

Details of financial analysis and operating performance for the six-month period ended 30 June 2019

(The report details significant changes in unreviewed consolidated financial statements)

Company's performance overview for the first half of 2019

Due to the slowdown in overall Consumer Finance Business in the second quarter caused by the sluggish Thai economy, together with the intensifying competition within the industry, and the changing of customer behaviors; KTC's total portfolio grew at a slower pace, as a result total revenue growth was only 7%. Nevertheless, the company continued to manage its expense efficiently with only slight increase as well as effectively maintain its same financing cost. Meanwhile, due to the increase in receivables, bad debts and doubtful accounts grew as a result. Since the second quarter has fewer business days than other quarters, collections were harder to achieve. Hence, income from bad debts recovery had declined compared to the same period of last year. Yet, under this pressured circumstance, the company continued to accomplish satisfactory revenue and simultaneously maintained its NPL to be approximately as the previous level. The company's performance overview for the first half are as follows.

- Total net profit was 2,913 MB, increased 16% compared to the same period of the previous year of 2,515 MB.
- Cost to income ratio was 33.8%, down from that of 35.2% at the same period of the prior year.
- For the first 5 months of 2019, KTC's credit card spending grew 10.6%, higher than the industry growth of 8.7%
- Total receivable was 77,121 MB, a 7% growth for the same period of the prior 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.
- Net interest margin for the first half was 15.39%, higher than that of 15.26% for the same period of last year. This was resulted from the increase in average interest received from 18.23% to 18.26%, and the decrease in cost of fund from 2.97% to 2.87%.
- Constantly managed high quality of total receivables portfolio. The company's total NPL stood at 1.13%, down from that of 1.14% at the end of 2018, and lower compared to the same period of last year and the last quarter at 1.27% and 1.18% respectively. The company expects to continuingly maintain its NPL at the low level.
- To conduct Nano Finance and Pico Finance businesses, KTC has established two subsidiaries i.e. KTC Nano Co., Ltd. and KTC Pico (Bangkok) Co., Ltd. on May 24, 2019. The company holds 75.05% shares in each company and will consolidate its two subsidiaries' financial statements into its consolidated financial statements. However, the two subsidiaries are still in the process of getting their business license approvals and are estimated to start their business operations in the third quarter.

Net profit for the first half grew 16% (yoY)

(Unit: Baht Million)	1H19	1H18	Y-Y(%)
Total Revenue	11,102	10,367	7%
- Bad debt recovery	1,766	1,709	3%
Administrative Expense	3,753	3,647	3%
Financial Cost	771	781	(1%)
Bad Debt and Doubtful	2,937	2,801	5%
- Bad Debt	3,008	2,983	1%
- Doubtful Accounts	(71)	(182)	61%
Profit Before Tax	3,640	3,139	16%
Income Tax Expense	(728)	(624)	17%
Net Profit (Loss)	2,913	2,515	16%

- Net profit for the first half of 2019 grew 16% (yoY) to 2,913 MB, resulted from the 7% (yoY) revenue growth while total expense increased by 3% (yoY). Net profit for the second quarter was 1,323 MB.

- Total revenue for the first half was 11,102 MB, owing to the growth in interest income from both credit card and personal loan receivables of 7% (yoY) and 8% (yoY) respectively, along with the increase in fee income (excluding credit usage fee) of 5% (yoY), and the increase in income from bad debts recovery of 3% (yoY).

- Administrative expense was 3,753 MB, up 3% (yoY) from the same period of last year. This was due to the increase in marketing expense of

9% which was caused by the increase in new card acquisition and the increase in marketing expense. Additionally, personnel expense and other administrative expenses were higher by 5% and 3% respectively while both fee expense and financing cost decrease 1%. The portfolio expansion resulted in higher provisions. The increase of Bad debts write-offs subsequently resulted in 5% growth of bad debts and doubtful accounts. Yet, the company's allowance for doubtful accounts to NPL ratio remains higher at 622%, compared to the same period of last year of 605%.

- For the first half of this year, the increase of total revenue outperformed the increase of total expense due to the portfolio's expansion. The company had successfully achieved sustainable rise in its profit from that of last year.

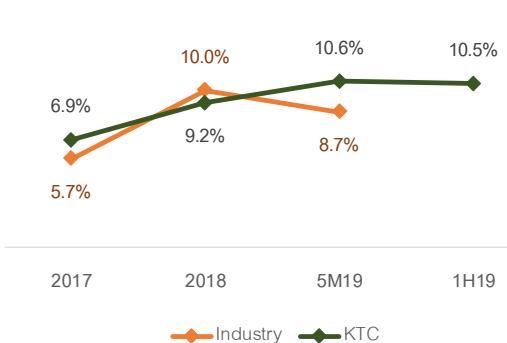
Credit card spending

For the first five months, the growth of the industry's credit card spending was 8.7% while that of KTC's was 10.6%. By monthly comparison for the second quarter of this year, the growth for the industry in April and May was 10.8% and 6.8% respectively while the growth for KTC in April, May and June was 11.3%, 10.6% and 9.7% respectively. Consequently, the company's credit card spending growth for the second quarter and for the first half of 2019 were equally at 10.5%.

Monthly Credit Card Spending (%YoY)

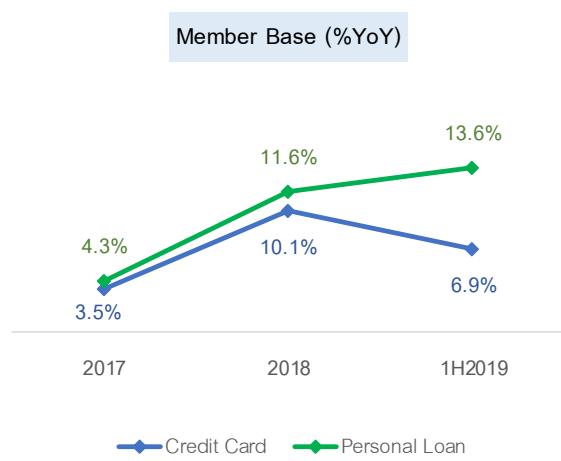


Credit Card Spending (%YoY)



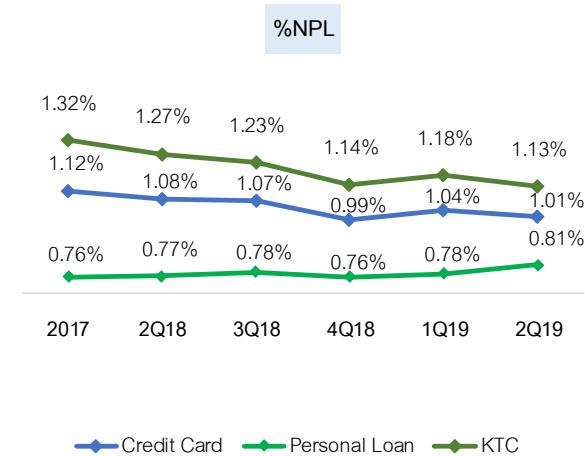
The quality of receivables portfolio.

- Total receivables portfolio grew 7% (YOY). For the second quarter, the company's total receivables was 77,121 MB, consisting of total credit card receivables amounted to 49,658 MB (up 7%) and total personal loan receivables amounted to 27,177 MB (up 7%). Once the amount of 5,439 MB provision for doubtful accounts was deducted, the company's total net receivables was 71,682 MB, of which, 46,576 MB was net receivables of credit cards and 24,979 MB was that of personal loans.



- NPL continuously remained at low level. KTC has consistently focused on its portfolio's quality. The company had total portfolio NPL of 1.13%, down from that of 1.27% for the same period of last year. NPL of credit cards was lowered to 1.01% from 1.08% whereas that of personal loans was higher to 0.81% from 0.77%.

- Member base expanded 9%. At the end of June 2019, the company had total members of 3.39 million accounts, up 9% compared to that of 3.12 million accounts for the same period of the prior year. Total accounts comprised 2,405,570 credit cards (7% growth) and 985,037 personal loan accounts (14% growth).



2019 growth outlook

For the first half of 2019, KTC's portfolio expanded less than previously estimated. Nevertheless, the company's ability to generate income grew continuously because of the ongoing increase in the credit card spending and personal loan receivables growth. Additionally, as the company's portfolio quality was effectively controlled, its NPL stayed at the low level. Consequently, the company's performance continued to improve steadily. Meanwhile, with the heightened competition in credit card and personal loan businesses, KTC's entry into new businesses of both Nano-Pico finance and auto title deed would create another opportunity for the company to accomplish its sustainable growth in which the clear picture of these new businesses is expected to occur in the next 18-24 months. Regardless, the company has confidently anticipated to successfully attain its performance of 2019 better than previously planned.