



**บริษัท บัตรกรุงไทย จำกัด (มหาชน)**

591 อาคารสมัยชาวนา ชั้น 2 ชั้น 14 ถนนสุขุมวิท แขวงคลองตันเหนือ เขตวัฒนา กรุงเทพฯ 10110  
โทร: 02 123 5100 โทรสาร: 02 123 5190 หมายเลขที่ 0107545000110

**Krungthai Card Public Company Limited**

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KTC 412/ 2021

August 13, 2021

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

Subject: Operating result notification of the quarter ended June 30, 2021

Enclosure: Management Discussion and Analysis for the quarter ended June 30, 2021

KTC's Board of Directors has approved the Company's and subsidiaries' Financial Statement and the Report of certified public accountant for the quarter ended June 30, 2021, 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 for the second quarter and first half of 2021 equaled 1,703 million baht and 3,352 million baht, respectively. The share of profit attributable to Krungthai Card Public Company Limited ("KTC") for the second quarter and first half of 2021 amounted 1,680 million baht and 3,314 million, respectively. The third wave of COVID-19 since April 2021 has affected the purchasing power of customers. In addition, the acquisition of new customers has also become more challenging. These factors lead to the slowdown in the acquisition for new card members. As a result, the overall growth of the portfolio and the spending volume increased only slightly. Therefore, to create an opportunity to become a leader in the consumer finance business, the Company's business model will expand towards more secured loans.

In addition to "KTC P Berm", which concentrates on car and motorcycle title loan, the Company diversify the scope of secured loan business by acquiring 75,050,000 ordinary shares of KTB Leasing Co., Ltd. ("KTBL") at the end of May 2021, representing 75.05% of the total shares of KTBL, from Krung Thai Bank Public Company Limited ("KTB"). In addition, the transaction has been made with the first 50% payment at the agreed purchase price of 297.2 million baht. The Company will pay the remaining amount to KTB, in which could be lower or higher after the conditions are completely reviewed within November 2021. Consequently, KTBL is now considered as a subsidiary of KTC. Therefore, operating results from the second quarter of 2021 onwards will be analyzed from the consolidated financial statements that takes subsidiaries into account.

Although the consolidated financial statements of 2020 that we used for comparing with the current one are presented as restated financial statements as if the business consolidation has been made since the beginning of the previous year - in accordance with the accounting practices for business consolidation under the common controlling standard of Thailand Federation of Accounting Professions. However, in this Management Discussion and Analysis, we will compare the second quarter 2021 performance with the original second quarter of 2020 performance (before restatement) so that the business performance results is comparable with the actual situation.

For the first half of 2021, KTC had total loans to customers and accrued interest receivable of 89,444 million baht, an increase of 7.1% (yoy). Although KTC's total revenue decreased by -2.5% (yoy), the Company managed to reduce the total expenses by -12.9% (yoy) by controlling on the finance costs and expected credit losses at the rates of -6.1% and -31.3%, respectively. In addition, bad debt recovery was also improving, while maintain the similar level of NPL even under the challenging situations.

As a result, the Company's ratio of total operating expenses to revenue in this quarter increased slightly and earnings before expected credit losses declined by -5.1% (yoy). Nevertheless, the better portfolio quality lowers the necessity to set high level of allowance for expected credit losses. The net profit attributable to the Company in the second quarter equaled 1,680 million baht, increased by 46.2%(yoy) and 2.8%(qoq) and the net profit for the first half of 2021 amounted to 3,314 million baht, increased by 18.8%(yoy).

## Performance Overview for the Second Quarter and the First Half of 2021

	Consolidated 1H2021	Proportion (%)	Growth (%Y-Y) (Restated)	Growth (%Y-Y) (Original)	Consolidated 1H2020 (Restated)	Proportion (%)	Consolidated 1H2020 (Original)	Proportion (%)
Total Revenues	10,798	100%	(4%)	(3%)	11,283	100%	11,078	100%
Bad Debt Recovery	1,686	16%	9%	11%	1,550	14%	1,513	14%
Total Operating Cost	3,555	33%	(0.2%)	4%	3,564	32%	3,430	31%
Finance Costs	726	7%	(8%)	(6%)	791	7%	773	7%
Profit (Loss) from Associate Company	5	0.0%	-	-	-	-	-	-
Profit before Expected Credit Loss	6,522	60%	(6%)	(5%)	6,928	61%	6,875	62%
Expected Credit Loss	2,331	22%	(31%)	(31%)	3,400	30%	3,392	31%
Bad Debt	2,552	24%	541%	579%	398	4%	376	3%
Doubtful Accounts (Reversal)	(221)	(2%)	(107%)	(107%)	3,001	27%	3,016	27%
Profit before Income Tax	4,191	39%	19%	20%	3,529	31%	3,483	31%
Income Tax Expense	839	8%	19%	21%	703	6%	693	6%
Net Profit for the period	3,352	31%	19%	20%	2,825	25%	2,790	25%
<b>Total Comprehensive Income (Loss)</b>								
Owners of the parent	3,314	31%	19%	19%	2,790	25%	2,790	25%
Non-controlling interests	38	0.4%	7.9%	9,365%	35	0.3%	(0.4)	(0%)
Earning per Share	1.29				1.08		1.08	

- Total Portfolio Expanded** Total loans to customers and accrued interest receivable were 89,444 million baht, grew by 7.1%(yoy), mainly from credit card receivable of 4.6%(yoy) and increased from KTBL receivable worth 4,255 million baht which was included in this quarter. The personal loan receivable decreased slightly by -2.5%(yoy).
- Credit Card Spending increased, despite the reduction in card members** For the second quarter and for the first half of 2021, KTC's credit card spending rate grew by 13.1% and 3.9% respectively, or amounted to 45,739 million baht and 94,160 million baht respectively. The Company's member base shrunk at by -4.3% (yoy) or accounted for total members of 3.3 million accounts, comprising of 2,544,573 credit cards (down -2.3% yoy) and 802,971 personal loan accounts (down -10.0% yoy).
- The Company's credit card spending for the first half of 2021 increased by 3.9%, while the industry grew at 1.7%. The industry's credit card spending increased during April, May, and June at 38.0% and 12.6% and -0.4%, respectively. Meanwhile, the Company's spending in April, May, and June grew at 41.3%, 9.6% and dropped at -3.0% respectively due to the impact of a third wave of COVID-19 epidemic in April 2021.

- **Net Interest Margin decreased** Net Interest Margin for the second quarter and the first 6 month of 2021 was 14.3% and 14.2%, decreased from 15.9% and 15.8% from the same period last year, due to the adjustment of the interest ceiling that was effective since 1 August 2020 in accordance with the Bank of Thailand.
- **NPL remained at a similar level** NPL ratio for the Company in the second quarter was at 4.4%, resulting from the inclusion of lease receivable from KTBL. Meanwhile, the NPLs for credit card and personal loan were 1.5% and 3.0% respectively, slightly higher from that of the previous quarter that equal to 1.4% and 2.9%, respectively. In addition, the NPL for credit card and personal loan business in the second quarter of 2021 amounted to 1,678 million baht, close to the first quarter which equal 1,661 million baht and increase only slightly from year end 2020 which equal 1,598 million baht. Hence, the quality of portfolio is still the same.

<div> <div>% of NPL</div> <div>4.4%</div> </div>						
	2Q2021		1Q2021		Y2020	
			(Original)		(Original)	
	NPL	% of Total Receivables	NPL	% of Total Receivables	NPL	% of Total Receivables
Total NPL	3,879	4.4%	1,661	1.9%	1,598	1.8%
NPL to credit card receivable	808	1.5%	814	1.4%	791	1.3%
NPL to personal loan receivable	869	3.0%	847	2.9%	807	2.7%
NPL to lease receivable	2,202	51.7%	N/A	N/A	N/A	N/A

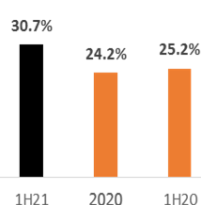
- **The Company's total revenue for the second quarter of 2021 was 5,406 million baht, close to the previous year.** Due to the impact of the new wave of COVID-19 epidemic since early April 2021, lower consumers' confidence lead to the decrease in spending. The Company's total revenue for the second quarter declined by -0.1% (yoy) compared to the previous year. The Company's interest income fell -5.6% (yoy) due to the reduction of interest ceiling of the Company's two main businesses, while fee income (Excluding credit usage fee) increased by 7.6% (yoy) from credit card business and the bad debt recovery increased by 19.3% (yoy) in the first half of 2021. Total revenue of the company was at 10,798 million baht, decreased by -2.5% (yoy).
- **Increase in bad debt recovery** In the second quarter of 2021, the Company had bad debt receivables at 833 million baht, an increase of 19.3%(yoy), consisting of an increase of KTC at 113 million baht 16.1%(yoy) and KTBL at 22 million baht.
- **Total expenses in the second quarter of 2021 amounted to 3,278 million baht, decreased by -17.3%(yoy)** resulted from the decrease in expected credit loss of -45.1%(yoy) and a decrease in finance costs of -5.3%(yoy) while total operating expenses increased by 18.3%(yoy). For the first half of 2021, the Company had total expenses of 6,612 million baht, a decrease of -12.9%(yoy).
- **Changes in allowance for expected credit losses to NPL of KTC due to consolidation of KTBL** Allowance for expected credit losses in the separate financial statement and consolidated financial statement for the first half of 2021 was 428.6% and 251.1% respectively. This due to KTBL's former NPL, which is a large corporate loan, is still in the process of collection and litigation. Therefore, the aforementioned amount was still unable to be written-off from the account. In

addition, if we consider the allowance for expected credit loss to NPL at end of 2020 that was 460.4%, it is at a similar level to the one in the first half of 2021 (for separate financial statement).

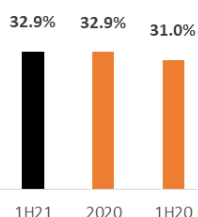
- **Efficient Cost of Fund management.** As of the second quarter of 2021, the Company's total borrowing amounted to 53,481 million baht, representing an increase of 2.1% (yoy). The sources of funds are from both short-term and long-term sources. Short-term sources of funds include loans from related financial institutions at 5,010 million baht (from KTC at 3,910 million baht and from KTBL at 1,100 million baht) and other financial institutions at 3,700 million baht. The long-term loans are from debentures amounting to 44,771 million baht. The sources of funds are distributed among Thai commercial banks, securities companies, insurance companies, and funds.
- KTC has a total credit line of 29,940 million baht, consisting of Krunghthai Bank's credit line of 18,030 million baht and another 11,910 million baht comes from other commercial banks. However, the Company has partially used such credit line with the amount of 7,610 (excluding the part of KTBL that has been used up to 1,100 million baht), resulted in the available credit line totaling 22,330 million baht as of the end of June 2021. The cost of funds is 2.62% and the debt-to-equity ratio is 2.45, which was very well below the bond covenant limited at 10 times.

## Key Financial Ratio

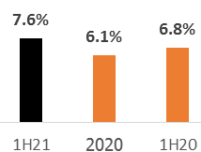
### Net profit margin (%)



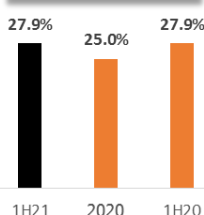
### Cost to Income (%)



### ROA (%)



### ROE (%)



	1H2021	Y2020 (Original)	1H2020 (Original)
Gross Profit Margin (%)	88.5%	88.3%	88.3%
Interest Coverage Ratio (Times)	6.8	5.3	5.5
Debt to Equity Ratio (Times)	2.5	2.9	2.9
Allowance for Expected Credit Loss/Total Receivables (%)	10.9%	8.2%	10.4%
NPL Coverage Ratio (%)	251.1% <sup>(1)</sup>	460.4%	157.5%
Expected Credit Loss/Total Receivables (%)	5.2%	7.3%	8.1%
Operating Cost to Income (%) <sup>(2)</sup>	26.1%	25.4%	23.4%
Book Value per share (Baht)	9.5	8.9	7.9
Earning per Share (Baht)	1.29	2.07	1.08
Dividend Payout Ratio (%)	N/A	42.5%	N/A

<sup>1</sup> KTC (Separate) = 428.6%

<sup>2</sup> Operating Cost excluding Marketing Expenses

Remark: Calculation of Net Profit Margin, ROA and ROE based on Net Profit of owners of the parent from 1H2021 onwards

## 2. Industry Overview

The overall Thai economy in the second quarter of 2021 still affected by the third wave of new outbreaks that was more severe than previously assessed. As a result, the Bank of Thailand has revised its economic growth forecast in August 2021 for the year 2021 to 0.7% (previously 1.8%) and 3.7% (previously 3.9%) for the year 2022, This was reduced in line with private consumption that was heavily affected this year, as well as the trend of declining in number of foreign tourists and the negative impact on domestic demand. However, the Thai economy will be supported by the increase in government spending from 500-billion-baht loan decree and the expansion of merchandise export following the global economic recovery, which could offset the impact only partially.

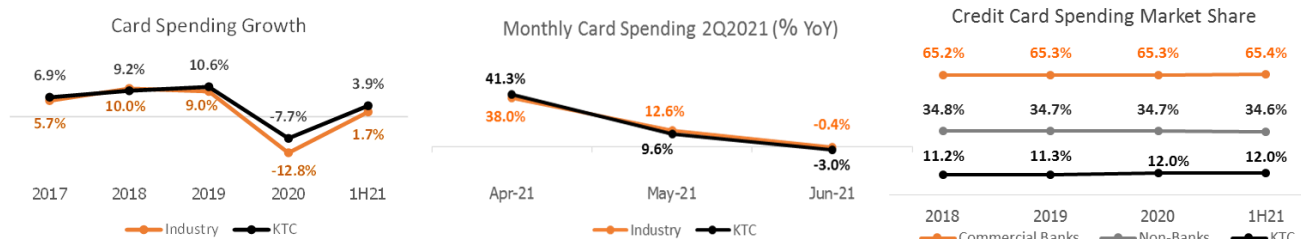
Although the situation was still uncertain, the consumer finance industry continues to grow. One of the reasons is the low base in the same period of the previous year. The total industry credit card receivables as of June 2021, equal 410,886 million baht, an increase of 4.4% from the same period of 2020 and personal loan receivables for the first half of this year were 623,738 million baht, growing at 13.0%. The overview of total credit card spending for the first half of 2021 amounted to 782,120 million baht, growing at 1.7%.

For the second quarter of 2021 KTC's credit card receivable market share compared to the industry was 13.6%, an increase from the same period of 2020 of 13.5%. For personal loan, the market share of personal loan receivables compared to the industry was 4.6%.

Industry Comparison	1H2021	Y2020	1H2020
Credit Card Receivable (Million Baht)	410,886	449,733	393,506
Growth (%)	4.4%	(1.6%)	(0.7%)
KTC Credit Card Receivables to Industry (%)	13.6%	13.4%	13.5%
Number of Credit Cards (Cards)	24,519,710	24,163,921	23,918,075
Growth (%)	2.5%	2.3%	3.6%
Credit Card Spending (Million Baht)	782,120	1,643,709	768,992
Growth (%)	1.7%	(12.8%)	(13.4%)
KTC Credit Card Spending to Industry (%)	12.0%	12.0%	11.8%
Personal Loan Receivables (Million Baht)	637,849	580,454	564,461
Growth (%)	13.0%	0.1%	4.8%
KTC Personal Loan Receivables to Industry (%)	4.6%	5.2%	5.4%

Source: Bank of Thailand

## Credit Card Spending



## 5. Impacts from the COVID-19 Outbreak and 2021 Business Direction

The situation of the third wave of COVID-19 epidemic since April 2021 has created continuous pressure. The rapid increase in the number of daily infections and the emergence of new clusters of outbreaks have prompted the government to impose strict travel and precautionary measures in certain high-risk areas. This has an inevitable impact on the amount of card spending and the growth of the portfolio.

The Bank of Thailand has announced the phase 3 measures to assist retail debtors during the COVID-19 epidemic, dated May 14, 2021, by extending the application period for debtors until December 31, 2021, in which the Company has complied with the aforementioned assistance measures. At the end of June 2021, the total debt values participating in such measures had outstanding of 1,545 million baht (21,564 accounts).

Regarding the growth direction in 2021, KTC will strengthen portfolios of its two main businesses, which are credit cards and personal loans (including secured loans). In this regard, the Company will expand the scope of business to be more diversified by covering both KTC P Berm and the leasing business. Upon completion of the share acquisition, the Company will become the major shareholder of KTB Leasing Co., Ltd. and aiming to become the leader in comprehensive loan business. Technology will be applied to help creating faster and more agile business operation as well as to create an impressive experience for members. Furthermore, the Company will maintain the original member base through marketing promotion activities both online and offline. The Company's main targets are as follows:

- Credit card: credit card spending for the year 2021 should be worth 200,000 million baht or expanded by 5% (down from the previous projection of 8% growth) due to the pressure factors on the economic outlook and the impact of the COVID-19 epidemic situation.
- Personal loan: maintain personal loan receivables to be in line with 2020's value.
- Secured loans: "KTC P Berm" including loans from KTB Leasing Co., Ltd., targeting loans at 1,000 million baht.
- Merchant acquiring: Focus on online channels through cooperation with partners.

The Company release a measure consistent with the Bank of Thailand to assist members affected by the COVID-19 epidemic. Recently launched measure include the suspension of principal and interest payments for 2 months for KTC

members affected by the closure of the business activities according to the announcement of the Center for COVID-19 Situation Administration (CCSA) to alleviate the burden of customers. In addition, the Company has also carried out various activities to help those who have suffered, such as joining with the Thai Red Cross Society by inviting members to convert their KTC FOREVER points for survival kits donation to those who have to be quarantined for 14 days, etc. The Company also provides staff health and hygiene care to prevent the spread of COVID-19 on an ongoing basis.