



Details of financial analysis and operating performance for the nine-month period ended September 30, 2020

(This report details significant changes in unreviewed financial statements under the TFRS 9 standard)

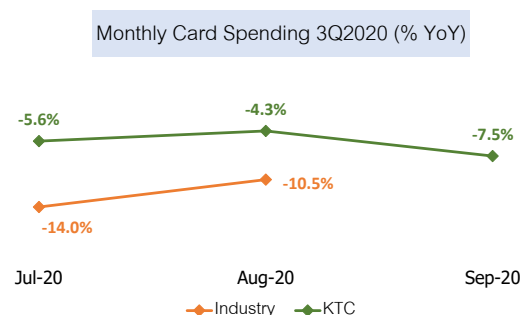
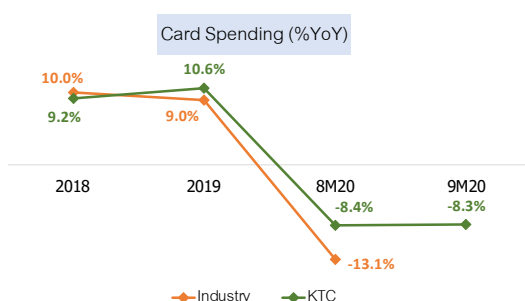
Company's performance overview for the third quarter and for the first nine months of 2020

The COVID-19 pandemic seemed to hit the economy hardest in the second quarter. However, as time progressed, the situation became less severe. Still, some impacts continued into the third quarter. Since the Emergency Decree kept providing more relaxation measures, the situation started easing further. The Company's credit card spending which contracted at -21.0% (yoy) in Q2 began to gradually improve and merely contracted at -5.8% (yoy) in Q3. The Company's total receivable portfolio for the third quarter also expanded at 5.9% (yoy). Nonetheless, as the Company needed to reduce its interest rate ceiling for both credit card business by 2% and for personal loan business by 3% since August 1, 2020, its capabilities in generating revenue had inevitably been impacted. Therefore, the Company urgently had to adjust its strategies and acquire new business models. The Company had also improved its entire work process to be more efficient in order to lower its operating costs, as well as writing off bad debts to truly reflect the reality of its receivable portfolio. Meanwhile, the Company continued to maintain appropriate financial expense and gained income from bad debt recovery at a satisfactory level. KTC's performance can be summarized as followings.

- Under the TFRS 9 standard, net profits for the third quarter and for the first nine months of 2020 totaled to 1,221 MB and 4,011 MB, respectively.
- Total interest income (including credit usage fee) for the third quarter and for the first nine months of 2020 grew at 2.1% (yoy) and 7.3% (yoy) or amounted to 3,498 MB and 10,745 MB, respectively whereas fee income (excluding credit usage fee) contracted at -10.3% (yoy) and -11.6% (yoy) or equaled to 1,093 MB and 3,245 MB, respectively.

(Unit : Million Baht)	Consolidated 3Q2020 (TFRS9)	Proportion (%)	Consolidated 3Q2019 (Previous Standard)	Proportion (%)
Total Revenues	5,412	100%	5,597	100%
- Bad Debt Recovered	770	14%	832	15%
Administrative Expense	1,793	33%	1,932	35%
Finance Costs	386	7%	396	7%
Pre-Provision Profit	3,234	60%	3,269	58%
Expected Credit Loss (Bad Debts and Doubtful Accounts)	1,703	31%	1,655	30%
- Bad Debt	3,358	62%	1,634	29%
- Doubtful Accounts (Reversal)	(1,655)	(31%)	21	0%
Profit before Income Tax	1,531	28%	1,614	29%
Income Tax Expense	310	6%	322	6%
Net Profit for the Period	1,221	23%	1,292	23%

- For the first nine months of 2020, total operating cost to income ratio was 31.7% (yoy), down from 34.0% (yoy). Due to less marketing campaigns for both new card acquisition and card spending promotion, along with more focus on marketing campaigns via online channels, various operating costs had gone lower.
- For the first eight months of 2020, KTC's credit card spending contracted at -8.4% and so did that of the industry at -13.1%. By monthly comparison for the third quarter of this year, the industry's contraction rate in July and August were at -14.0% and -10.5%, respectively while KTC's credit card spending in July and August contracted less than those of the industry at -5.6% and -4.3% respectively. This was because not only the government relaxed its measures but also consumer adapted their behavior and resumed their card spending to almost normal level. For the first nine months of 2020, KTC's credit card spending contracted at -8.3% or valued 139,993 MB in total.



- Total loans expanded at 5.9% or amounted to 84,347 MB, consisting of 54,684 MB from total credit card receivables and 29,663 MB from total personal loan receivables.
- Net interest margin for the first nine months of 2020 was 15.40% due to average interest received at 18.13% and cost of funds at 2.72%.

(Unit : Million Baht)	Consolidated 9M2020 (TFRS9)	Proportion (%)	Consolidated 9M2019 (Previous Standard)	Proportion (%)
Total Revenues	16,490	100%	16,699	100%
- Bad Debt Recovered	2,283	14%	2,598	16%
Administrative Expense	5,223	32%	5,685	34%
Finance Costs	1,159	7%	1,167	7%
Pre-Provision Profit	10,109	61%	9,847	59%
Expected Credit Loss (Bad Debts and Doubtful Accounts)	5,095	31%	4,592	28%
- Bad Debt	3,734	23%	4,642	28%
- Doubtful Accounts (Reversal)	1,361	8%	(50)	(0.3%)
Profit before Income Tax	5,014	30%	5,255	31%
Income Tax Expense	1,003	6%	1,050	6%
Net Profit for the Period	4,011	24%	4,205	25%

- The Company's total NPL under the TFRS 9 standard for the first nine months of 2020 declined to 1.9% from that of 6.6% in Q2. This was owing to the Company's shorter period of bad debts write-off. The Company had also been in full support of the government policy to assist debtors not to be too quickly classified as NPL during this abnormal economic situation by following the Bank of Thailand's relaxation guidelines to postpone debt classification for NPL receivables who still can make predetermined repayment. Therefore, the value of receivables in Stage 3 (NPL) in Q3 was reduced to just 1,555 MB, from 5,515 MB in Q2.
- As the value of receivables in Stage 3 declined, allowance for expected credit loss to total loans in Q3 was lower to 8.3%, from that of 10.4% in Q2 and NPL Coverage Ratio was higher to 452.0% in this quarter from that of 157.5% in the last quarter.

Impacts from Implementing TFRS9	Consolidated 3Q2020 (TFRS9)	Consolidated 2Q2020 (TFRS9)
Total NPL(%)	1.9%	6.6%
-NPL Credit Card (%)	1.4%	5.6%
-NPL Personal Loan (%)	2.6%	8.5%
Allowance for Expected Credit Loss to Total Receivables (%)	8.3%	10.4%
NPL Coverage Ratio (%)	452.0%	157.5%

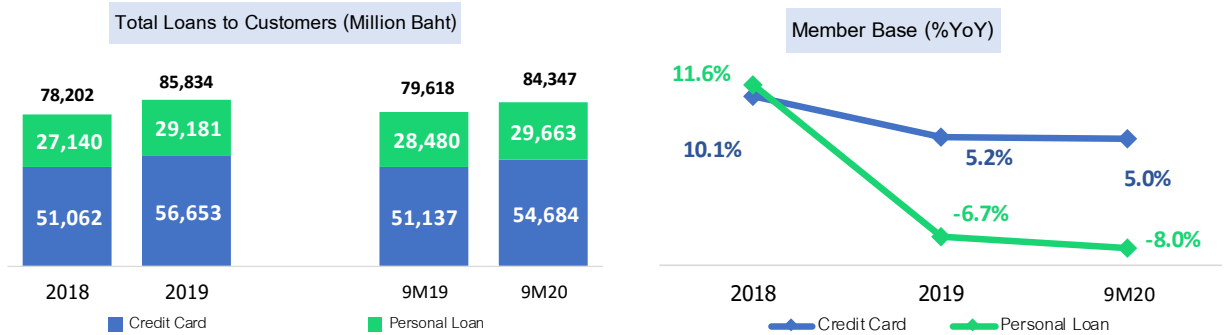
Revenue and Expense

- Total revenue for the first nine months of 2020 was 16,490 MB, slightly down by -1% compared to the same period of last year. Interest income from credit card receivables and personal loan receivables increased by 9% (yoy) and 6% (yoy) respectively, yet at a slower pace as a result of the COVID-19 pandemic and the impact from the reduction of interest rate ceiling following the Bank of Thailand's debt relief measure. Meanwhile, fee income (excluding credit usage fee) contracted at -12% (yoy) owing to the decline in fee income from interchange fee, fee income from cash withdrawal, fee income from merchant's acquiring business as well as fee income from debt collection.
- Total expense for the first nine months of this year equaled to 11,476 MB, comprising of 5,223 MB from administrative expense, 5,095 MB from expected credit loss (bad debts and doubtful accounts), and 1,159 MB from funding cost.
- Administrative expense was lower by 8% (yoy) due to the decline in both transaction volumes and marketing campaigns.
- Expected credit loss (bad debts and doubtful accounts) valued 5,095 MB in total, up 11% (yoy), consisting of 3,734 MB of bad debts and 1,361 MB of doubtful accounts. The increase was because of the Company's shorter period of bad debts write-off.

(Unit : Million Baht)	Consolidated 9M2020 (TFRS9)	Consolidated 3Q2020 (TFRS9)	Consolidated 2Q2020 (TFRS9)
Expected Credit Loss (Bad Debt & Doubtful Accounts)	5,095	1,703	2,084
- Bad Debt	3,734	3,358	66
- Doubtful Accounts (Reversal)	1,361	(1,655)	2,018

Member and Loan quality

- **Member base stayed approximately the same.** At the end of September 2020, the Company had total members of 3.5 million accounts, comprising of 2,583,462 credit cards (up 5.0% yoy) and 895,878 personal loan accounts (including Circle Loan and Self-Employed Loan, down 8.0% yoy from non-active accounts closing during the past period).



- **Total loans grew 6% (yoy).** The Company's loans totaled 84,347 MB. Once the allowance for expected credit loss of 7,031 MB was deducted, the Company's net loans valued 77,316 MB in total.

(Unit : Million Baht)	Consolidated Financial Statement		
	As at September 30, 2020		
	Credit Card	Personal Loan	Total
Stage 1	47,748	23,632	71,380
Stage 2	5,939	4,975	10,914
Stage 3	778	778	1,555
Total loans to customers	54,464	29,385	83,849
<u>Add</u> Accrued interest receivables and undue interest receivables, net	220	278	497
Total loan to customers and accrued interest receivables	54,684	29,663	84,347
<u>Less</u> Allowance for expected credit loss	4,051	2,979	7,031
Total loans to customers and accrued interest receivables, net	50,632	26,683	77,316

Remark : The numbers in the above table are estimated from the unreviewed financial statements. The full information will be available in the notes to financial statements of the third quarter 2020, which will be released in November 2020.



- Change in allowance for expected credit loss as of September 30, 2020.

(Unit : Million Baht)	Allowance for Expected Credit Loss			Allowance for Doubtful Account	Total
	12-month ECL (Stage 1)	Lifetime ECL - not Credit Impaired (Stage 2)	Lifetime ECL - Credit Impaired (Stage 3)		
Balance as to December 31, 2019	-	-	-	5,670	5,670
Impact of adoption of TFRS 9	2,419	1,998	1,252	(5,670)	-
Balance as at January 1, 2020	2,419	1,998	1,252	-	5,670
Changes in staging	800	(502)	(298)	-	-
Changes in risk parameters	36	1,282	4,488	-	5,806
New financial assets purchased/acquisition	489	-	-	-	489
New financial assets derecognized	(101)	(411)	(687)	-	(1,199)
Written-off	-	-	(3,734)	-	(3,734)
Balance as at September 30, 2020	3,643	2,367	1,021	-	7,031

Remark : The numbers in the above table are estimated from the unreviewed financial statements. The full information will be available in the notes to financial statements of the third quarter 2020, which will be released in November 2020.

- In the third quarter of 2020, the Company's Management Overlay was 800 MB to prepare to mitigate economic risk in the future.

Impacts from the COVID-19

The COVID-19 pandemic had inevitably impacted the growth of KTC's credit card spending and its receivable portfolio. The Ministry of Finance and the Bank of Thailand had announced forbearance program to assist clients affected by the COVID-19 outbreak, which the Company had proceeded according to such programs since March 26, 2020. Later on, the Bank of Thailand had announced the second phase of relief measures dated June 19, 2020 to further aid retail clients during the COVID-19 pandemic in which interest rate ceiling would be reduced and credit limits would be increased for both credit card and personal loan clients according to the rates specified by the Bank of Thailand and would be effective since August 1, 2020. The Company, therefore, had proceeded following the Bank of Thailand's guidelines for the second phase of forbearance program by expanding not only relief criteria but also relief period for retail clients affected by the COVID-19, such as restructuring debt to long term loan, postponing payment or principle, and installment payment reduction etc., in which the ending of relief period had extended to December 31, 2020. As of September 30, 2020, there were approximately 7,800 clients participating in debt restructuring under the Company's debt relief program, totaling in an estimate debt value of 600 MB.



KTC's business direction for future growth

Sudden and severe change caused by the COVID-19 crisis, together with continued regulations adjustment from regulatory bodies had prompted the Company to vastly adapt itself with the concept of Creative Disruption. The Company currently operates 2 key businesses, credit card and personal loan. However, the Company had considered new business model to supplement its core businesses. For the past year, the Company had studied to launch new form of financial products which are Pico Finance - retail lending at provincial level for personal expense, Nano Finance – retail lending for the purpose of business undertaking, and Auto Title Loan, all of which had already for a while been conducted for market testing.

As future business direction became more visible, the Company decided to launch new diversified loan product under the brand 'KTC P Berm' covering loans with collateral which include auto title loan and motorcycle title loan. Such loan provides low risk but yields swift return, coinciding with current economic situation. Marketing strategies will be focused on adopting online system, assigning specialized team to directly contact with target clients, along with adding client's comfort and satisfaction by applying client centric approach. It is believed that loans under the brand 'KTC P Berm' would be rooted as one of KTC's key new businesses.

The Company, in addition, has another ongoing project plan related to Payment System in which its information and operating procedures are still under study. Nevertheless, the management is convinced that this could become another new business which would help strengthening the Company's core businesses as well as provide opportunity for the Company to achieve sustainable and steady growth in the long run.