

Details of financial analysis and operating performance for the three-month period ended 31 March 2020

(This report details significant changes in unreviewed financial statements under the TFRS 9 standard)

Company's performance overview for the first quarter of 2020 under the TFRS 9 standard

For the first quarter of 2020, KTC had remained expanding in both its revenue and its profit with a relatively well number of incoming applications. The Company also gained higher growth in its total loans to customers and total accrued interest receivables. Simultaneously, the Company continued to effectively manage its financial expense. Income from bad debt recovery reached a satisfactory level while NPL level under the TFRS 9 standard stood at 4.01% as previously planned. The Company's growing performance can be summarized as followings.

- Total net profit under the TFRS 9 standard equaled to 1,641 MB.
- Total interest income (including credit usage fee) for the first quarter of 2020 grew at 11% (yoY) due to the expansion of total receivables portfolio, hence the increase in total revenue.

(Unit : Million Baht)	Consolidated 1Q2020 (TFRS9)	Separate 1Q2020 (TFRS9)	Management Report (Separate) 1Q2020 (Previous Standard)
Total Revenue	5,669	5,669	5,657
- Bad Debt Recovery	814	814	849
Administrative Expenses	1,929	1,928	1,929
Financial Cost	394	395	393
Expected Credit Loss	1,308	1,308	1,886
(Bad Debt and Doubtful Accounts)			
- Bad Debt	310	310	1,788
- Doubtful Accounts	998	998	98
Profit before Income Tax	2,038	2,038	1,449
Income Tax Expense	397	397	289
Net Profit	1,641	1,642	1,161

- Total operating cost to income ratio was up from 33% to 34% (yoY), mainly owing to the rise in marketing expense from new cardmember acquisition.
- For the first two months (January and February) of 2020, KTC's credit card spending grew at 10%, higher than that of the industry at 6.2%. Nonetheless, due to the impact from the outbreak of Covid-19, the Company's credit card spending in March was dropped. As a result, its credit card spending for the first quarter expanded just 2.2% or amounted to 50,167 MB.
- Total loans to customers and total accrued interest receivables had increasingly expanded to total value of 82,102 MB, consisting of 52,137 MB from total credit card receivables and 29,965 MB from total personal loan receivables.
- Net interest margin for the first quarter of 2020 was 15.64%, from average interest receive at 18.52% and cost of fund was 2.88%.

- Interest income (including credit usage fee) for the first quarter under the TFRS 9 standard amounted to 3,615 MB.
- The Company's total NPL under the TFRS 9 standard stood at 4.01% (or 1.21% under the previous financial reporting standard).

Revenue and Expense

- Total revenue for the first quarter of 2020 grew at 2% as a result of the increase in interest income from both credit card receivables and personal loan receivables of 12% (yoY) and 9% (yoY) respectively. In the meantime, fee income (excluding credit usage fee) contracted at 4% (yoY) owing to the decline in fee income from merchant's acquiring business.
- Total expense for this quarter equaled to 3,631 MB, comprising of 1,929 MB from administrative expense, 1,308 MB from expected credit loss (bad debts and doubtful accounts) and 394 MB from funding cost.
- Administrative expense was higher by 5% (yoY), mostly due to the increase in marketing expense for new cardmember acquisition (up 39% (yoY)).
- Expected credit loss (Bad debt and Doubtful Accounts) valued 1,308 MB in total, consisting of 310 MB of bad debts and 998 MB of doubtful accounts.

Loan Quality

- **Total loans continued to grow.** The Company's total loans equaled to 82,102 MB. Once the allowance for expected credit loss of 6,668 MB was deducted, the Company's net loans valued 75,434 MB in total.
- **Member base expanded 5.6% from the previous year.** At the end of March 2020, the Company had total members of 3.5 million accounts, comprising of 2,593,947 credit cards (up 10.4% yoY) and 926,729 personal loan accounts (down 6.0% yoY from non-active accounts closing).



Financial Highlights (Unit : Million Baht)	1Q2020 Consolidated (TFRS9)	1Q2020 Separate (TFRS9)	1Q2020 Management Report (Previous Standard) Separate
Total loans to customers and total accrued interest receivables	82,102	82,098	80,038
Total allowance for expected credit loss	(6,668)	(6,668)	(5,747)
Total loans to credit card customers and accrued interest receivables	52,137	52,137	51,119
Allowance for expected credit loss-Credit card	(3,899)	(3,899)	(3,434)
Total loans to personal loan customers and accrued interest receivables	29,965	29,960	28,919
Allowance for expected credit loss-Personal loan	(2,769)	(2,769)	(2,314)

Impacts from implementing the 9th financial reporting standard (TFRS 9)

Once implementing the 9th financial reporting standard (TFRS 9) for the first quarter of 2020, the impacts to the presentation of the Company's financial reports are as follows.

1. Stricter write-offs methods than the previous standard. Methods for bad debt write-offs and NPL receivables are altered from the prior in which under the TFRS 9 standard, the process of write-offs will be slower. Bad debts will be written off only when it is proven that the debt is no longer able to be collected as figures shown in the below table.

Financial Highlights (Unit : Million Baht)	Separate 1Q2020 (TFRS9)	Management Report 1Q2020 (Previous Standard)
NPL	3,288	966
Expected Credit Loss (Bad Debt and Doubtful Accounts)	1,308	1,886
- Bad Debt	310	1,788
- Doubtful Accounts	998	98

2. Change in NPL receivables. Under the TFRS 9 standard, the Company is required to set up provisions for NPL (both principle and interest) according to the calculation following ECL Model (Expected Credit Loss Mode), thus impacting any related ratios of NPL and allowance for expected credit loss (Allowance for doubtful accounts). Changes of figures from the previous standard are displayed in the following table.

Impacts from Implementing TFRS9 (Unit : Million Baht)	1Q2020 (TFRS9) Separate	1Q2020 (Previous Standard) Separate	1Q2019 (Previous Standard)
Total NPL (%)	4.01%	1.21%	1.18%
-NPL Credit Card (%)	3.44%	1.11%	1.04%
-NPL Personal Loan (%)	4.99%	1.38%	1.43%
Allowance for Expected Credit Loss to Total Receivables (%)	8.1%	7.2%	7.1%
NPL Coverage Ratio (%)	203%	595%	605%

Impact from the Covid-19 Outbreak

The spread of Covid-19 has inevitably impacted the Company's performance of credit card spending and the expansion of its receivable portfolio. In addition, as the Ministry of Finance and the Bank of Thailand have announced relief measures to assist clients affected by the Covid-19 outbreak, the Company has proceeded according to such measure by lowering its credit card minimum payment rate from 10% to 5% for its credit card clients automatically without requesting. For its personal loan clients, the minimum payment rate of KTC PROUD is presently at 3%, already in consistent with such relief measure. Other measures will start from April 20, 2020.



The management anticipates that the impacts from the Covid-19 pandemic cannot be clearly assessed currently but will rather be more evidently revealed in the second quarter of this year, the period in which the emergency decree is fully enforced. In the meantime, the management has entirely put its efforts to ease and assist its clients following the policies of the Ministry of Finance and the Bank of Thailand while maintain the quality of its receivable portfolio at best. The management also hastens to implement end to end process improvement in order to enhance the Company's work efficiency, together with to continue effectively response to customer demands.