

บริษัท บัตรกรุงไทย จำกัด (มหาชน)
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KTC 599 / 2021

November 15, 2021

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

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

Enclosure: Management Discussion and Analysis for the quarter ended September 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 September 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

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Executive Summary

Krungthai Card Public Company Limited ("KTC") reported its profit for the third quarter and the first nine month of 2021 equaled 1,317 million baht and 4,631 million baht, respectively. The total loan to customers and accrued interest receivables totaled 87,030 million baht, increased by 3.2% (yoY), in which the increase was from the portfolio of KTB Leasing Co., Ltd. ("KTBL") consolidation. Meanwhile, credit card spending in the first nine months dropped slightly by -1.6% (yoY) due to the impact of COVID-19. Evidently, August was the month where the business sector was impacted the most. The situation had been improved later in September, due to the relaxation of measures by the government allowing more public activities, this resulted in the gradual growth of economic activities from September onwards.

Despite the revenue dropped in the first nine months by -3.4% (yoY) from lower interest income, the Company managed to decrease the total expense by -12.0% (yoY) with the finance cost and expected credit loss reduced by -7.5% and -28.9%, respectively, as well as an increase in bad debt recovery by 5.9%. Eventhough the NPL to lease receivable decreased to 3.8% from 4.4% in the second quarter of 2021, the Company's profit before expected credit loss dropped by -6.4% (yoY), Nevertheless, with the continuing well managed of portfolio quality, the need to set allowance for expected credit losses was reduced. These abovementioned factors had driven the Company's net profit for the third quarter and the first nine months of 2021 by 7.9% and 15.4%, respectively.

On May 21, 2021, KTC paid 50% of the purchase price of KTB Leasing Co., Ltd. ("KTBL") ordinary shares at amount of 297.2 million baht, and KTC shall pay the outstanding amount by November 2021 after completing an adjustment under the agreed conditions. At the present, the NPL to lease receivable of KTB Leasing Co., Ltd. ("KTBL") is equaled to 3,306 million.

Remark: Following the Federation of Accounting Professions, business combinations arising from purchase of interests in entities that are under common control are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented, or since January 1, 2020. However, the management's discussion and analysis will compare the consolidated performance results for the third quarter and the first nine months of 2021 with the results of the third quarter and the first nine months of 2020 before the adjustment so that the business performance can be compared according to the actual situation.

Performance Overview for The Third Quarter and The First Nine Months of 2021

	Consolidated 3Q2021	(1) Consolidated 9M2021	(1) vs (2)		(1) vs (3)		(2)		(3)	
			Growth (%Y-Y)	Growth (%Y-Y)	Consolidated 3Q2020	Consolidated 9M2020	Consolidated 3Q2020	Consolidated 9M2020		
			(Restated 9M)	(Original 9M)	(Restated)	(Restated)				
Total Revenues	5,132	15,930	(5%)	(3%)	5,521	16,804	5,412	16,490		
Bad Debt Recovery	733	2,419	3%	6%	794	2,343	770	2,283		
Total Operating Cost	1,847	5,402	(0.2%)	3%	1,850	5,414	1,793	5,223		
Finance Costs	345	1,071	(9%)	(8%)	390	1,181	386	1,159		
Profit (Loss) from Associate Company	4	8	n/a	n/a	-	-	-	-		
Profit before Expected Credit Loss	2,943	9,464	(7%)	(6%)	3,281	10,210	3,234	10,109		
Expected Credit Loss	1,293	3,623	(29%)	(29%)	1,728	5,127	1,703	5,095		
Bad Debt	1,984	4,536	21%	21%	3,364	3,762	3,358	3,734		
Doubtful Accounts (Reversal)	(691)	(913)	(167%)	(167%)	(1,636)	1,365	(1,655)	1,361		
Profit before Income Tax	1,650	5,841	15%	16%	1,554	5,082	1,531	5,014		
Income Tax Expense	337	1,177	16%	17%	315	1,019	310	1,003		
Net Profit for the period	1,313	4,664	15%	16%	1,239	4,064	1,221	4,011		
Total Comprehensive Income (Loss)										
Owners of the parent	1,317	4,631	15%	15%	1,221	4,011	1,221	4,011		
Non-controlling interests	(4)	34	(36%)	3,469%	17	53	(0.3)	(1)		
Earning per Share	0.51	1.80	-	-	0.47	1.56	0.47	1.56		

- Expansion of the total loans to customers.** Total loans to customers and accrued interest receivable equaled to 87,030 million baht, an expansion of 3.2% (yoY), from an increase in KTBL lease receivables of 3,306 million baht. Meanwhile, credit card and personal loans receivables decreased slightly by -0.3% (yoY) and -1.6% (yoY) or equaled to 54,521 million baht and 29,203 million baht, respectively.

	Separate 3Q2021	(1) Separate 9M2021	(1) vs (2)			(2)		
			Growth (%Y-Y)	Separate 3Q2020	Separate 9M2020	Separate 9M2020		
			(9M)					
Total Revenues	5,076	15,720	(5%)	5,412	16,490			
Bad Debt Recovery	717	2,362	3%	770	2,283			
Total Operating Cost	1,758	5,204	(0.3%)	1,792	5,220			
Finance Costs	343	1,064	(8%)	386	1,160			
Profit before Expected Credit Loss	2,975	9,452	(7%)	3,234	10,111			
Expected Credit Loss	1,316	3,656	(28%)	1,702	5,094			
Bad Debt	1,183	3,690	(1%)	3,357	3,733			
Doubtful Accounts (Reversal)	133	(33)	(102%)	(1,655)	1,361			
Profit before Income Tax	1,659	5,796	16%	1,532	5,017			
Income Tax Expense	333	1,163	16%	310	1,003			
Net Profit for the period	1,326	4,633	15%	1,222	4,013			
Earning per Share	0.51	1.80		0.47	1.56			

- **Card spending volume contracted in line with the economic situation.** For the third quarter and the first nine months of 2021, credit card spending decreased at -11.8% and -1.6% or amounted to 43,545 million baht and 137,705 million baht, respectively. Comparing to the industry for the first nine months of 2021, credit card spending of the Company contracted by -1.6%, which was approximately the same with the overall contraction of the industry at -1.5%. The Company total member base amounted to 3,306,580 million accounts, comprising of 2,522,945 credit card accounts, a -2.3% (yoY) decrease and 783,635 personal loan accounts, a -12.5% (yoY) decrease.
- **Net Interest Margin decreased.** For the third quarter and the first nine months of 2021, the net interest margin was at 12.76% and 12.72%, down from 13.67% and 14.06%, respectively from the same period last year. This is an impact from the reduction of interest ceiling on credit card and personal loan businesses according to the Bank of Thailand's announcement effective from August 1, 2020.
- **The portfolio quality improved.** NPL Ratio of the third quarter was at 3.8%, a reduction from 4.4% in the second quarter of 2021 due to the written-off of the hire purchase portfolio from KTBL. The NPL of hire purchase receivables was at 46.1%, reduced from 51.7% in the second quarter, while the NPL of credit cards in the third quarter remained at the same level of 1.5%. For NPL of personal loans, there was a slight increase from 3.0% in the second quarter to 3.2% in the third quarter.

% of NPL 3.8%

	3Q2021		2Q2021		Y2020	
			(Original)		(Original)	
		NPL	% of Total Receivables	NPL	% of Total Receivables	NPL
Total NPL	3,295	3.8%	3,879	4.4%	1,598	1.8%
NPL to credit card receivable	835	1.5%	808	1.5%	791	1.3%
NPL to personal loan receivable	935	3.2%	869	3.0%	807	2.7%
NPL to lease receivable	1,525	46.1%	2,202	51.7%	N/A	N/A

- **Total revenue of the Company during the first nine months of 2021 was at 15,930 million baht, a decrease of -3.4% (yoY).** With the impact of the third wave of the COVID-19 epidemic affecting consumer's confidence in spending, the Company's total revenue for the third quarter also declined by -5.2% (yoY), which was from the interest income that decrease by -3.1% (yoY) due to the lowering of the interest ceiling of KTC's two main and the impact of changing economic condition, and the decrease of fee income (excluding credit usage fee) at -12.5% (yoY).
- **Bad Debt Recovery increased by 5.9%.** The Company was able to maintain good debt collection capability despite some impact in the third quarter when debt collection declined -4.9% (yoY) or amounted to 733 million baht, comprising of KTC alone at the amount of 717 million baht or -6.9% decrease and from KTBL of 16 million baht. However, in regard to bad debt recovery for the first nine months, it was amounted to 2,419 million baht, which represents an increase of 5.9% (yoY).

- **Total expenses in the third quarter of 2021 amounted to 3,485 million baht, a decrease of -10.2% (yoY).**
As a result of continuous control in portfolio quality, the expected credit losses were reduced by -24.1% (yoY) and finance costs decreased by -10.5% (yoY), while total operating expenses increased slightly by 3.0% (yoY). For the first nine months of 2021, the Company's total expenses equaled to 10,097 million baht, or a decrease of -12.0% (yoY).
- **NPL coverage ratio changed due to the consolidation of KTBL.** The allowance for expected credit loss to KTC's NPL in the separate and consolidated financial statements as of the third quarter of 2021 was at 413.7% and 274.6%, respectively. For this third quarter, there was an increase in bad debt write-offs for the lease receivables of KTBL amounted to 801 million baht, which is the part of receivables that the provisions were fully provided and aligned with the conditions for bad debt write-off.
- **Effective management of financial costs.** At the end of the third quarter of 2021, the Company had total borrowings of 50,622 million baht, a decrease of -9.5% (yoY). The source of funds was from short-term and long-term borrowings of 14,620 million baht and 36,002 million baht (at the ratio of 29%: 71%), respectively. The Company borrowed from related financial institutions (KTB) at the amount of 5,740 million baht (in which 4,640 million baht belongs to KTC and 1,100 million baht belongs to KTBL) and from other financial institutions at the amount of 2,950 million baht. In addition, the Company issued the debentures of 41,932 million baht. KTC distributed the sources of loans from Thai commercial banks, securities companies, insurance companies and various funds.
- KTC has a total credit line of 27,340 million baht, consisting of credit line of Krung Thai Bank at 18,030 million baht and from other commercial banks at 9,310 million baht. In this regard, the Company utilized used some of the credit line at the amount of 6,090 million baht, resulted in the Company's available credit line as of the end of September 2021 totaling at 21,250 million baht. The finance cost for the first nine months was 2.64%, the debt-to-equity ratio was 2.21 times, which was lower than the covenant of 10 times.

Key Financial Ratio

	9M2021 (Consolidated)	2020	2019	9M2021 (Consolidated)	2020	2019	9M2021 (Consolidated)	9M2021 (Separate)	Y2020 (Consolidated)	Y2019 (Consolidated)	
Net Profit Margin	29.1%	24.2%	24.4%	88.4%	88.3%	87.7%	Earning per Share (Baht)	1.8	1.8	2.1	2.1
Gross Profit Margin							Book Value per share (Baht)	10.1	9.8	8.9	7.7
Debt to Equity	2.21	2.87	3.33	6.44	5.34	5.41	Cost to Income	33.9%	33.1%	32.9%	34.1%
Interest Coverage Ratio							Operating Cost to Income (%) ⁽¹⁾	27.2%	26.4%	25.4%	25.3%
							NPL Coverage Ratio (%)	274.6%	413.7%	460.4%	622.2%
							Expected Credit Loss/Total Receivables (%)	5.6%	5.8%	7.3%	7.4%
							Allowance for Expected Credit Loss/Total Receivables (%)	10.4%	8.8%	8.2%	6.6%
							ROE	25.3%	25.7%	25.0%	30.6%
							ROA	7.2%	7.3%	6.1%	6.7%
							Dividend Payout Ratio (%)	N/A	N/A	42.5%	41.1%

⁽¹⁾ Operating Cost excluding Marketing Expenses

2. Industry Overview

Although the overall Thai economy continues to be affected by the third wave of the COVID-19 outbreak, but the current number of infected people have passed the highest period. In addition, the government relaxed strict control measures, in which the situation is expected to be in a better direction. The Bank of Thailand revised its economic growth forecast for 2022 to 3.9% (previously estimated at 3.7% in August). The easing of government measures will lead to a positive effect on consumer confidence and private consumption for the remainder of the year. In 2022, the Thai economy tends to gradually recover mainly from domestic spending, following the continual improvement in consumer confidence.

Considering the total industry credit card receivables as of the end of September 2021, which equaled to 405,069 million baht, a decrease of -0.3% from the same period in 2020. The total card spending for the first nine months of 2021 reported at the amount of 1,159,423 million baht, a contraction of -1.5%, while personal loan receivables for the first nine months of this year equaled to 668,964 million baht, a growth of 18.1%.

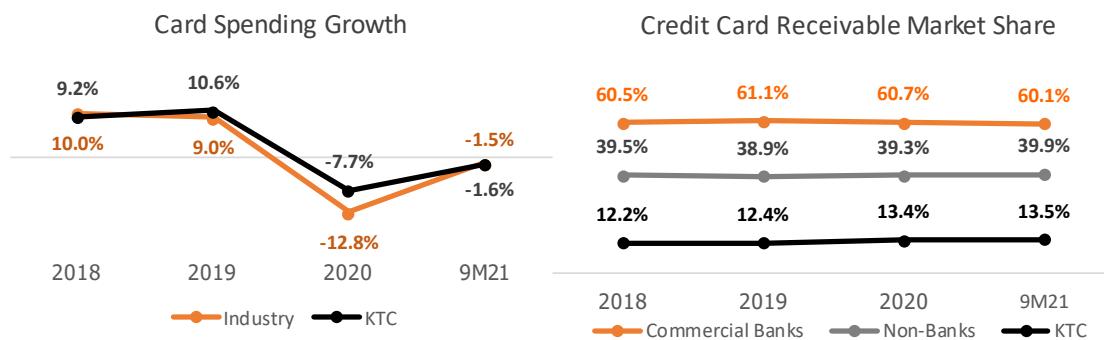
KTC has credit card receivables market share to the industry for the first nine months of 2021 at 13.5% and of personal loan receivables market share to industry was at 4.4%

Industry Comparison	9M2021	Y2020	9M2021
Credit Card Receivable (Million Baht)	405,069	449,733	406,264
Growth (%)	(0.3%)	(1.6%)	0.5%
KTC Credit Card Receivables to Industry (%)	13.5%	13.4%	13.5%
Number of Credit Cards (Cards)	24,681,778	24,163,921	24,050,562
Growth (%)	2.6%	2.3%	3.9%
Credit Card Spending (Million Baht)	1,159,423	1,643,709	1,177,294
Growth (%)	(1.5%)	(12.8%)	(13.1%)
KTC Credit Card Spending to Industry (%)	11.9%	12.0%	11.9%
Personal Loan Receivables (Million Baht)	668,964	580,454	566,500
Growth (%)	18.1%	0.1%	0.7%
KTC Personal Loan Receivables to Industry (%)	4.4%	5.2%	5.2%

Source: Bank of Thailand

The Company's total card spending for the first nine months of 2021 dropped by -1.6% (yoY), while the industry contracted by -1.5% whereby the Company's market share equaled to 11.9%.

Credit Card Spending



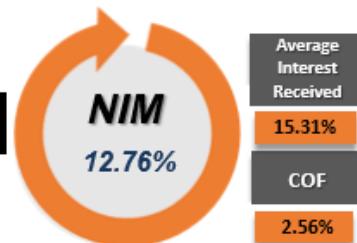
3. Total Revenue and Expense

Revenue

- Interest income of the two main businesses.** Total interest income (including credit usage fee income) in the third quarter of 2021 was at 3,391 million baht, decreased by -3.1% (yoY), whereby interest income from credit card and personal loan businesses was at 1,617 million baht, a decrease of -1.0% (yoY) and 1,748 million, a decrease of -6.2% (yoY), respectively. This was due to the Bank of Thailand's lowering of interest ceiling and the impact of COVID-19 that discourage the spending. In addition, there was an increase in interest received from KTBL's lease receivables of 26 million baht.

Total revenue 3rd quarter of 2021 equal 5,132 MB

Total Interest Income (including Credit Usage Fee)	3,391 million baht	(1)	(2)	(1) vs (2)	3Q2021 (Separate)	3Q2020 (Separate)	Growth (%)
Credit card receivable	1,617	1,634	1,634	(1%)	1,617	1,634	(1%)
Personal loan receivable	1,748	1,864	1,864	(6%)	1,748	1,864	(6%)
Lease receivable	26	41	-	-	-	-	-



**Fee income
(excluding Credit Usage Fee)** 957 million baht

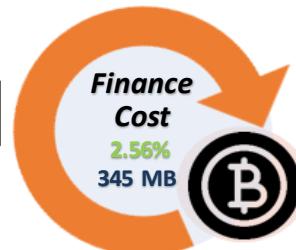
	3Q2021 (Consolidate)	3Q2021 (Restate)	3Q2021 (Original)	Growth (%)	3Q2021 (Separate)	3Q2020 (Separate)	Growth (%)
Fee income (excluding credit usage fee)	957	1,131	1,093	(13%)	946	1,093	(13%)

- **Fee income dropped.** In the third quarter of 2021, fee income (excluding credit usage fee) amounted to 957 million baht, a decrease of -12.5% (yoY), which came from a decrease in interchange fee income at -20.6% (yoY), a decrease in merchant discount fee of -12.0% (yoY), and a decrease in collection fee at -11.0% (yoY), while cash advance fee increased by 0.3% (yoY).

Expenses

- **Total operating expenses increased 3.0% (yoY).** In the third quarter of 2021, total operating expenses amounted to 1,847 million baht, due to an increase in personnel expenses and other administrative expenses. Meanwhile, marketing expenses declined compared to the same period last year because of the reduction in marketing activities during the lockdown period where the Company focused more on online marketing, which led to the decrease in the Company's marketing expenses.
- **Expected credit loss amounted to 1,293 million baht, a decrease of -24.1% (yoY).** The Company's write-offs in the third quarter of 2021 declined quarterly, while credit approvals became more stringent due to the adjustment of criteria for the acceptance of new customers in accordance with the lower interest rate ceiling and constantly monitor on the portfolio quality. Accordingly, it lowered the expected credit losses settlement comparing to the same period of the previous year.
- **Financial cost of the third quarter declined due to lower borrowing and interest expenses.** In the third quarter, the Company's borrowing decreased to 50,622 million baht from 55,908 million baht. In addition, with an effective management of finance costs, the cost of fund was decreased. In the third quarter and the first nine months, the Company's finance cost equaled to 345 million baht (-10.5% yoY) and 1,071 million baht (-7.5% yoY), respectively. The Company's cost of funds for the first three and nine months of 2021 at 2.56% and 2.64%, a decrease from 2.72% of the same period last year.

Total expenses for the 3rd quarter of 2021 equal 3,485 MB



Total Operating Cost 1,847 MB

	(1)		(2)		(1) vs (2)		
	Consolidated	Consolidated	Consolidated	Growth (%)	Separate	Separate	
	3Q2021	3Q2020	3Q2020	(Restate)	3Q2021	3Q2020	Growth (%)
Personal expenses	668	643	608	10%	620	608	2%
Marketing expenses	135	183	181	(25%)	134	181	(26%)
Fee Expense	532	557	533	0%	518	532	(3%)
Other administrative expenses	512	467	471	9%	485	471	3%

Expected Credit Loss 1,293 MB

	(1)		(2)		(1) vs (2)		
	Consolidated	Consolidated	Consolidated	Growth (%)	Separate	Separate	
	3Q2021	3Q2020	3Q2020	(Restate)	3Q2021	3Q2020	Growth (%)
Expected credit loss: credit card	642	955	955	(33%)	642	955	(33%)
Expected credit loss: personal loan	673	748	748	(10%)	673	747	(10%)
Expected credit loss: lease receivables	(23)	25	-	-	-	-	-

4. Financial Position and Sources of Funds

- Decreased in company assets.** The Company's assets at the end of the third quarter of 2021 amounted to 83,290 million baht, a decrease of -0.5% (YoY). The assets that generated the Company's main revenue were in the form of loans to customers and net accrued interest receivable, represented 93.6% of total assets or amounted to 77,981 million baht. The remaining 6.4% were divided into cash, other receivables, deferred tax assets, and other assets.
- Total loans expanded by 3.2% (YoY).** The total loans to customers amounted to 87,030 million baht, comprising of total credit card receivables of 54,521 million baht, total personal loan receivables of 29,203 million baht, and lease receivables of 3,306 million baht as shown in the table below.

<i>(Unit: Million Baht)</i>	Consolidated Financial Statements as of September 30, 2021			
	Credit Card	Personal Loan	Lease Receivables	Total
Stage 1	47,829	22,984	-	70,813
Stage 2	5,640	4,978	-	10,618
Stage 3	835	935	-	1,770
Financial assets applied simplified approach to calculate lifetime expected credit losses	-	-	3,306	3,306
Total loans to customers	54,303	28,897	3,306	86,507
Add Accrued interest receivables and undue interest receivables	217	305	-	523
Total loan to customers and accrued interest receivables	54,521	29,203	3,306	87,030
Less Allowance for expected credit loss	(4,117)	(3,205)	(1,727)	(9,049)
Total loans to customers and accrued interest receivables, net	50,404	25,998	1,579	77,981

The table shows changes in the allowance for expected credit losses as of September 30, 2021.

<i>(Unit : Million Baht)</i>	Allowance for Expected Credit Loss				Total
	12-month ECL (Stage 1)	Lifetime ECL - not Credit Impaired (Stage 2)	Lifetime ECL - Credit Impaired (Stage 3)	Financial assets applied simplified approach to calculate lifetime expected credit losses	
Balance as of January 1, 2021	3,865	2,445	1,046	2,605	9,960
Changes in staging	245	(413)	169	-	-
Changes in risk parameters	(389)	1,068	4,485	(34)	5,130
New financial assets originated or purchased	344	-	-	2.0	346
New financial assets derecognized	(297)	(717)	(837)	-	(1,852)
Written-off	-	-	(3,690)	(846)	(4,536)
Balance as at September 30, 2021	3,768	2,382	1,173	1,727	9,049

- At the end of the third quarter of 2021, the Company had an allowance for expected credit losses at 9,049 million baht to accommodate the volatility of economic factors and risks in portfolio quality against uncertain circumstances.

5. Impacts from COVID-19 situation

As the COVID-19 outbreak situation has been prolonged since 2020, the Bank of Thailand has periodically issued measures to assist debtors who have been affected constantly. These include the reduction of the minimum repayment rate, lowering of interest rates, consideration of credit line extensions, deferring of installment payments and converting into low-interest long-term loans, as well as a two-month principal and interest deferral for debtors residing in the controlled area. These are solutions aimed on helping to sustain the overall economy through this crisis.

For the third quarter, the severity of COVID-19 situation continued during July and August. However, in early September 2021, the situation began to ease, the government start to relieve the controlling schemes and gradually adjusted travel measures and imposed more relaxed conditions of practice in some high-risk areas. This directly affected the amount of card spending and the growth of the receivable portfolio that will regain its growth opportunities when more economic activities are permitted.

In this regard, the Company has complied with and followed the Bank of Thailand's guidelines on all measures to assist debtors throughout the time, including assistance to the group of debtors subscribed to change the type of credit card debt and personal loans to long-term personal loans. As of September 30, 2021, the total receivable participated amount to 1,825 million baht (26,174 accounts).

6. Comparison of 2021 target and growth direction in 2022

The performance for the nine-month period of 2021, the Company reported a profit attributable to the major shareholders of 4,631 million baht. The credit card spending decreased by -1.6% (yoY), while the quality of portfolio of the credit card business is well maintained with the NPL of 1.5%. The credit card receivables amounted to 54,521 million baht, while total personal loan receivables was 29,203 million baht, and lease receivables of KTB Leasing totaled 3,306 million baht. In comparison to the target of the year ended 2021, which the Company has disclosed since the end of 2020, shown in figure below, the Company expects COVID-19 outbreak situation during the last quarter of the year to improve. This led to the increase in outdoor activities and hence improve in credit card spending. Therefore, the Company will be able to use marketing strategies to encourage more credit card spending as well as various KTC's services. The Company is determined to drive the full year Company's performance of 2021 to be higher than in 2020.

	2021 Target	9M2021
Profit	Not less than in 2020 (>5,332 MB)	4,631 MB
Credit Card Spending Growth	5%	-1.6%
Credit Card Receivables	Maintain Portfolio Quality NPL = 1.3%	NPL = 1.5%
P BERM and KTBL Receivables	Maintain at 29,915 MB	29,203 MB
P BERM & KTBL Lease Receivables	1,000 MB	371 MB

With the COVID-19 epidemic situation over the past 2 years, the Company has adjusted the marketing strategy to focus on Partnership Marketing by creating sustainable long-term relationship with business partners in many dimensions in order to enhance the worthiness in credit card spending and personal loan borrowing. In addition, the Company aims to develop the products as well as online channel via application to be align with the new lifestyle in the digital era. In 2022, KTC is committed to continue thriving in the Payment Business and the Retail Lending Business whereby it is expected that we will return to experiencing the same growth rate of the receivable portfolio and the total credit card spending as it was in 2019 (before the COVID times). Moreover, the Company also emphasizes on maintaining the portfolio quality by ensuring that the total NPL remains at the same level as it has been. Furthermore, if the situation is as expected, the Company believes that the profit will be higher than the year 2021.