

Details of financial analysis and operating performance for the nine-month period ended 30 September 2019

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

KTC's performance overview for the first nine months of 2019

The company's total revenue for the third quarter of 2019 amounted to 5,597 MB, higher than the past two quarters in which total revenue for Q1 and Q2 equaled to 5,574 MB and 5,528 MB respectively. Total receivables expansion had reached its highest in the past two years due to the growth of the member base and the increase in receivables from both businesses. The company continued to increase in its interest income from the ongoing expansion in both credit card receivables and personal loan receivables portfolios of 10% (yoY) and 9% (yoY) respectively. In addition, the company's credit card spending growth remained better than that of the industry. The company had also still managed its NPL effectively. Its income from bad debt recovery grew slightly at 2% (qoq). Marketing expenses was utilized in new card acquisition, as well as marketing promotions. The company allocated more provisions to effectively manage the increase in portfolio's receivables which resulted in an increase in expense hence the increase in total expense and the slight decline in the company's third quarter profit compared to the same period of last year. Nonetheless, the company continued to not just effectively manage its financing cost to stay approximately as the previous level but also efficiently achieve lower cost to income ratio. The company's performance overview for the first nine months of 2019 are as follows.

- Total net profit was 4,205 MB, increased 8 % compared to the same period of the previous year of 3,911 MB.
- Total revenue grew at 6% (yoY), up from 15,743 MB to 16,699 MB in which interest income (including credit usage fee) grew at 7% (yoY), fee income grew 4% (yoY) and income from bad debt recovery grew 2% (yoY).
- Cost to income ratio was 34.0%, down from that of 34.8% at the same period of the prior year.
- For the first 8 months of 2019, KTC's credit card spending grew 10.4%, higher than that of the same period last year's growth of 8.4%, whereas the industry expanded at 8.8%
- Total receivables amounted to 79,618 MB, a 9% (yoY) growth, and more than that of Q1 and Q2, 2019 which expanded equally at 7% (yoY). Credit card receivables increased from 46,616 MB to 51,137 MB and personal loan receivables increased from 25,917 MB to 28,219 MB.
- Net interest margin for the first 9 months was 15.30%, slightly lower than that of 15.46% for the same period of last year. Average interest received was 18.18%, down from 18.44%, and cost of fund was 2.88%, down from 2.98%.
- Continuously managed high quality of total receivables portfolio. The company's total NPL stood at 1.07%, down from 1.23% in the same period of last year and lower than that of 1.14% at the end of 2018. Although the company continued to maintain its low level of NPL, due to the pressure in overall Thai economy the company expected its NPL level to start increasing.
- For this past August and September, KTC has already obtained its licenses to conduct Nano Finance and Pico Finance businesses as well as auto loan deed. However, the company is still in the process of testing its operations which is expected to take some periods of time before widespread launch. Meanwhile, it would take at least 18-24 months since the start of business operations to begin realizing profits of these 3 new businesses.

Net profit for the first 9 months grew 8% (yoY)

(Unit: Baht Million)	1H19	1H18	Y-Y(%)
Total Revenue	16,699	15,743	6%
- Bad debt recovery	2,598	2,550	2%
Administrative Expense	5,685	5,472	4%
Financial Cost	1,167	1,168	(0.1%)
Bad Debt and Doubtful Accounts	4,592	4,222	9%
- Bad Debt	4,642	4,407	5%
- Doubtful Accounts	(50)	(186)	73%
Profit Before Tax	5,255	4,882	8%
Income Tax Expense	(1,050)	(971)	8%
Net Profit (Loss)	4,205	3,911	8%

- For the first 9 months of 2019, the company reported net profit of 4,205 MB, up 8% (yoY). Owing to the increased member acquisition and the growth of both main businesses, total revenue grew 6% (yoY) while total expense grew 5% (yoY). The company's profit in the third quarter was 1,292 MB, with negative growth of 7% (yoY). This was due to higher provisions set up from portfolio expansion. Bad debts write-offs also increased. Additionally, the expense from new card acquisition, together with the expense in marketing campaigns to promote more member spending were higher. Therefore, total expense in the third quarter increased 10% while total revenue grew 4%.
- Total revenue for the first 9 months was 16,699 MB. Credit card receivables portfolio expanded 10% (yoY), hence the increase in credit card interest income of 7% (yoY). In the meantime, personal loan receivables portfolio continued to grow, thus the increase in its interest income of 8% (yoY). Fee income (excluding credit usage fee) was increased 4%, with the increase in interchange fee and in cash advanced fee of 6% and 14% (yoY) respectively. Meanwhile, merchant discounts fee and collection fee were decreased by 1% and 4% (yoY) respectively.

- Administrative expense was 5,685 MB, up 4% from the same period of last year. This was mainly due to the increase in new member base acquisition and the impressive expansion of total portfolio. The company also increased its marketing campaigns, therefore the higher in marketing expense of 14%. In addition, personnel expense and other administrative expenses were up by 5% and 4% respectively. In the meantime, fee expense remained near the same level. The company's bad debts and doubtful accounts were higher by 9% due to the increase in bad debts write-offs in order to maintain the portfolio's quality. Nonetheless, the company continued to effectively maintain its cost of fund to stay at the previous level.

Credit card spending

- For the first 8 months, the growth of the industry's credit card spending was at 8.8% while KTC's growth was higher than the industry at 10.4%. By monthly comparison for the third quarter of this year, the growth for the industry in July and August was 11.6% and 10.0% respectively. Overall industry spending grew at a slower pace whereas that of the company had acceleratingly expanded for last months in which the growth for the company in July, August and September was 11.2%, 9.2% and 10.7% respectively. As a result, the company's credit card spending growth for the third quarter and for the first 9 months of 2019 were equally at 10.4%.

Monthly Credit Card Spending (%YoY)



Credit Card Spending (%YoY)

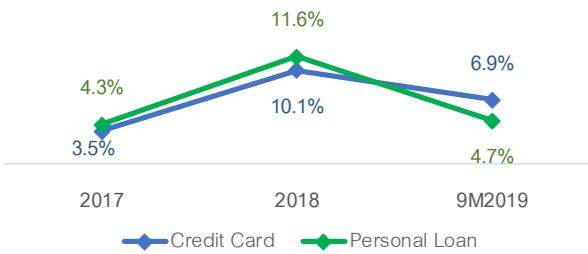


The quality of receivables portfolio.

- Total receivables portfolio grew 9% (YOY).** The company's total receivable portfolio had expanded the most in two years since the third quarter of 2017. For the third quarter of 2019, the company's total receivable was 79,618 MB, consisting of credit card receivables amounted to 51,137 MB (up 10%) and total personal loan receivables amounted to 28,219 MB (up 9%). Once the amount of 5,459 MB provision for doubtful accounts was deducted, the company's total net receivables was 74,159 MB, of which, 48,052 MB was credit card net receivables and the rest 25,982 MB was that of personal loans.

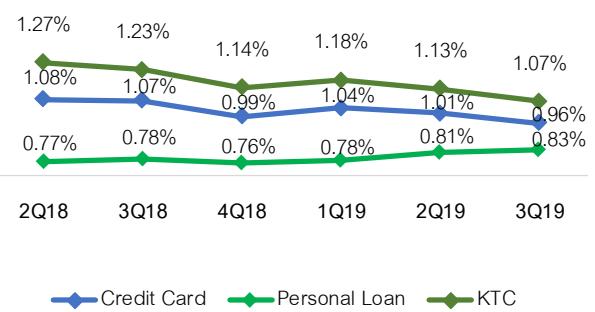


Member Base (%YoY)



- Member base expanded 6%.** By the end of September 2019, the company had total members of 3.43 million accounts, up 6% compared to that of 3.23 million accounts for the same period of the prior year. Total accounts comprised 2,460,595 credit cards (grew 7%) and 973,356 personal loan accounts (grew 5%).

%NPL



- NPL constantly remained at low level.** KTC has consistently attributed to the importance of its portfolio's quality. The company had total NPL of 1.07%, down from that of 1.23% for the same period of last year. NPL of credit cards was lowered to 0.96% from 1.07% whereas that of personal loans increased to 0.83% from previously 0.78%.



2019 growth outlook

For the first nine months of 2019, the company had adjusted its income generating strategies by focusing on the growth in new card acquisition and on the expansion of receivables. KTC's total portfolio had grown at the historical high in the past two years, thus leading to higher provisions. Nonetheless, the accelerated increase of the company's credit card spending for last period of this quarter had resulted in higher credit card spending than that of the industry in the nine months of 2019. Meanwhile, the company still effectively maintained high quality of its portfolio. The company continue to concentrate on portfolio growth adding more budget to expand new member base as well as more marketing budget to promote spending in the last quarter. Regardless, the company has determined to achieve its 2019 performance approximately as previously planned.