

บริษัท บัตรกรุงไทย จำกัด (มหาชน)

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Krungthai Card Public Company Limited

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KTC 1033 / 2024

Aug 13, 2024

To: The President of the Stock Exchange of Thailand

The Stock Exchange of Thailand

Subject: Operating result notification for the Company and its subsidiaries of the quarter ended June 30, 2024

Enclosure: Management Discussion and Analysis for the quarter ended June 30, 2024

KTC's Board of Directors has approved the Company and its subsidiaries Financial Statement and the Report of certified public accountant for the quarter ended June 30, 2024, which were reviewed by EY Office Limited details enclosed. We would like to submit the corresponding Management Discussion and Analysis to the Stock Exchange of Thailand in order to show the operating results, financial status, industry overview, and other factors that have the impact on the Company for the purpose of distributing to investors.

Please be informed accordingly

Respectfully yours

Krungthai Card Public Company Limited



(Mrs. Rojjana Ussayaporn)

Chief Financial Officer

Management Discussion and Analysis for 2nd Quarter of 2024

Executive Summary

“During the first half of 2024, KTC demonstrated a robust financial performance, with a decent YoY growth of 10.0% in KTC Credit Card spending volume. The asset quality remained on target, and the total portfolio showed good stability.”

Krungthai Card Public Company Limited reported a net profit of Baht 1,829 million for the second quarter of 2024 (“2Q24”) and Baht 3,722 million for the first half of 2024 (“1H24”), representing increases of 1.3% (YoY) and 2.0% (YoY), respectively, based on separate financial statements. The consolidated financial statements of the Company and its subsidiaries (the “Group”) showed a net profit of Baht 1,826 million for 2Q24, an increase of 1.1% from Baht 1,806 million in the same period of the previous year. For 1H24, the Group’s net profit was Baht 3,629 million, a decrease of 1.3% from Baht 3,678 million in the same period of 2023.

At the end of 2Q24, the Group’s total portfolio value reached Baht 105,803 million, reflecting a growth of 0.2% (YoY). The credit card portfolio remained stable, constrained by a weak domestic economy and cautious consumer spending. While credit card spending continued to increase, it was primarily directed towards daily necessities and did not accelerate significantly. The personal loan portfolio experienced slight expansion due to high household debt levels and stringent approval criteria, resulting in modest overall portfolio growth. The Group’s portfolio quality remains stable, with the total NPL ratio at 1.97%, a slight decrease from 2.00% in the previous quarter. The Group’s NPL ratio continues to be below the industry average. Regarding reserve adequacy, the Group’s NPL Coverage Ratio is 363.3%, indicating a robust financial position.

In 2Q24, the Group reported a growth of 8.7% (YoY) in total revenue, primarily driven by increased fee income and bad debt recovery. Concurrently, total expenses rose by 12.8% (YoY), partly attributable to higher fees and service expenses aligned with the expanded transaction volume. Additionally, there were increased expected credit losses (ECL) from write-offs, prudent provisioning, and higher funding costs, which reflected the rise in interest rates within the financial market.

Following the increase in the minimum payment rate for credit cards from 5% to 8%, effective January 1, 2024, KTC proactively assisted most clients in meeting the new minimum payment requirement during 1H24. The company introduced measures designed to provide appropriate and equitable assistance for a minor segment of clients who encountered difficulties, demonstrating KTC’s commitment to customer service.

Target vs Actual Performance

Target	2024 Target	1H24 Actual Performance
Net Profit (MB)	> 7,295	3,629
Total Portfolio Growth (%)	6% - 7%	0.2%
Credit Card Spending Growth (%)	15%	10.0%
KTC PROUD Portfolio Growth (%) (0-90 Days)	5%	3.0%
New Booking of P BERM Car for Cash (MB)	6,000	1,263
Portfolio Quality (%Total NPL)	< 2.0%	1.97%

The Group has set goals for 2024 across various dimensions, as detailed in the table above. The primary objectives that KTC is confident of achieving are (1) continuously increasing net profit and (2) maintaining the quality of the portfolio to ensure that the non-performing loan NPL ratio does not exceed the target. However, the Thai economy, which remains sluggish due to delayed government budget disbursements and stagnant industry growth, has impacted the business sector and the Group's business growth targets. Despite these challenges, the Group believes that its strategy of targeting a higher-income credit card customer base, rigorously screening both credit card and personal loan portfolios, and expanding new acquisition channels through the establishment of KTC P BERM Car for Cash application points (One Stop Service Outlet) in proximity to the target demographic, will enhance market penetration and increase awareness of KTC P BERM Car for Cash. This approach aims to build a sustainable future income base.

Industry Overview

According to the Monetary Policy Report for 2Q24, released on June 26, 2024, the Bank of Thailand (BOT) projects economic growth rates of 2.6% for 2024 and 3.0% for 2025, respectively. This positive outlook is underpinned by the recovering tourism sector, evidenced by an increase in foreign tourists and their average spending. Additionally, private consumption continues to expand, albeit slower than the previous year, supported by the gradual recovery in employment and household income. Furthermore, the acceleration of government spending since the second quarter, following the enactment of the 2024 budget bill, has provided additional benefits. However, the outlook for the Thai economy remains uncertain. The export and manufacturing sectors continue to face vulnerabilities from external and internal factors and government policies must be continuous and sufficient.

Industry Data	Y2023	1H2023	1H2024
Credit Card Receivables (Million Baht)	513,491	474,667	469,528
Growth (%)	3.3%	5.3%	(1.1%)
KTC Market Share (%)	14.5%	14.5%	14.7%
Amount of Credit Card (Cards)	26,279,164	26,031,987	26,389,315
Growth (%)	2.1%	2.9%	1.4%
KTC Market Share (%)	10.0%	10.0%	10.3%
Credit Card Spending (Million Baht)	2,166,728	1,053,273	1,092,214
Growth (%)	8.1%	12.6%	3.7%
KTC Market Share (%)	12.2%	12.1%	12.9%
Personal Loan Receivables (excluding Auto Title Loan) (Million Baht)	510,301	507,590	493,885
Growth (%)	2.3%	7.3%	(2.7%)
KTC Market Share (%)	6.4%	6.3%	6.3%
Auto Title Loan Receivables (Million Baht)	337,192	291,393	365,139
Growth (%)	36.2%	42.0%	25.3%

Source: Industry Data, Bank of Thailand (Data as of July 11, 2024)

The consumer finance industry has experienced a slowdown, primarily due to the pressures of high household debt and borrowers' repayment capacities. Despite this, the Consumer Confidence Index for June 2024 stood at 52.3, indicating sustained confidence for the 19th consecutive month. Credit card spending within the industry expanded by 3.7% during 1H24. Meanwhile, as of June 2024, total credit card receivables in the industry amounted to Baht 469,528 million, reflecting a decrease of 1.1% (YoY). Personal loan receivables (excluding auto title loan) totaled Baht 493,885 million, marking a decline of 2.7% (YoY). Meanwhile, auto title loan receivables exhibited robust growth, increasing by 25.3% (YoY) from the same period in 2023.

KTC holds a market share of 12.9% in card spending volume (12.1% in 1H23). The proportion of credit card receivables compared to the industry for 1H24 stands at 14.7% (14.5% in 1H23). Additionally, the proportion of personal loan receivables (excluding auto title loans) compared to the industry is 6.3% (6.3% in 1H23). All these metrics have shown a same level compared to the same period of the previous year.

Portfolio Overview

KTC's card spending overview for 2Q24 and 1H24 amounted to Baht 70,949 million and Baht 140,368 million, reflecting 11.5% and 10.0% (YoY) growth, respectively. The Group's card members totaled 3,449,934 accounts, comprising 2,717,213 credit card accounts, an increase of 4.3% (YoY), and 732,721 personal loan accounts, a decrease of 2.7% (YoY).

As of 2Q24, the total loans to customers and the accrued interest receivables reached Baht 105,803 million, showing a modest 0.2% (YoY) growth, owing to faster write-offs this year and the overall high level of Thai household debt. The rise in non-performing loans, driven by increasing household debt burdens, has impacted the ability to generate new debt and the demand for consumer loans. The breakdown is as follows:

1) Credit card receivables worth Baht 69,253 million increased at a stable rate of 0.9% (YoY), primarily due to the rise in the minimum payment rate from 5% to 8%, which has maintained the portfolio value close to the same period of last year.

2) Personal loan receivables amounted to Baht 34,028 million, reflecting a 1.9% (YoY) growth. Within this segment, the KTC P BERM Car for Cash stands at Baht 2,699 million, marking a 62.8% increase from new loan disbursements that have consistently garnered positive feedback each month. Despite the overall KTC P BERM Car for Cash not achieving anticipated growth, the Group remains dedicated to enhancing marketing communication strategies to engage the target demographic effectively. Additionally, efforts are underway to identify new avenues for raising awareness and accessibility of the product within the target market.

3) Lease receivables amounted to Baht 2,523 million, reflecting a decrease of 28.7% (YoY). This decline is due to KTC discontinuing the issuance of new hire purchase loans, with current efforts focused on debt collection and managing the quality of existing loan portfolios.

Loans to customers and accrued interest receivables

(Unit: Million Baht)	2Q2023	2Q2024	%Growth
Credit Card	68,664	69,253	0.9%
Personal Loan	33,385	34,028	1.9%
Leasing	3,540	2,523	(28.7%)

Credit Card Spending Growth (YoY)



The changes in the allowance for expected credit loss as of June 30, 2024 are as following table.

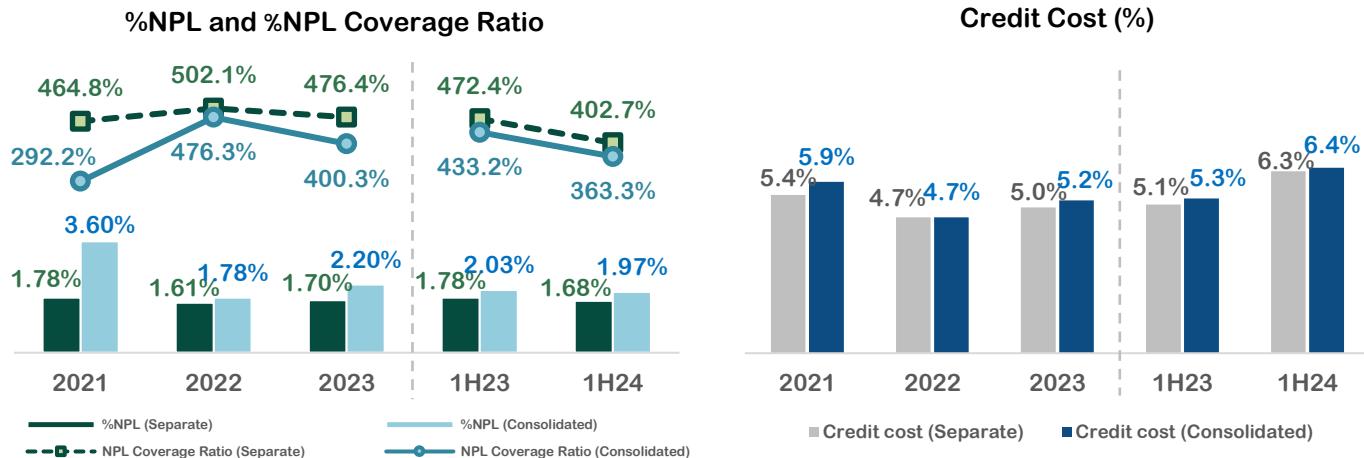
(Unit: Million Baht)	Consolidated Financial Statement: Allowance for Expected Credit Loss				
	Financial assets where there has not been a significant increase in credit risk (Stage 1)	Financial assets where there has been a significant increase in credit risk (Stage 2)	Financial assets that are credit- impaired (Stage 3)	Financial assets where applied simplified approach to calculate lifetime expected credit loss	Total
Balance as of January 1, 2024	4,332	3,316	1,283	832	9,763
Changes in staging	459	(535)	76	-	-
Changes in risk parameters	(1,486)	181	5,670	185	4,550
New financial assets originated or purchased	348	-	-	0.01	348
Financial assets derecognized	(137)	(634)	(713)	(39)	(1,523)
Written-off	-	-	(5,233)	(380)	(5,612)
Balance as of June 30, 2024	3,515	2,328	1,084	598	7,525

“Maintain the quality of the total portfolio with an NPL ratio of 1.97% and an NPL coverage ratio of 363.3%.”

In 2Q24, the Group's Non-Performing Loan (%NPL) ratio to total loans (%NPL) stood at 1.97%, consistent with 2Q23 levels of 2.03%. The NPL ratios 2Q24 for credit card, personal loan, and lease receivables were 1.42%, 2.21%, and 13.93%, respectively. The Group's allowance for expected losses stood at Baht 7,525 million, reflecting a decrease of 18.4% (YoY) due to accelerated write-offs for which provisions had already been set aside. The ratio of expected credit losses to NPL (NPL Coverage Ratio) was 363.3%, down from 433.2% in 2Q23.

The NPL ratio for the separate financial statements in 2Q24 was 1.68%, a decrease from 1.78% in the same period of the previous year. The allowance for expected credit losses amounted to Baht 6,928 million, resulting in an NPL Coverage Ratio of 402.7%, down from 472.4% in the same period of the previous year.

In 2Q24, the credit cost for the separate financial statements and the Group remained unchanged from 1Q24, at 6.3% and 6.4%, respectively. This stability is attributed to accelerated write-offs of bad debts this year, provisions adjusted in response to borrower quality, and additional provisions made prudently to mitigate potential future fluctuations.



NPL		2Q2023		1Q2024		2Q2024	
Separate	Consolidated	MB	%NPL	MB	%NPL	MB	%NPL
Total NPL		2,129	2.03%	2,091	2.00%	2,072	1.97%
NPL – Credit Card		833	1.22%	804	1.17%	976	1.42%
NPL – Personal Loan		975	2.95%	699	2.13%	744	2.21%
NPL – Leasing		322	9.10%	588	19.68%	351	13.93%

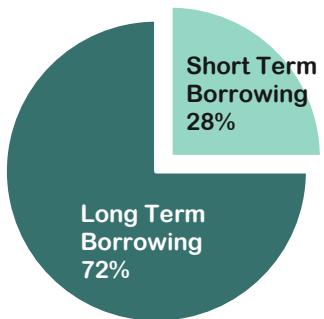
The outstanding balances of loans to customers and accrued interest receivables classified by type of business and stage as of June 30, 2024 are as follows.

(Unit: Million Baht)	Consolidated Financial Statements			
	Credit Card	Personal Loan	Leasing	Total
Stage 1	61,543	27,561	-	89,103
Stage 2	6,450	5,358	-	11,808
Stage 3	976	744	-	1,720
Financial assets where applied simplified approach to calculate lifetime expected credit losses	-	-	2,523	2,523
Total loans to customers	68,969	33,663	2,523	105,155
Add Accrued interest receivables and undue interest receivables	284	365	-	649
Total loan to customers and accrued interest receivables	69,253	34,028	2,523	105,803
Less Allowance for expected credit loss	(4,037)	(2,890)	(598)	(7,525)
Total loans to customers and accrued interest receivables, net	65,216	31,137	1,925	98,278

Borrowing

“The debt-to-equity ratio (D/E Ratio) was 1.97 times, with the outstanding balance totaling Baht 28,171 million.”

2Q24 Borrowing Proportion



D/E Ratio (Times) | **1.97**

At the end of 2Q24, the Group's total borrowings amounted to Baht 61,965 million, comprising 28% in short-term borrowings (including borrowings and debentures due within one year) and 72% in long-term borrowings. KTC's borrowings are from diverse financial institutions, including Thai commercial banks, securities companies, insurance companies, and various other funds. The breakdown of the borrowings included short-term borrowings from related financial institutions and related parties amounting to Baht 3,595 million, other financial institutions amounting to Baht 2,990 million, long-term borrowings from Krungthai Bank totaling Baht 10,500 million, and debentures totaling Baht 44,880 million.

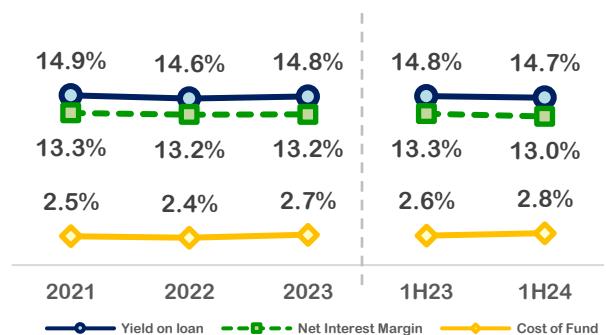
The debt-to-equity ratio was 1.97 times, a decrease from 2.18 times in the same period last year, and was below the debt covenants of 10 times.

Additionally, the Group holds a total short-term credit line from financial institutions, amounting to Baht 28,871 million (including Baht 18,561 million credit line from Krungthai Bank). Currently, the Group has utilized Baht 6,200 million of its short-term credit line, leaving a remaining balance of Baht 22,671 million. A long-term credit line of Baht 5,500 million is also available from Krungthai Bank (KTB). Furthermore, long-term bonds and borrowings maturing in the second half of 2024 amount to Baht 7,845 million.

Financial costs were 3.0% and 2.8% in 2Q24 and 1H24, respectively, reflecting an increase consistent with elevated interest rates in the financial market, compared to 2.7% and 2.6% in 2Q23 and 1H23, respectively.

Furthermore, yield on loans remained stable at 15.2% and 14.7% in 2Q24 and 1H24, mirroring the rates from the same periods in 2023, which were at 15.2% and 14.8%, respectively. Consequently, the net interest margin for 2Q24 and 1H24 stood at 13.5% and 13.0%, respectively, showing a slight decrease compared to the corresponding periods of the previous year.

Yield on Loans, Net Interest Margin and Cost of Fund



Revenues & Expenses

(Unit: Million Baht)	Consolidated Financial Statements					
	1H2023	1H2024	Growth (%YoY)	2Q2023	2Q2024	Growth (%YoY)
Total Revenues	12,295	13,544	10.2%	6,240	6,781	8.7%
Bad Debt Recovery	1,587	2,056	29.6%	765	1,015	32.7%
Total Operating Expenses	4,120	4,728	14.8%	2,135	2,359	10.5%
Finance Costs	805	899	11.6%	415	448	7.9%
Profit before Expected Credit Loss	7,387	7,918	7.2%	3,702	3,975	7.4%
Expected Credit Loss	2,805	3,374	20.3%	1,438	1,690	17.5%
Bad Debt	2,371	5,613	136.7%	1,147	1,565	36.5%
Doubtful Accounts	434	(2,239)	(616.0%)	292	125	(57.1%)
Profit before Income Tax	4,582	4,544	(0.8%)	2,263	2,284	0.9%
Net Profit	3,667	3,608	(1.6%)	1,800	1,816	0.8%
Total Comprehensive Income (Loss)						
Owners of the parent	3,678	3,629	(1.3%)	1,806	1,826	1.1%
Earning per Shares (Baht)	1.43	1.41	(1.4%)	0.70	0.71	1.4%
Book Value per Share (Baht)	12.5	14.0	12.0%	12.5	14.0	12.0%

Total Revenues **6,781** **8.7%**
2Q24 (Million Baht) YoY

Total interest income

▲ **0.8%**
 YoY

The total interest income ⁽¹⁾ for 2Q24 stood at Baht 4,004 million, reflecting a 0.8% (YoY) increase aligned with slower portfolio expansion, comprising of interest income from credit cards amounting to Baht 1,965 million; interest income from personal loans Baht 1,991 million; and interest income from lease receivables Baht 48 million.

Fee income

▲ **15.7%**
 YoY

Fee income amounted to Baht 1,535 million, expanding 15.7% (YoY), driven by a higher transaction volume. Specifically, cash advance fee income rose by 31.1% (YoY), merchant discount fee income increased by 22.5% (YoY), and interchange fee income saw a 6.7% (YoY) growth.

Bad debt recovery reached Baht 1,015 million, reflecting a 32.7% (YoY) increase from effective debt collection across all business segments, including Baht 992 million from KTC, and Baht 23 million from KTBL.

⁽¹⁾ Starting from 1Q2024, the company has reclassified interest income and income from credit usage fees as 'interest income' in the statement of comprehensive income. Consequently, the 'interest income' line item now reflects the sum of interest income and credit usage fee.

Interest Income (Including Credit Usage Fee)		2Q2023	%Total Revenue	2Q2024	%Total Revenue	%Growth
4,004	Million Baht					
Interest Income - Credit Card		1,974	31.6%	1,965	29.0%	(0.4%)
Interest Income - Personal Loan		1,934	31.0%	1,991	29.4%	3.0%
Interest Income - Leasing		64	1.0%	48	0.7%	(25.3%)

Fee Income		2Q2023	%Total Revenue	2Q2024	%Total Revenue	%Growth
1,535	Million Baht					
Fee income		1,326	21.3%	1,535	22.6%	15.7%

Total Expenses 2Q24

4,497
(Million Baht) | 12.8%
YoY

In 2Q24, the Group incurred total operating expenses amounting to Baht 2,359 million, reflecting a 10.5% (YoY) increase. Elevated fees, service charges, increased transaction volumes, and higher IT expenses primarily drove this uptick. Consequently, the cost-to-income ratio stood at 34.8%, representing an increase from 2Q23 when it was 34.2%.

Expected credit losses amounted to Baht 1,690 million, reflecting a 17.5% (YoY) increase due to provisioning adjustments driven by changes in borrower quality, accelerated write-offs, and additional provisions aimed at prudent risk management to mitigate future volatility.

Financial costs totaled Baht 448 million, marking a 7.9% (YoY) rise attributed to higher interest rates prevailing in the financial market compared to the corresponding period last year.

Total Operating Expense		2Q2023	%Total Revenue	2Q2024	%Total Revenue	%Growth
2,359	Million Baht					
Personal expense		700	11.2%	718	10.6%	2.5%
Marketing expense		181	2.9%	166	2.4%	(8.1%)
Fee and service expense		736	11.8%	867	12.8%	17.7%
Other administrative expense		518	8.3%	608	9.0%	17.5%

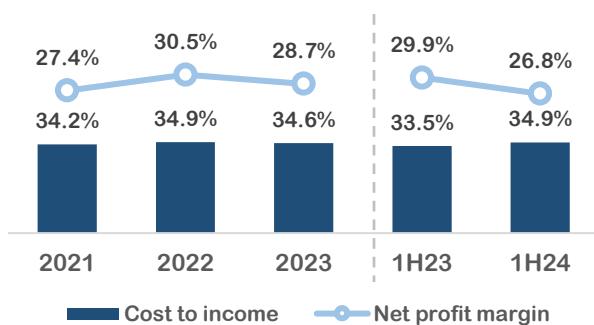
Cost to Income Ratio

 34.8%

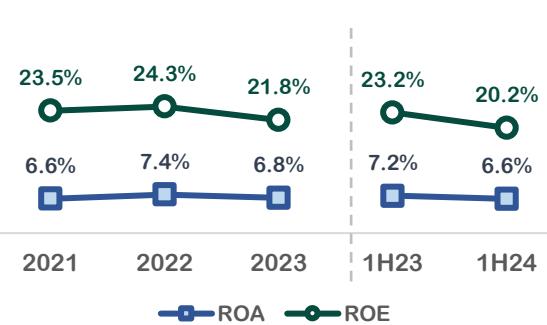
Expected Credit Loss (ECL)		2Q2023	%Total Revenue	2Q2024	%Total Revenue	%Growth
1,690	Million Baht					
ECL - Credit Card		738	11.8%	875	12.9%	18.5%
ECL - Personal loan		659	10.6%	750	11.1%	13.8%
ECL - Leasing		41	0.7%	65	1.0%	58.0%

Key Financial Ratios

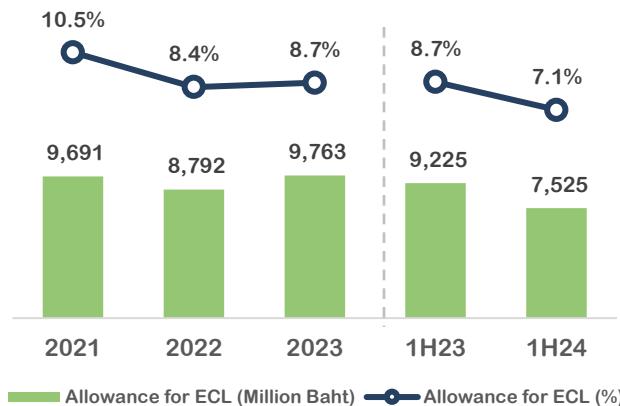
Net Profit Margin and Cost to income ratio



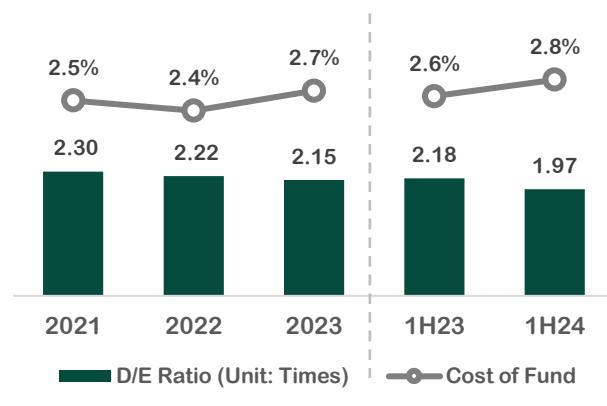
Return on Asset (ROA) and Return on Equity (ROE)



Allowance for ECL and Allowance for ECL to Total Port



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



Sustainable Household Debt Solution Approach and Potential Impacts

Effective from January 1, 2024 onwards, the Bank of Thailand (BOT) has increased the minimum credit card repayment rate to 8%, from 5% in 2023, including issued guidelines for responsible and fair lending practices (Responsible Lending: RL), as specified in BOT Announcement No. SKC. 7/2023. These measures aim to enhance the accountability of service providers in managing customer debt throughout the entire credit cycle. Service providers are required to present guidelines for assisting debtors who are not yet classified as non-performing loan (non-NPL) by implementing pre-emptive debt restructuring measures (Pre-emptive DR) at the first sign of potential repayment issues, at least once. This approach aims to help debtors resolve their debts and avoid becoming non-performing loans (NPL). Additionally, service providers must offer support to non-performing debtors (NPL) at least once, especially before proceeding with legal actions, debt transfers, contract terminations or asset seizures.

For cases involving assistance to debtors with severe persistent debt (SPD), effective from April 1, 2024, debtors classified as SPD must have revolving credit that is not yet classified as non-performing (non-NPL), have paid more in interest than the principal over the past 5 years and have a monthly income of less than Baht 20,000.

On August 2, 2024, BOT revised its debt relief measures, with specific updates pertaining to KTC as follows:

1. Minimum Credit Card Repayment

- 1.1 The minimum repayment rate for credit cards has been maintained at 8% for an additional year, extending through the end of 2025 (previously set to increase to 10% from January 1, 2025).
- 1.2 Debtors who make minimum repayments of 8% or more will receive a cashback equivalent to 0.5% of the outstanding balance for the first half of 2025 and 0.25% of the outstanding balance for the second half of 2025.
- 1.3 Debtors who previously met the minimum repayment requirement of 5% but are unable to meet the revised 8% rate may opt to restructure their debt before it becomes non-performing. This option allows them to convert their credit card debt into a term loan with installment payments. Under this arrangement, debtors will retain liquidity from their remaining credit card limit (previously, they were required to close the credit limit). BOT will implement this measure by September 2024.

2. Assistance for Debtors with Persistent Debt Issues

BOT has extended the debt repayment period from 5 years to 7 years (the annual interest rate remaining capped at 15%). This revision allows debtors to retain liquidity from their remaining credit line (previously, the credit line was required to be closed). This measure will be effective from January 1, 2025 onwards.

KTC has implemented measures to assist debtors in line with the BOT's announcement. Furthermore, the Company will evaluate support based on the debtor's repayment capacity to ensure that it does not impose an excessive debt burden. For further details on the assistance guidelines, please refer to the provided link:
<https://www.ktc.co.th/support/rate/table-of-disclosures>

In the second quarter of 2024, the initial three months following the implementation of the severe persistent debt (SPD) criteria on April 1, 2024, KTC debtors who enrolled in the assistance program had an actual impact on interest income of 1.3% of the previously estimated impact (Baht 18 million per month, assuming full participation by all eligible debtors).

KTC's Strategy Incorporating Sustainability Development



KTC's strategy has integrated sustainable economic, social, and environmental dimensions through Better Products and Services, 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, builds trust with stakeholders, increases access to financial products and services for Thai society, alleviates environmental impacts, and supports 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 2Q24, KTC Opportunity Day will take place on Friday, August 16, 2024, 10:15 – 11:00 hrs., through official channels of the Stock Exchange of Thailand, as follows.



SET Opportunity Day



SET Thailand



SET Application