue.** Total revenue for the second quarter was 5,528 MB, a 5% increase. Interest income (including credit usage fee), fee income and other incomes amounted to 3,323 MB, 1,218 MB and 987 MB respectively and were accounted for 60%, 22% and 18% of total revenue respectively. In term of other revenues, 83% were from bad debt recovery.
- Interest income realized from both businesses.** In the second quarter, credit card receivable and personal loan receivable both expanded 7%. Interest income (including credit usage fee) from credit card business grew 6% (yoy) whereas interest income from personal loan businesses grew 7% (yoy). As a result, the company's overall interest income grew 6%.
- Net interest margin declined due to lower average interest rate received.** For the second quarter of 2019, the company's average interest rate received was 18.41%, down from 18.62% of the same period of last year. Nonetheless, the company effectively lowered its financing cost down to 2.91% from 2.99% compared to the same period of the previous year. Hence, net interest margin for the second quarter of 2019 decreased slightly to 15.51% from previously 15.63% in the second quarter of 2018.

Unit: Million Baht	2Q19	% of Revenue	2Q18	% of Revenue	Growth
Total interest income including credit usage fee	3,323	60%	3,126	59%	6%
- Credit card receivables	1,529	28%	1,445	27%	6%
- Personal loan receivables	1,788	32%	1,673	32%	7%
- Other receivables (Circle loans / self-employ)	7	0.1%	8	0.1%	-14%
Fee income (excluding credit usage fee)	1,218	22%	1,199	23%	2%
Financial cost	391	7%	393	7%	-0.5%
Net Interest Margin	15.51%		15.63%		

- Higher fee income.** Fee income (excluding credit usage fee) was 1,218 MB, a 2% growth compared to the same period of last year. The growth was contributed mainly from interchange fee (up 7% yoy) which is the fee charged between the credit card issuer and the payment acquirer. Cash advanced fee (up 12% yoy) also contributed to the fee income growth. Meanwhile, income from debt collection fee remained the same. Merchant discounts fee which is the fee charged to KTC merchants decline 8% (yoy) due to reduce merchant volume. Due to fewer business days in the second quarter debt collections decline, and consequently bad debts recovery grew at a decelerating rate of 6%.

Company's expense

- Total expense increased 7% (yoy).** For the second quarter of 2019, the company's total expense (excluding income tax) amounted to 3,871 MB, up 7% from that of 3,626 MB for the same period of last year. Total administrative expense was up 4% (yoy) due to 15% (yoy) increased in marketing expense as a result of increase in marketing campaign expense and new card acquisition expense. Both personnel and other administrative expenses rose at the same rate of 6% (yoy). Fee expense decreased 3% (yoy); since there are fewer business days within the quarter, fewer transactions were conducted and lesser debt were collected, interchange fee paid and outsourced collection fee declined as a result. Bad debts and doubtful accounts were 12% (yoy) higher as a resulting of ongoing expansion of receivables, thus more provision allocated and more bad debts write-offs. Nevertheless, the company effectively reduced its financing expense by 0.5% (yoy).
- Consistently maintained low operating cost to income ratio.** For the second quarter, operating cost to income ratio was 34.6%, down from the previous year of 34.9%. When operating expense excluding marketing expense and interchange fee expense was only considered, net operating cost to income ratio was 26.1%, down from that of 26.4% of the same period of last year.

Unit: Million Baht	2Q19	% of Revenue	2Q18	% of Revenue	Growth
Personal Expense	626	11%	591	11%	6%
Marketing Expense	242	4%	209	4%	15%
Fees	579	10%	596	11%	-3%
Other Administrative Expense	467	8%	440	8%	6%
Total Administrative Expense	1,913	35%	1,836	35%	4%

Maintained quality of the portfolio.

- Total receivables portfolio grew 7%.** For the second quarter of 2019, total receivable was 77,121 MB, a 7% growth from 72,037 MB in the same period of last year. Credit card receivables was 49,658 MB (up 7% yoy) and total personal loan receivables was 27,177 MB (up 7% yoy). After deducting the 5,439 MB allowance for doubtful accounts, the company's net receivable was 71,682 MB, with 46,576 MB (65% of total net receivables) as net credit card receivables, and 24,979 MB as net personal loan receivables. The ongoing expansion of total receivables portfolio was due to the increase in credit card spending and in cash withdrawal from KTC PROUD usage.
- Member base expanded 9%.** At the end of June 2019, the company's total member was 3.4 million accounts, up 8.7% compared to the same period of last year, current members consisted of 2,405,570 credit cards (grew at 6.9%) and 985,037 personal loan accounts (grew at 13.6%).

Unit: Million Baht	2Q19	% of Revenue	2Q18	% of Revenue	Growth
- Credit card's bad debts and doubtful ac	787	14%	704	13%	12%
- Personal loan's bad debts and doubtful	777	14%	691	13%	12%
- Other bad debts and doubtful accounts	3	0%	2	0%	24%
Total bad debts and doubtful accounts	1,567	28%	1,397	27%	12%

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

- NPL of both businesses remained at low level.** Due to the company's priority on portfolio quality, KTC total portfolio NPL for the first half of 2019 was 1.13%, dropped from 1.27% of the same period prior year. Credit card NPL declined to 1.01% from 1.08% and personal loan NPL increased slightly to 0.81% from 0.77%. With the existing portfolio quality combined with the quality of the incoming receivables, the allowance for doubtful accounts to NPL ratio continued to stay high at 622%, compared to that of 605% for the same period of last year.
- Total bad debts and doubtful accounts increased following portfolio expansion.** Bad debts and doubtful accounts were increased to 1,567 MB from 1,397 MB, a 12% growth compared to the same period of the prior year. Due to the company's portfolio expansion, more provisions for doubtful accounts were set up in parallel to the higher portfolio values. Nonetheless, as a consequence of persistently high quality of receivables, bad debts write-offs remained closed to the previous level.

KTC Financial Highlight (Unit: Million Baht)	2Q19	2Q18	Growth (Y-Y%)	1H19	1H18	Growth (Y-Y%)
Total Revenue	5,528	5,259	5%	11,102	10,367	7%
Total Expense (Excluding Financial)	3,480	3,233	8%	6,690	6,448	4%
Total Expense (Including Financial)	3,871	3,626	7%	7,461	7,229	3%
Net Profit	1,323	1,306	1%	2,913	2,515	16%
Credit card net receivables	46,576	43,113	8%	46,576	43,113	8%
Personal loan net receivables	24,979	23,266	7%	24,979	23,266	7%
Other net receivables	128	139	-8%	128	139	-8%
Total Assets	78,356	71,919	9%	78,356	71,919	9%
Total Borrowing	53,479	51,553	4%	53,479	51,553	4%
Total Liabilities	61,189	58,194	5%	61,189	58,194	5%
Total Shareholders' Equity	17,168	13,725	25%	17,168	13,725	25%

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

Financial status and sources of fund raising

- Increased assets from receivables portfolio.** The company's total asset at the end of second quarter, 2019 was 78,356 MB, increased from 71,919 MB by 9% compared to the same period of the previous year. The main income generating assets were the net receivables of 71,682 MB which accounted for 91% of the total assets, whereas the remaining 9% comprised of cash, other receivables, deferred tax assets and other assets.
- Set up two subsidiaries.** KTC Nano Co., Ltd. And KTC Pico Bangkok Co., Ltd. were incorporated on May 24th, 2019 to provide service in Pico Finance and Nano Finance businesses. KTC and Krung Thai Bank PCL, hold 75.05% and 24.95% share of each subsidiaries respectively. Furthermore, KTC reported a consolidated financial statement with a total of 53 MB investment in both subsidiary. However, both subsidiaries are still in the process of obtaining their business licenses and are expected to be operational in the third quarter of this year.
- Effective fund raising.** The company's total borrowing was 53,479 MB, up 4% from the same period last year. Funding structure was from both short-term and long-term borrowings. Short term borrowings consisted of 1,610 MB loans from related financial institutions and 6,934 MB from other financial institutions. Long term borrowings were from 44,935 MB debentures issued to various sources, i.e. Thai commercial banks, securities companies, insurance companies and other asset managements. At the end of second quarter, 2019, the company's available credit lines amounted to 25,790 MB, comprising of 16,420 MB from Krung Thai Bank and 9,370 MB from other commercial banks. The company's cost of funds at the end of Q2, 2019 was 2.91%, down from 2.99% for the same period of the prior year. Cost of funds declined to 2.87% in the first half of 2019 down from 2.97% the same period of last year, because the company issued new debentures with longer maturity and low funding cost. The company's debt to equity ratio was 3.56 times, well below the bond covenant that limits debt to equity ratio at 10 times.

KTC Financial Highlight	2Q19	2Q18	Growth (Y-Y%)	1H19	1H18	Growth (Y-Y%)
Gross profit margin	87.7%	86.7%	1%	87.5%	86.5%	1%
Net profit margin	23.9%	24.8%	-4%	26.2%	24.3%	8%
Interest coverage ratio (times)	5.2	5.2	2%	5.7	5.0	14%
Debt to equity ratio (times)	3.6	4.2	-16%	3.6	4.2	-16%
Return on equity	31.6%	39.7%	-20%	34.8%	38.2%	-9%
Return on asset	6.7%	7.2%	-7%	7.4%	6.9%	7%
Allowance/ Total receivables	7.1%	7.7%	-8%	7.1%	7.7%	-8%
Allowance / NPL	622%	605%	3%	622%	605%	3%
Book Value	6.7	5.3	25%	6.7	5.3	25%
Earning per shares (Baht)	0.51	0.51	1%	1.13	0.98	16%

Company's performance compared to 2019 targets

For 2019, KTC targets no less than 15% credit card spending growth. Yet in the first half, credit card spending grew only 10.5%. The company has also targeted 10% portfolio growth, but growth was only at 7% (YoY) in the second quarter. Meanwhile, total portfolio NPL at the end of second quarter was 1.1%, in line with the target. In term of profit, the company has anticipated to attain its profit growth of 10% from last year, and for the first half of 2019 it already achieved the profit of 2,913 MB, a 16% growth.

	2019 Target	1H19
Total card spending growth	15%	11%
Total portfolio growth	10%	7%
% NPL	Maintained 2018 level at 1.1%	1.1%
Net profit growth* (MB)	10% or greater growth from 2018	16%

Although KTC has yet to accomplish its portfolio expansion and credit card spending growth target as projected, the company continued to generate sustainable revenue growth thanks to ongoing credit card spending and personal loan receivables expansion; portfolio quality also contributed to profit growth. With increase competition in credit card and personal loan businesses, KTC's entry into new businesses of both Nano-Pico finance and Car title deed loan would provide a sustainable opportunity for the company. A clearer picture of these new businesses would be revealed in the next 18-24 months. Regardless, the company expects to deliver better performance than previously projected.