

บริษัท บัตรกรุงไทย จำกัด (มหาชน)

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Krungthai Card Public Company Limited

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KTC 270 / 2021

May 12, 2021

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

Subject: Operating result notification of the quarter ended March 31, 2021

Enclosure: Management Discussion and Analysis for the quarter ended March 31, 2021

KTC's Board of Directors has approved the Company's Financial Statement and the Report of certified public accountant for the quarter ended March 31, 2021, which were reviewed by Deloitte Touche Tohmatsu Jaiyos Audit Co., Ltd., 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

1. Executive Summary

Net profit for the first quarter of 2021 equaled to 1,634 million baht, approximately at the same level as the first quarter of last year at 1,641 million baht. Despite of the impact on COVID-19 pandemic together with the interest rate ceiling reduction, the Company's total loans to customers and total accrued interest receivables equaled to 86,854 million baht, increased by 6% (yoY). Although the Company's total revenue decreased by 6%, the Company however managed to reduce total expense by 10% by managing total operating expense to keep up with current situations and controlling well on financial cost. Moreover, income from bad debt recovery was at a satisfactory level, while NPL was at an acceptable risk level. Under circumstances where variable factors are arising, the Company was able to manage the cost to income ratio, resulting in the profit before expected credit loss in this quarter to decrease only by a small portion. By maintaining good portfolio quality, the allowance for expected credit loss become less necessary. As a result, the Company's net profit remained approximately at the same level.

At the beginning of April 2021, TRIS Rating Company Limited upgraded KTC's credit rating from A+ to AA-, which will enhance the Company's strong financing capability to refinance new debentures at a lower cost.

Performance Overview for the First Quarter of 2021

For the first quarter of 2021 company's performance, total revenue equaled to 5,320 million baht and total loans to customers and total accrued interest receivables increased by 5.8%(yoY). Accordingly, KTC's key performance overview can be summarized as follows;

- The Company's net profit equaled to 1,634 million baht, decreased only by -0.4%(yoY), yet expanded by 23.6%(qoq).
- Total loans to customers and total accrued interest receivables equaled to 86,854 million baht, expanded by 5.8%(yoY) whereby credit card receivables rose 10.1%(yoY), while personal loan receivables dipped slightly by -1.7%(yoY).
- The Company's credit card spending for the first quarter amounted to 48,420 million baht, decreased by -3.5%(yoY).
- The Company's NPL to total loans ratio for the first quarter was at 1.9%.

	Consolidated 1Q2021	Proportion (%)	Growth (%)	Consolidated 1Q2020	Proportion (%)
				1Q2020	
Total Revenues	5,320	100%	(6%)	5,669	100%
Bad Debt Recovery	834	16%	2%	814	14%
Total Operating Cost	1,713	32%	(11%)	1,929	34%
Finance Costs	364	7%	(8%)	394	7%
Profit (Loss) from Associate Company	2	0%	-	0	0%
Profit before Expected Credit Loss	3,245	61%	(3%)	3,346	59%
Expected Credit Loss	1,204	23%	(8%)	1,308	23%
Bad Debt	1,222	23%	295%	310	5%
Doubtful Accounts (Reversal)	(19)	0%	(102%)	998	18%
Profit before Income Tax	2,041	38%	0%	2,038	36%
Income Tax Expense	408	8%	3%	397	7%
Net Profit for the period	1,634	31%	(0%)	1,641	29%
Earning per Share	0.63			0.64	

- Net interest margin was at 12.53%, lower due to the interest rate ceiling reduction which was effective since August 1, 2020.
- From the first quarter of 2021 onwards, the Company has adjusted the formula to calculate "Average Interest Received". Formerly, we applied the formula according to the Securities and Exchange Commission of Thailand (SEC), which the denominator of the ratio was "Average Net Account Receivables". After consideration, we decided to use "Average Gross Account Receivables". According to TFRS9 Accounting Standard, the income still being recognized, though the receivables were marked as a Non-Performing Loan (NPL) in the Stage 3. Therefore, the Average Interest Received and the Net Interest Margin for the first quarter of 2021 was changed to 15.17% and 12.53%, respectively. The table below shows the compared values in each period.

	1Q21		Y2020		4Q20		1Q20	
	Average Gross Account Receivables	Average Net Account Receivables	Average Gross Account Receivables	Average Net Account Receivables	Average Gross Account Receivables	Average Net Account Receivables	Average Gross Account Receivables	Average Net Account Receivables
Average Interest Received	15.17%	16.55%	16.05%	17.32%	15.50%	16.74%	17.16%	18.52%
Net Interest Margin (NIM)	12.53%	13.91%	13.38%	14.66%	12.89%	14.13%	14.28%	15.63%

2. Industry Overview

The overall Thai economy has been impacted by the re-emerging of COVID-19 pandemic, which can anticipate a slowdown in economic expansion. As the international travel restrictions are still under uncertainties and the tendencies in opening the country is slower than expected, therefore the domestic spending and the recovery of international tourist arrivals has been impacted. Nevertheless, the main driving force of Thai economy would be merchandise exports, which improved in line with the recovery of trading partner economies. Accordingly, for the year of 2021, the Bank of Thailand has forecasted the Thai economy to grow at 3.0%, slightly lower than the previous forecast of 3.2%.

Under this uncertain situation, the overall consumer loan industry grew in a slower manner. The industry total credit card receivables at the end of March 2021 totalled 417,926 million baht, expanded 5.8% from the same period in 2020, while the industry personal loan receivables equaled to 578,865 million baht, grew at 1.1%(yoY). The overall card spending volume for the first three months of 2021 equal 399,841 million baht, decreased at -8.0% (contracted at -18.2% in January and -13.4% in February, but rebounded in March with the growth of 9.5%). However, the comparison of card spending for the first two months of 2020 and 2021 should be difficult, as there was no appearance of impact from COVID-19 situation during January and February 2020. However, such impact was shown in March 2020.

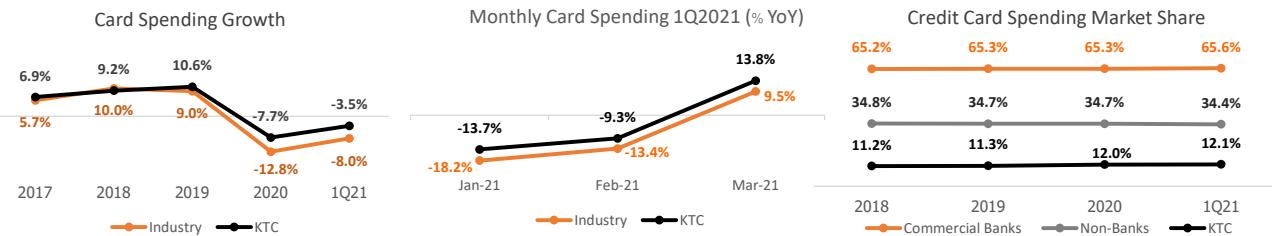
For the first 3 months of 2021, KTC's proportion of credit card receivables market share to the industry was 13.7%, higher than that of the same period in 2020 at 13.2%. This was due to the growth in the Company's credit card receivables at 10.1%, higher than that of the industry at 5.8%, while KTC's personal loan receivable market share to industry was at 5.1%.

Industry Comparison	1Q2021	Y2020	Y2019
Credit Card Receivable (Million Baht)	417,926	449,733	457,090
Growth (%)	5.8%	(1.6%)	9.2%
KTC Credit Card Receivables to Industry (%)	13.7%	13.4%	12.4%
Number of Credit Cards (Cards)	24,308,436	24,163,921	23,620,374
Growth (%)	1.7%	2.3%	6.9%
Credit Card Spending (Million Baht)	399,841	1,643,709	1,885,725
Growth (%)	(8.0%)	(12.8%)	9.0%
KTC Credit Card Spending to Industry (%)	12.1%	12.0%	11.3%
Personal Loan Receivables (Million Baht)	578,865	580,454	579,911
Growth (%)	1.1%	0.1%	51.3%
KTC Personal Loan Receivables to Industry (%)	5.1%	5.2%	5.0%

Source: Bank of Thailand

In the first quarter of 2021, the Company total card spending contracted at -3.5%, higher than that of the industry that declined at -8.0%, while the Company's card spending market share was at 12.1%.

Card Spending



3. Total Revenue and Expense

Total revenue 1st quarter of 2021 equal 5,320 MB

Total Interest Income (including Credit Usage Fee)		1Q2021			
		% of total revenue	1Q2020	% of total revenue	Growth (%)
Credit card receivable	1,604	30%	1,683	30%	(4.7%)
Personal loan receivable	1,753	33%	1,932	34%	(9.3%)
Fee income (excluding Credit Usage Fee)		1Q2021			
		% of total revenue	1Q2020	% of total revenue	Growth (%)
Fee income (excluding credit usage fee)	1,082	20%	1,183	21%	(8.6%)



Average interest received*	COF
15.17%	2.64%

* Changed in the denominator of Average Interest Received calculation from Average Net Account Receivables to Average Gross Account Receivables

Revenue

- The Company's total revenue in the first quarter of 2021 equaled 5,320 million baht, decreased by -6.2% (yoY). As a result of the new wave of the COVID-19 outbreak since the end of 2020, it affects consumer confidence in spending and when compared with the first 2 months of last year, the COVID-19 outbreak was not as severe as this year. Furthermore, the Bank of Thailand's measures to reduce the interest rate ceiling on both credit card and personal loan businesses caused the decline in the Company's interest income.

- **Interest income from two main businesses decreased.** Fee income (including credit usage fee) equaled to 3,357 million baht, decreased by -7.1%(yoY). Interest income from credit card and personal loan businesses equaled to 1,604 million baht, decreased -4.7%(yoY) and 1,753 million baht, decreased by -9.3%(yoY) respectively.
- **Fee income decreased.** In the first quarter of 2021, fee income (excluding credit usage fee) equaled to 1,082 million baht, decreased by -8.6%(yoY) due to the decline in fee income from cash advance at -28.0%(yoY), fee income from debt collection at -15.9%(yoY), the income from interchange fee at -9.5%(yoY) (fee charged between issuing banks/issuing credit card companies and banks/intermediary payment companies), and others fee income at -7.3%(yoY) On the contrary, merchant discounts fee increased by 3.5%(yoY) , which is the fee charged to KTC merchants for providing services.
- **Bad Debt Recovery increased.** In the first quarter of 2021, bad debt recovery equaled to 834 million baht, increased by 2.4%(yoY) due to the debt collection team's work efficiency.

Expense

- The Company's total expense equaled to 3,281 million baht, decreased by -9.6%(yoY) mainly from 3 parts; total operating cost decreased by -11.2%(yoY), expected credit loss decreased by -8.0%(yoY) and cost of fund decreased by -7.6%(yoY).

Total expenses for the 1st quarter of 2021 equal 3,281 MB



Total Operating Cost 1,713 million baht

	1Q2021	% of total revenue	1Q2020	% of total revenue	Growth (%)
Personal expenses	542	10%	619	11%	(12.4%)
Marketing expenses	164	3%	264	5%	(37.9%)
Fee	528	10%	608	11%	(13.1%)
Other administrative expenses	479	9%	438	8%	9.2%

Expected Credit Loss 1,204 million baht

	1Q2021	% of total revenue	1Q2020	% of total revenue	Growth (%)
Expected credit loss: credit card	592	11%	672	12%	(12.0%)
Expected credit loss: personal loan	612	12%	636	11%	(3.9%)

Note: Total revenue for 1Q2021 equal 5,320 million baht

- **Total Operating Cost decreased by -11.2%(yoY)** in the first quarter of 2021, or equaled to 1,713 million baht, down from 1,929 million baht in the first quarter of 2020, mainly decreased from marketing expense at -37.9%(yoY). The new wave of the COVID-19 outbreak causes less economic activities, consumers are more careful with their spending, as well

as lower acquisition for new members. In addition, the Company is focusing more on online marketing; as a result, consulting fee decreased by -13.1%(yoY) and personnel expense decreased by -12.4%(yoY).

- **Expected credit loss decreased by -8.0%(yoY)** due to the faster process of bad debts write-off and the high-quality portfolio with strict credit approvals, expected credit loss decreased. In the first quarter of 2021, expected credit loss equaled to 1,204 million baht.
- **Cost of fund decreased -7.6%(yoY)** For the first quarter of 2021, the company's financing cost amounted to 364 million baht as the Company managed to lower its cost of fund. As of March 31, 2021, the Company's cost of fund was 2.64%.

Changes of expected credit loss and credit quality

- The Company's NPL to total loans ratio in the first quarter of 2021 was at 1.9% slightly increased compare to the previous quarter at 1.8%. Due to the new wave of the COVID-19 outbreak, customers' ability to pay back debt decreased where credit card and personal loan's NPL were at 1.4% and 2.9%, respectively.

% of NPL	1.9%		
	1Q2021	4Q2020	1Q2020
NPL to credit card receivable	1.4%	1.3%	3.4%
NPL to personal loan receivable	2.9%	2.7%	5.0%

- The table shows changes in allowance for expected credit losses as at 31 March 2021.

(Unit : Million Baht)	Allowance for Expected Credit Loss			Total
	12-month ECL (Stage 1)	Lifetime ECL - not Credit Impaired (Stage 2)	Lifetime ECL - Credit Impaired (Stage 3)	
Balance as of January 1, 2021	3,865	2,445	1,046	7,355
Changes in staging	160	(574)	414	-
Changes in risk parameters	(241)	573	1,597	1,929
New financial assets originated or purchased	95			95
New financial assets derecognized	(22)	(49)	(749)	(820)
Written off	-	-	(1,222)	(1,222)
Balance as at March 31, 2021	3,856	2,395	1,086	7,337

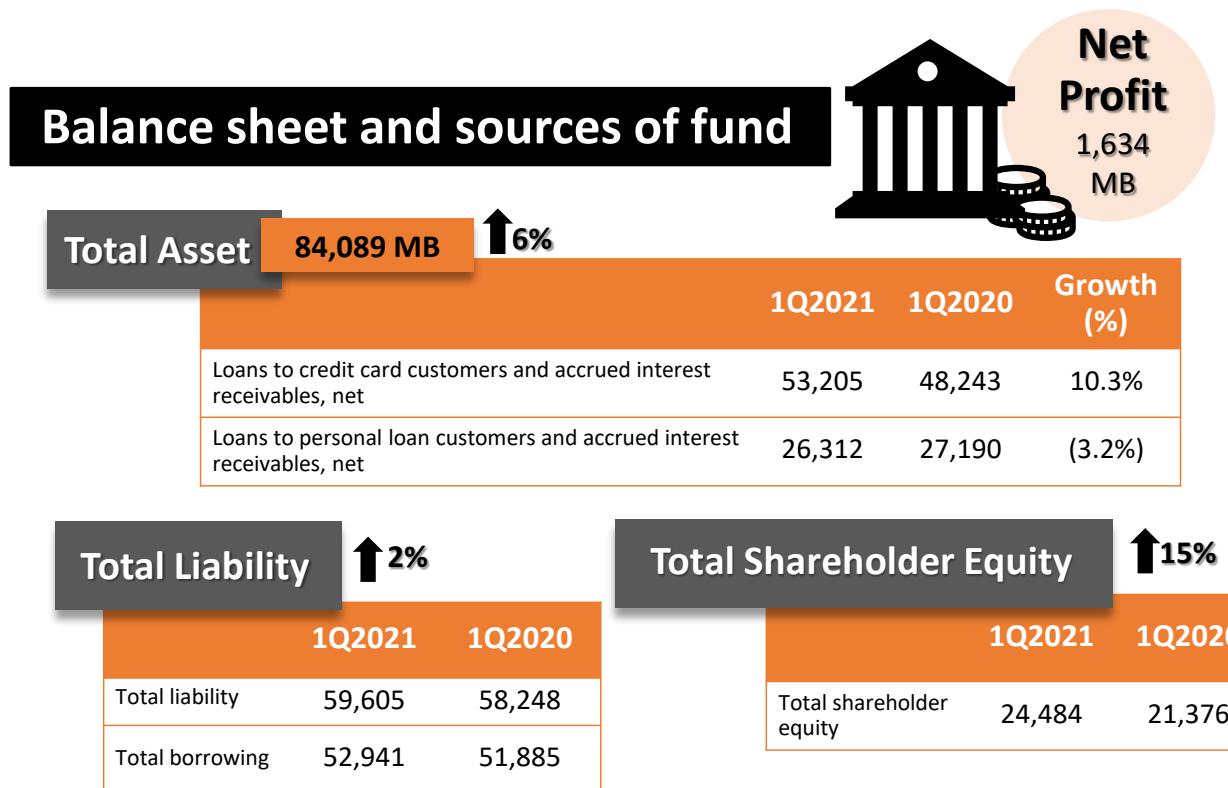
- At the end of the first quarter of 2021, the Company's expected credit loss amounted to 7,337 MB, which the amount has embedded the Company's Management Overlay of 1,000 MB to prepare to mitigate economic risk, as well as the risk of portfolio quality under uncertain circumstances in the future.

(Unit: Million Baht)	Consolidated Financial Statement March 31, 2021		
	Credit Card	Personal Loan	Total
Stage 1	50,611	23,240	73,852
Stage 2	5,733	5,079	10,812
Stage 3	814	847	1,661
Total loans to customers	57,159	29,166	86,325
Add Accrued interest receivables and undue interest receivables	234	295	529
Total loan to customers and accrued interest receivables	57,393	29,461	86,854
Less Allowance for expected credit loss	(4,188)	(3,149)	(7,337)
Total loans to customers and accrued interest receivables, net	53,205	26,312	79,517

- Total loans increased by 5.8% (yoY) or equaled to 86,854 million baht, consisted of credit card receivables amounted to 57,393 million baht and personal loan receivables amounted to 29,461 million baht.

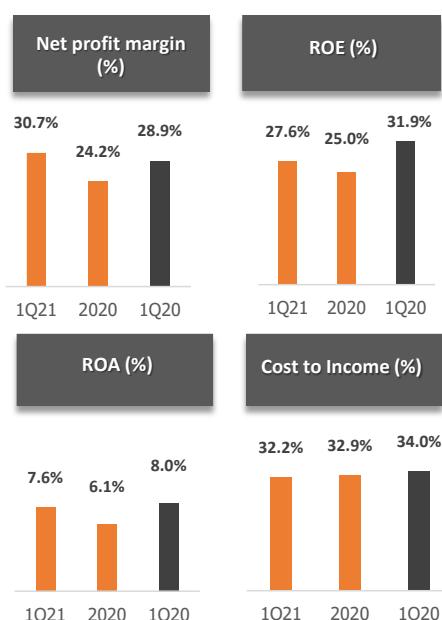
4. Financial Position and Sources of Funds

- **The Company's assets increased.** At the end of the first quarter of 2021, the company's assets amounted to 84,089 million baht, increased by 6% (yoY) The main income generating assets were loans to customers and net accrued interest receivables accounted for 95% of total assets or equaled to 79,517 million baht, whereas the rest of 5% comprised of cash, other receivables, deferred tax assets and other assets.



- Efficient Cost of Fund management.** The Company's total borrowing equaled to 52,941 million baht, increased by 2%(yoY), whereas sources of fund structure were both from short-term and long-term borrowings. Short term borrowings were loans from related financial institutions of 4,060 million baht and from other financial institutions of 2,620 million baht. Long term borrowings were from debentures issuances of 46,261 million baht from various sources, including Thai commercial banks, securities companies, insurance companies and other asset managements. At the end of first quarter of 2021, the Company's total credit lines equaled to 29,940 million baht, consisted of 18,030 million baht from Krung Thai Bank and 11,910 million baht from other commercial banks. As the Company has utilized some of those credit lines, at the end of March 2021, its available credit lines equaled to 23,260 million baht. The Company's cost of fund stood at 2.64% and its debt to equity ratio was at 2.43, well below the bond covenant limited at 10 times.

Key Financial Ratio



	1Q2021	Y2020	1Q2020
Gross Profit Margin (%)	88.1%	88.3%	87.8%
Interest Coverage Ratio (Times)	6.6	5.3	6.2
Debt to Equity Ratio (Times)	2.4	2.9	2.7
Allowance for Expected Credit Loss/Total Receivables (%)	8.4%	8.2%	8.1%
NPL Coverage Ratio (%)	441.6%	460.4%	203.3%
Expected Credit Loss/Total Receivables (%)	5.5%	7.3%	6.4%
Operating Cost to Income (%)*	25.2%	25.4%	25.2%
Book Value per share (Baht)	9.5	8.9	8.3
Earning per Share (Baht)	0.63	2.07	0.64
Dividend Payout Ratio (%)	N/A	42.5%	N/A

*Operating Cost excluding Marketing Expenses

5. Impacts from the COVID-19 Outbreak and 2021 Business Direction

The COVID-19 outbreak since last year until now has inevitably impacted the credit card spending and the growth of the portfolio. The Ministry of Finance and the Bank of Thailand have announced relief measures to assist credit customers affected by the COVID-19 outbreak, which the Company has proceeded accordingly to such measure since March 26, 2020. On January 12, 2021, the Bank of Thailand announced relief measures to further aid retail customers by extending the relief application deadline to June 30, 2021, which the Company will continue to comply with the aforementioned measures accordingly. As of March 31, 2021, group of customers who participated in these measures had outstanding debt balance equaled to 1,169 million baht (16,066 accounts).

As for growth directions in 2021, KTC will strengthen debtor portfolios of its 2 main businesses, including credit card and personal loan (including secured loan). The Company is also expanding the scope of loan products to increase the variety and cover ranges of products such as P Berm and Leasing Business (once the share acquisition is completed, the Company will be the major shareholder of KTB Leasing Co., Ltd.). The aim is to become a leader in fully integrated loan businesses, so as to deploy suitable technologies to fasten business operation, as well as to create flexibility, in order to provide a memorable member experience and maintain membership base with online and offline marketing activities. Accordingly, the key targets are as follows:

- Credit card: credit card spending for the year 2021 to be expanded at 8%
- Personal loan: maintain personal loan receivables to be in line with 2020's value
- Secured loan: "KTC P Berm" receivables value at 1,000 million baht
- Merchant acquiring: Focus on online channels through cooperation with partners and increase payment channels for products and services via LinkPay and QR Code scanning to accommodate the customers to perform the transactions conveniently by themselves.

For the sustainable development in 2021, the Company continuously responds to crucial sustainability issues by emphasizing on 2 main issues; (1) Digital technology in order to offer products, services and payment systems via online channels to meet the needs, providing convenient, fast and safe service that can be accessed anywhere and anytime with the goal of creating a good experience for stakeholders and continuously working on its digital transformation concept which consists of 3 main cores: Digital product, Digital service and Digital channel (2) Equally and thoroughly access to the Company's products and services via the service offerings, the fair interest rate and fee setting. Furthermore, the Company is also placing an importance on educating the financial knowledge so that it can be applied in everyday life to enhance the quality of its portfolio in a sustainable manner.