

Executive Summary

“In 2Q22 and 1H22, KTC could continue to gain profits, up 12.7% and 9.9% respectively.”

consolidated financial statements reported 2Q22 and 1H22 net profits of Baht 1,894 million and Baht 3,641 million respectively, marking an increase of 12.7% and 9.9% from the same period in 2021 that recorded net profits of Baht 1,680 million and Baht 3,314 million respectively.

Due to economic recovery buoyed by easing of the country's entry rules, total receivable increased 6.3% (YoY) while loan to customers and accrued interest receivables amounted to Baht 95,069 million, up 2.6% from 2021 year-end amount of Baht 92,636 million.

“Credit card spending volumes of the industry and KTC in the first 5 months grew 18.5% and 15.3% (YoY) respectively. These volumes exceeded the pre-COVID level in 2019.”

The volume of KTC's card spending in the first half this year grew 16.6% or amounted Baht 109,782 million, which already exceeded the level of pre-COVID period (1H21 was Baht 100,282 million). It is noted that opportunities for further expansion are abound as Thailand and other countries will gradually open-up.

In 2Q22, the Company recorded a total revenue of Baht 5,735 million, gained 6.1% (YoY), with contributions from higher interest and fee incomes that rose 3.6% (YoY) and 15.1% (YoY) respectively. In 1H22, the Company recorded a total revenue of Baht 11,091 million, up 2.7% (YoY). The amount of bad debts recovered in 2Q22 and 1H22 totaled Baht 851 million and Baht 1,708 million respectively; these amounts were still higher than those in the same period last year.

Total expenditure in 2Q22 amounted to Baht 3,359 million, up 2.5% (YoY). Such an increase was due to higher administrative expenses that went up 11.9% (YoY). Meanwhile, expected credit losses and cost of fund dropped 9.2% (YoY) and 7.0% (YoY) respectively. In 1H22, the Company recorded a total expenditure of Baht 6,539 million, down 1.1%. Such a decrease was due to reduction of expected credit losses and cost of fund by 10.6% (YoY) and 7.6% (YoY) respectively. However, administrative expenses rose 6.4% (YoY).

In 2Q22, KTC satisfactorily expanded credit card and personal loan portfolios. P BERM loan had consistently grown in this period, even though it was slower than expected. As the Company still focused on maintaining portfolio quality, it succeeded in reducing bad debt and write-off. However, higher spending on new member acquisition and marketing promotions was regarded as investment in portfolio expansion as well as income and profit generation in the long run. Moreover, the Company was also focused on the right balance between revenue and expenditure by maintaining cost of fund at nearly the same level and building portfolios with appropriate risk and revenue relationship. As a result, the Company could achieve consistent profit growth.

Operating's Result for 1H22 and 2Q22

1H22 Financial Statement:

(Unit: Million Baht)	Consolidated Financial Statement			Separate Financial Statement		
	1H2021	1H2022	Growth (%YoY)	1H2021	1H2022	Growth (%YoY)
Total Revenues	10,798	11,091	3%	10,645	10,989	3%
Bad Debt Recovery	1,686	1,708	1%	1,645	1,678	2%
Total Operating Cost	3,555	3,784	6%	3,447	3,744	9%
Finance Costs	726	671	(8%)	721	667	(8%)
Profit (Loss) from Associate Company	5	8	58%	-	-	-
Profit before Expected Credit Loss	6,522	6,645	2%	6,477	6,578	2%
Expected Credit Loss	2,331	2,084	(11%)	2,341	2,044	(13%)
Bad Debt	2,552	1,962	(23%)	2,507	1,837	(27%)
Doubtful Accounts (Reversal)	(221)	122	155%	(166)	207	225%
Profit before Income Tax	4,191	4,560	9%	4,136	4,534	10%
Income Tax Expense	839	915	9%	830	912	10%
Net Profit	3,352	3,645	9%	3,307	3,621	10%
Total Comprehensive Income (Loss)						
Owners of the parent	3,314	3,641	10%	3,307	3,621	10%
Non-controlling interests	38	4	(89%)	-	-	-
Earning per Shares	1.29	1.41	10%	1.28	1.40	10%

2Q22 Financial Statement:

(Unit: Million Baht)	Consolidated Financial Statement			Separate Financial Statement		
	2Q2021	2Q2022	Growth (%YoY)	2Q2021	2Q2022	Growth (%YoY)
Total Revenues	5,406	5,735	6%	5,325	5,678	7%
Bad Debt Recovery	833	851	2%	811	837	3%
Total Operating Cost	1,775	1,986	12%	1,734	1,989	15%
Finance Costs	359	334	(7%)	356	332	(7%)
Profit (Loss) from Associate Company	3	4	33%	-	-	-
Profit before Expected Credit Loss	3,274	3,419	4%	3,234	3,357	4%
Expected Credit Loss	1,144	1,039	(9%)	1,137	1,014	(11%)
Bad Debt	1,321	970	(27%)	1,284	849	(34%)
Doubtful Accounts (Reversal)	(177)	69	139%	(147)	165	212%
Profit before Income Tax	2,130	2,380	12%	2,097	2,343	12%
Income Tax Expense	428	479	12%	422	474	12%
Net Profit	1,703	1,901	12%	1,674	1,870	12%
Total Comprehensive Income (Loss)						
Owners of the parent	1,680	1,894	13%	1,674	1,870	12%
Non-controlling interests	23	7	(70%)	-	-	-
Earning per Shares	0.65	0.73	12%	0.65	0.73	12%

Total portfolio expanded along with the recovery of overall economy

In 2Q22, gross loan receivables and accrued interest receivables totaled Baht 95,069 million, up 6.3% (YoY). This amount was broken down into credit card receivables worth Baht 61,426 million, up 10.3% (YoY), personal loan receivables worth Baht 30,460 million, up 3.3% (YoY), and lease receivables worth Baht 3,184 million, down 25.2% (YoY).

Moreover, total new booking loans of KTC P BERM and KTBL in 1H22 totaled Baht 525 million, and monthly growth trend had been evident since early this year. In 2Q22, total new booking loans grew 22.9% (QoQ), but its growth was much slower than estimates. Consequently, the Company was compelled to hasten the pace of expansion in the remaining of the year.

Satisfactory growth of credit card spending

Economic activities have been resuming gradually in tandem with relaxation of restrictions until early July when Thailand has fully reopened with an aim to spur local spending. As a result, the Company's overall volume of credit card spending had returned. Therefore, in 1H22 total spending volume was equivalent to Baht 109,782 million which exceeded the amount in the pre-COVID compared to 1H21 spending volume which equaled to Baht 100,282 million.

In 2Q22 and 1H22, the Company's credit card spending volume grew 25.8% and 16.6% (YoY), amounted to Baht 57,535 million and Baht 109,782 million respectively; however, its card membership base shrank 1.8% (YoY) or overall membership base of 3.3 million accounts, including 2,525,367 credit cards, decreased by 0.8% (YoY), and 756,960 personal loan accounts, decreased by 5.1% (YoY).

Over the five-month period in 2022, the volume of KTC's credit card spending grew 15.3%, compared to industry growth of 18.5% YoY. It is noted that the volume of KTC's credit card spending in April, May and June grew 22.0%, 32.6% and 23.1% respectively in tandem with industry growth trends, resulting from economic recovery and relaxed restrictions.

Maintaining net interest margin

The Company could implement efficient financing cost which generated cost of fund in 2Q22 and 1H22 at 2.4%, a decrease from 2.6% compared to the same period last year. Meanwhile, the average of interest income stood at 15.1% and 14.6%, marking a decrease from the rates of 15.3% and 15.2% respectively in the same period last year. Therefore, the net interest margin in 2Q22 and 1H22 was 12.7% and 12.2% respectively.

The portfolio quality continuously improved

The non-performing loans to total gross loans ratio (%NPL) in 2Q22 stood at 3.5%, marking a decrease from 3.6% and 4.4% of the 1Q22 and 2Q21 respectively. Non-performing loan ratios of credit cards, personal loans, and lease receivables stood at 1.2%, 2.8% and 54.0% respectively. (NPL ratios of leasing were

outcomes of consolidation of existing Ktbl portfolio. However, NPL ratios of only new booking portfolios of P BERM and Ktbl were below industry.) The Company still maintained a satisfactory level of stringent debt collection activities, which have been conducted regularly.

NPL	3.5%	2Q2021		1Q2022		2Q2022	
		NPL	%Total Receivables	NPL	% Total Receivables	NPL	%Total Receivables
Total NPL		3,879	4.4%	3,206	3.6%	3,270	3.5%
NPL – Credit Card		808	1.5%	671	1.2%	716	1.2%
NPL – Personal Loan		869	3.0%	760	2.6%	836	2.8%
NPL – Leasing		2,202	51.7%	1,774	56.2%	1,718	54.0%

Bad Debt Recovery

851
(Million Baht)

↑ 2%
YoY

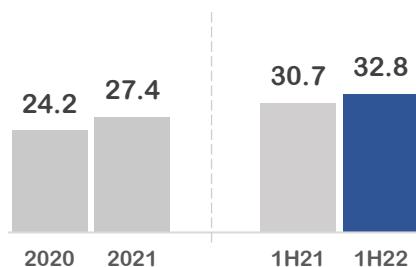
Allowance for expected credit loss to NPL still remained high

The Company was able to maintain good debt collection capability, total bad debt recovery for 2Q22 equaled to Baht 851 million, comprising of KTC at the amount of Baht 837 million, increased 3.1% (YoY) and from Ktbl at the amount of Baht 14 million.

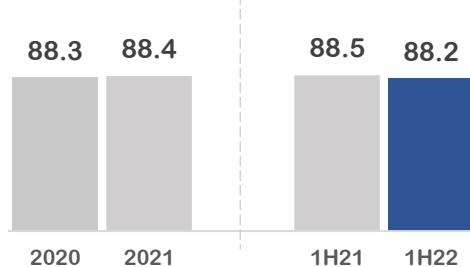
In 2Q22, the Company's allowance for expected credit losses in the consolidated financial statements amounted to Baht 9,814 million, marking a marginal increase of 0.8% (YoY). In the separate financial statements, such allowance amounted to Baht 7,556 million, an increase of 5.1% (YoY) compared to the same period last year. The key factor was attributed to allowance for expected credit losses from personal loans that went up 9% (YoY). NPL coverage ratio in 2Q22 was recorded at 487.0% and 300.1% in the separate and consolidated financial statements respectively.

Key Financial Ratio

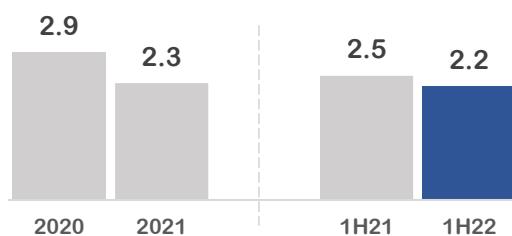
Net Profit Margin (Unit: %)



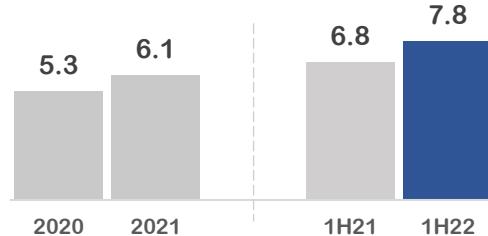
Gross Profit Margin (Unit: %)



Debt to Equity (D/E) Ratio
(Unit: Times)



Interest Coverage Ratio
(Unit : Times)



Key Financial Ratio	Y2020 (Original) (Consolidated)	Y2021 (Consolidated)	1H2022 (Separate)	1H2022 (Consolidated)
Earnings per Share (Baht)	2.07	2.28	1.40	1.41
Book Value per share (Baht)	8.9	10.5	10.8	10.9
Cost to Income	32.9%	34.2%	34.1%	34.1%
Operating Cost to Income	25.4%	27.3%	25.7%	25.8%
NPL Coverage Ratio	460.4%	292.2%	487.0%	300.1%
Expected Credit Loss/Total Receivables	7.3%	5.9%	4.4%	4.4%
Allowance for Expected Credit Loss/Total Receivables	8.2%	10.5%	8.2%	10.3%
Return on Equity (ROE) ⁽¹⁾	25.0%	23.5%	26.4%	26.6%
Return on Asset (ROA)	6.1%	6.6%	8.1%	8.1%
Dividend Payout Ratio	42.5%	41.2%	N/A	N/A

Remark:

⁽¹⁾ Calculation of "ROE" based on average equity attributable to owners of the parent since 1Q2022 onwards

Cost of fund dropped to 2.4% and D/E ratio was only 2.2 times

As at the end of 2Q22 or 1H22, KTC's total borrowing equaled Baht 55,649 million, up 4.1% (YoY). The structure of funding sources constituted a combination of short- and long-term borrowing at a ratio of 34%: 66%.

KTC has diversified its sources of borrowed funds to Thai commercial banks, insurance companies and various asset management firms. These borrowed funds comprised of short-term loans from related financial institution and other financial institutions worth Baht 3,840 million and Baht 8,508 million respectively, long-term loans from KTB worth Baht 1,500 million, and debentures worth Baht 41,801 million. In 2Q22 and 1H22, Cost of fund reported at 2.4%, a decrease from 2.6% in 1Q22. The debt-to-equity ratio stood at 2.2 times, which was below the covenant at 10 times.

KTC's credit lines totaled 33,340 MB

KTC's short-term credit lines totaled Baht 27,340 million (Baht 18,030 million from Krungthai Bank), and its long-term credit lines from Krungthai Bank totaled Baht 6,000 million. The Company already drew on some credit lines worth Baht 7,091 million. As a result, as at the end of 2Q22, the Company's available credit lines totaled Baht 26,249 million.

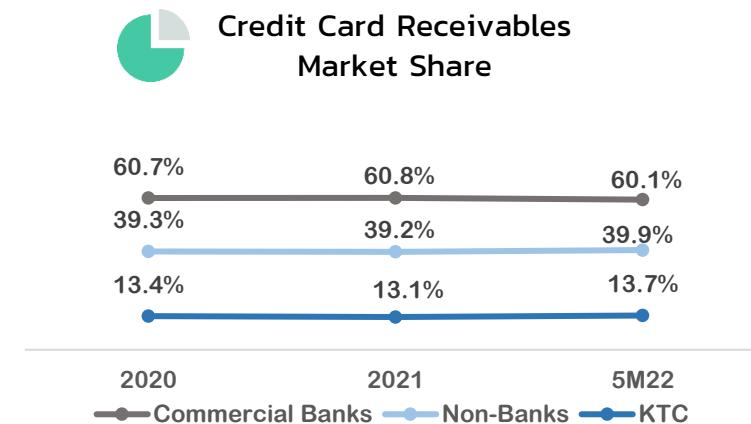
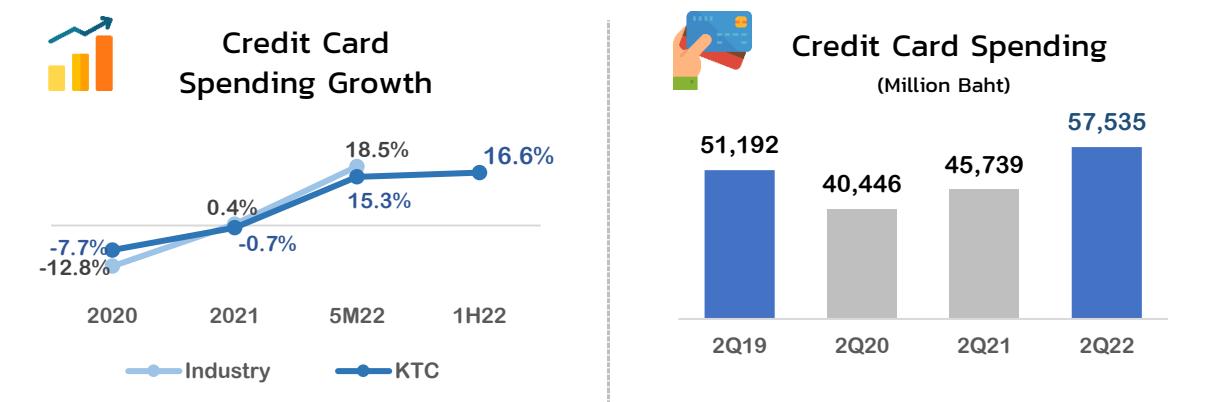
Industry Overview

According to the Bank of Thailand (BOT)'s monetary policy report as at the end of 2Q22, the overall of Thai economy had been on a clear and continuous path to recovery due to improved COVID-19 outbreak situation, better-than-expected private consumption, and the return of foreign tourists following hastened re-opening of Thailand and other countries. In addition, signs of improvement of labor markets and household incomes coincided with consistently expanding economic activities. Recently, BOT projected a marginal increase in GDP for 2022 to 3.3% (previous projection as of March 2022 was 3.2%) and forecasted a GDP growth of 4.2% for 2023 (lower than previous projection of 4.4%). Nevertheless, ongoing economic expansion has been facing a multitude of risks, stemming from higher cost of living, burgeoning household debts, and a rising trend of general inflation rate, which might cause a spike in demands for consumer loans.

Industry Data	Y2021	5M2021	5M2022
Credit Card Receivables (Million Baht)	458,181	402,190	441,618
Growth (%)	1.9%	8.6%	9.8%
Proportion of KTC Credit Card Receivables VS Industry (%)	13.1%	13.7%	13.7%
Amount of Credit Card (Cards)	24,849,285	24,420,556	25,216,260
Growth (%)	2.8%	2.3%	3.3%
Proportion of KTC Credit Card VS Industry (%)	10.1%	10.4%	10.0%
Credit Card Spending (Cards)	1,649,491	648,035	767,858
Growth (%)	0.4%	2.2%	18.5%
Proportion of KTC Credit Card Spending VS Industry (%)	11.9%	12.1%	11.8%
Personal Loan Receivables (Million Baht)	707,715	607,226	746,588
Growth (%)	21.9%	6.8%	23.0%
Proportion of KTC Personal Loan Receivables VS Industry (%)	4.1%	4.9%	4.0%

Source: Bank of Thailand

The growth of credit card and personal loan businesses has returned as evidenced by the industry's credit card receivables worth Baht 441,618 million as at May 2022, marking an increase of 9.8% from the same period in 2021. Moreover, over the first five months this year the volume of credit card spending amounted to Baht 767,858 million, up 18.5%, while personal loan receivables this year amounted to Baht 746,588 million, up 23.0%



Over the first five months this year, KTC's market share of credit card receivables to the industry stood at 13.7%, and its market share of personal loan receivables to the industry stood at 4.0%.

Compared to last year, the volume of credit card spending of the Company and the industry over the first five months this year showed a decent growth rate of 15.3% (YoY) and 18.5% (YoY) respectively, while the Company captured a market share of 11.8%.

Revenue & Expense

Revenue:

In 2Q22, total interest income (including credit usage fee) amounted to Baht 3,552 million, up 3.6% (YoY), while interest income earned from credit card and personal loan businesses amounted to Baht 1,742 million and Baht 1,784 million, up 6.3% (YoY) and 1.0% (YoY), respectively. An incremental portion of interest income was from interest income earned from credit card business as the volume of credit card spending grew in tandem with expanded portfolio, improved COVID-19 situation, and economic recovery.

In 2Q22, fee income (excluding credit usage fee) amounted to Baht 1,200 million, up 15.1% (YoY). The increase was attributed to a growth of 23.0% (YoY), 31.5% (YoY) and 24.0% (YoY) of cash advance fee income, interchange fee, and merchant discount fee respectively. However, debt collection fee income dropped 49.6% (YoY) because the Company reduced debt collection fee as mandated by the Debt Collection Supervisory Committee. Debt collection fee was reduced from the previous rate of Baht 100 per installment to Baht 50 per round (in case of one outstanding installment) and Baht 100 per round (in case of more than one outstanding installment).

Total Revenue (Million Baht)		5,735 6.1% YoY			
Interest Income (Including Credit Usage Fee) 3,552 Million Baht	2Q2021 (Original)	% Total Revenue	2Q2022	% Total Revenue	% Growth
Interest Income - Credit Card	1,639	30.3%	1,742	30.4%	6.3%
Interest Income - Personal Loan	1,765	32.7%	1,784	31.1%	1.0%
Interest Income - Leasing	25	0.5%	27	0.5%	6.7%



Fee Income (Excluding Credit Usage Fee) 1,200 Million Baht	2Q2021 (Original)	% Total Revenue	2Q2022	% Total Revenue	% Growth
Fee income (Excluding credit usage fee)	1,042	19.3%	1,200	20.9%	15.1%

Expenses:

In 2Q22 and 1H22, total operating expenses amounted to Baht 1,986 million and Baht 3,784 million, up 11.9% (YoY) and 6.4% (YoY), respectively, resulting from rising personnel expenses, interchange fee expenses, and marketing expenses. Higher marketing expenses were attributed to issuance of new cards to penetrate high-income customer segments so as to spur portfolio growth and generate future revenue. In addition, online marketing activities were also ramped up. However, increasing marketing expenses were almost the same as expenses in the same period in 2019 prior to COVID-19 outbreaks. Thus, marketing expenses this year will be nearly at the same level or higher than the level in 2019 of Baht 1,014 million, whereas cost to income ratio in 2Q22 was on par with the ratio of 34.1% as at the end of 2019.

Expected credit losses in 2Q22 and 1H22 amounted to Baht 1,039 million and Baht 2,084 million, down 9.2% (YoY) and 10.6% (YoY), respectively. Reduced losses were due to the fact that the Company could consistently manage to control the portfolio quality. Even though the Company carried a higher provision to accommodate the expansion of new loans, a very high quality of loan portfolios effectively brought down bad debt and write-off in both credit card and personal loan portfolios.

Cost of fund in 2Q22 and 1H22 amounted to Baht 334 million and Baht 671 million, down 7.0% (YoY) and 7.6% (YoY), respectively, resulting from efficient financing cost management and acquisition of new borrowing with lower costs.

Total Expense (Million Baht)		3,359	2.5% YoY	Finance Cost (Million Baht)	334
 Operating's Expense 1,986 Million Baht		2Q2021 (Original)	% Total Revenue	2Q2022	% Total Revenue
Personal expenses	601		11.1%	667	11.6%
Marketing expenses	165		3.0%	242	4.2%
Fee Expense	547		10.1%	622	10.9%
Other administrative expenses	463		8.6%	455	7.9%
					% Growth
					11.0%
					46.9%
					13.7%
					(1.7%)

Expected Credit Loss (ECL) 1,039 Million Baht	2Q2021 (Original)	% Total Revenue	2Q2022	% Total Revenue	% Growth
ECL - Credit Card	560	10.4%	507	8.8%	(9.5%)
ECL - Personal loan	578	10.7%	507	8.8%	(12.2%)
ECL - Leasing	6	0.1%	25	0.4%	289.6%

Financial Position

Asset Increased

As of 30 June 2022, the Company's assets totaled Baht 90,845 million, up 7% (YoY). Primary income-generating asset was net loan receivables and accrued interest receivables, amounted to Baht 85,255 million, accounting for 94% of total assets. The remainder of 6% of total assets primarily comprised of cash and deferred tax assets.



Asset	1H2021	1H2022	% Growth
Credit Card - Loans to customers and accrued interest receivables, net	51,617	57,258	10.9%
Personal Loan - Loans to customers and accrued interest receivables, net	26,382	27,072	2.6%
Leasing - Loans to customers and accrued interest receivables, net	1,705	926	(45.7%)



Liability	1H2021	1H2022	Equity	1H2021	1H2022
Total liability	60,309	62,694	Total Shareholder Equity	24,601	28,151
Total borrowing	53,481	55,649			

Loan portfolio growing at 6.3% (YoY)

As at the end of 1H22, total loan portfolio grew 6.3% (YoY). The total loan portfolio of Baht 95,069 million was composed of credit card receivables worth Baht 61,426 million, personal loan receivables worth Baht 30,460 million, and lease receivables worth Baht 3,184 million. The Company's allowance for expected credit losses amounted to Baht 9,814 million. Such allowance was mostly attributed to allowance for expected credit losses related to increased personal loan receivables that grew 9% as detailed below:

(Unit: Million Baht)	Consolidated Financial Statements			
	Credit Card	Personal Loan	Leasing	Total
Stage 1	54,864	24,374	-	79,237
Stage 2	5,596	4,898	-	10,495
Stage 3	716	836	-	1,551
Financial assets applied simplified approach to calculate lifetime expected credit losses	-	-	3,184	3,184
Total loans to customers	61,176	30,108	3,184	94,467

(Unit: Million Baht)	Consolidated Financial Statements			
	Credit Card	Personal Loan	Leasing	Total
Add Accrued interest receivables and undue interest receivables	250	352	-	602
Total loan to customers and accrued interest receivables	61,426	30,460	3,184	95,069
Less Allowance for expected credit loss	(4,167)	(3,389)	(2,258)	(9,814)
Total loans to customers and accrued interest receivables, net	57,258	27,072	926	85,255

The changes in the allowance for expected credit losses as of June 30, 2022 are as following table.

(Unit: Million Baht)	Allowance for Expected Credit Loss				
	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	Total
Balance as of January 1, 2022	3,918	2,365	1,066	2,343	9,691
Changes in staging	282	(370)	88	-	-
Changes in risk parameters	(344)	840	2,397	53	2,945
New financial assets originated or purchased	263	-	-	4	267
New financial assets derecognized	(107)	(365)	(638)	(17)	(1,128)
Written-off	-	-	(1,837)	(125)	(1,961)
Balance as of March 31, 2021	4,011	2,469	1,075	2,258	9,814

Impact from COVID-19

The Bank of Thailand gradually launched a series of debt relief measures to help debtors affected by COVID-19 outbreaks through reduction of minimum installment amount and interest rates, expansion of credit lines, deferment of installment payment, and debt conversion to low-interest and longer-term loans. It aimed to prop up the economy to weather this crisis. KTC had positively responded to this policy by launching various debtor assistance programs in line with BOT's sustainable debt solutions.

In 2022, KTC has continued to implement this policy to lessen burdens of debtors affected by COVID-19 and provide assistance to debtors of all statuses as mandated by BOT Notification No. BOT.RPD2.C. 802/2564. As of 30 June 2022, debt amounts from the program reported at Baht 2,182 million, accounting for 2.39% of total loan portfolio.

Outlook 2022

In the 1H22, the Company operated its core businesses according to plan and targets. The volume of credit card spending grew 16.6% to Baht 109,782 million due to gradual recovery of economic activities and the government's relaxation of quarantine measures for foreign tourists entering Thailand. Up until early July, Thailand has fully opened-up the country and completely dropped quarantine measures for tourists traveling to Thailand. As a result, the volume of KTC's card spending has clearly surged. Therefore, it is possible that by the end of this year the volume of the Company's card spending would grow around 15%, even though the Company still maintains a growth target of 10%.

Personal loan business grew 3.3% to Baht 30,460 million by executing a strategy that focused on the importance of new customers and sustenance of existing customer base. It is anticipated that personal loan business could achieve a set growth target of 7% while the volume of P BERM and Ktbl's new loan customers amounted to around Baht 525 million. Even though an incremental volume was below a set target, the Company is determined to work together with all operating units to speed up acquisition of new customers and increase growth rate in the remaining half of the year.

In 2Q22, the Company's NPL ratio stood at 3.5%. The Company is confident that it could maintain the quality of total loan portfolio as per set target, and it is projected that total loan portfolio will be higher than Baht 100,000 million. In addition, the Company also forecasted a higher profit for this year.

Target	2022	1H22 (Actual)
Net Profit	> 6,251 MB	3,641 MB
Total Receivables	> 100,000 MB	95,069 MB
Credit Card Spending Growth	10.0%	16.6%
Personal Loan Receivables Port Growth	7.0%	3.3%
New Booking of P BERM & Ktbl	11,500 MB	525 MB
Port Quality – %NPL	≤ 3.6%	3.5%

As for directions of business operation in 2H22, KTC still focuses on acquiring new customers and innovating marketing activities suited to changing circumstances or contexts. Even though this approach might incur additional marketing expenses and higher provisions corresponding to expanded loan portfolios, the Company is confident that it will be able to achieve set growth targets of credit card spending volume and total receivables while keeping NPL from exceeding projection and maintaining financing cost at nearly the same level. Therefore, the Company is confident that it will hit profit target as per estimates.