

บริษัท บัตรกรุงไทย จำกัด (มหาชน)

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Krungthai Card Public Company Limited

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KTC 76 / 2021

February 9, 2021

To: The President of the Stock Exchange of Thailand

The Stock Exchange of Thailand

Subject: Operating result notification of the year ended 2020

Enclosure: Management Discussion and Analysis for the year ended 2020

KTC's Board of Directors has approved the Company's Financial Statement and the Report of certified public accountant for the year ended 2020, 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

Executive Summary

The COVID-19 pandemic which started since the beginning of 2020 had severely affected overall economic data. However, due to the stimulus from public spending, the Thai economy had gradually recovered since the end of the second quarter. As overall economic data began to improve, the Company's credit card spending passed its lowest point which contracted at -36% (yoY) in April (the average contraction rate in Q2 was -21.0% yoY) and returned to grow in each month, hence only contracted at -7.7% (yoY) in average for the Year 2020. The Company's total receivable portfolio in 2020 was also able to expand at 4.3% (yoY). Nonetheless, following the Bank of Thailand's new criteria to reduce its interest rate ceiling both for credit card business by 2% and for personal loan business by 3% since August 1, 2020, the Company's revenue in the last quarter of 2020 had been unavoidably impacted for the entire period. Thus, the Company had given further priority to its customer screening so as to effectively manage its asset quality. The Company had also adjusted its strategies and acquired new business models to be in accordance with changing consumer behaviors. In addition, the Company had obtained appropriate measures for its receivables risk management, improved its entire work process, reduced its operating costs, as well as shortened its period for bad debts write-off so as to truly reflected reality of its portfolio. Meanwhile, the Company continued to maintain appropriate financial expense and gained income from bad debt recovery at a satisfactory level. The Company's profits before expected credit loss for 2020 was approximately the same as last year.

Business plans in 2021 Despite various risk factors affecting its business operations, the Company continues to aim for the expansion in both credit card spending and total receivables portfolios. The Company also places the significance in its asset quality by focusing on its management of debt collection and its control of NPLs at an appropriate level. The Company is positively convinced that profits can be achieved this year with an acceptable, yet even better than last year growth rate.

- Under the TFRS 9 standard, net profits for 2020 totaled to 5,332 MB. Profit values before expected credit loss for 2020 equaled to 13,262 MB, nearly the same as last year of 13,337 MB.
- With the increase in interest income from both credit card and personal loan of 5.7% (yoY) and 2.8% (yoY), respectively, the Company's total interest income (including credit usage fee) for 2020 amounted to 14,167 MB,

a 4.1% (yoY) growth but at a slower pace than that of 7.3% (yoY) for the first nine months period of this year. This was due to the impact from the reduction in interest rate ceiling for the last 5 months of this year, thus some decline in interest income for the fourth quarter. However, the Company still have sound member base whose accounts remained active roughly as before and continued to generate continuous interest income. In the meantime, fee income (excluding credit usage fee) for 2020 contracted at -11% (yoY) or amounted to 4,478 MB.

- KTC's credit card spending for the year 2020 contracted at -7.7%. For the first eleven months of 2020, the Company's credit card spending contracted at -8.3% and so did that of the industry at -13.1%. By quarterly comparison in percentage changes for this year, the industry's percentage changes in Q1, Q2 and Q3 were at -0.7%, -25.8% and -12.5%, respectively while percentage changes of KTC's credit card spending were better than those of the industry at 2.2%, -21.0% and -5.8% respectively. For 2020, KTC's credit card spending valued 197,087 MB in total.

(Unit : Million Baht)	Consolidated 4Q2020	Consolidated 4Q2019	Consolidated Y2020	Consolidated Y2019
Total Revenues ⁽¹⁾	5,566	5,927	22,056	22,625
- Bad Debt Recovered	836	898	3,119	3,496
Administrative Expense	2,037	2,038	7,260	7,722
Finance Costs	375	399	1,534	1,566
Pre-Provision Profit	3,153	3,490	13,262	13,337
Expected Credit Loss	1,511	1,841	6,605	6,433
(Bad Debts and Doubtful Accounts)				
- Bad Debt	1,186	1,648	4,920	6,290
- Doubtful Accounts (Reversal)	324	193	1,685	143
Profit before Income Tax	1,642	1,649	6,656	6,904
Income Tax Expense	321	330	1,325	1,380
Net Profit for the Period	1,321	1,319	5,332	5,524

Remark : ⁽¹⁾ Total revenue for 2020 included share of profit of associates in which the equity method is applied.

- The Company's member base remained closely the same as the previous year, with total members of 3.4 million accounts, comprising of 2,575,684 credit cards (up 2.6% yoY) and 814,329 personal loan accounts (down -8.3% yoY from non-active accounts closing during the past period).
- Total loans expanded at 4.3% or amounted to 90,149 MB, consisting of 60,235 MB from total credit card receivables and 29,915 MB from total personal loan receivables.

(Unit : Million Baht)	Consolidated Financial Statement		
	As at December 31, 2020		
	Credit Card	Personal Loan	Total
Stage 1	53,402	23,618	77,020
Stage 2	5,797	5,192	10,989
Stage 3	791	807	1,598
Total loans to customers	59,990	29,617	89,607
<u>Add</u> Accrued interest receivables and undue interest receivables, net	245	298	543
Total loan to customers and accrued interest receivables	60,235	29,915	90,149
<u>Less</u> Allowance for expected credit loss	4,218	3,138	7,355
Total loans to customers and accrued interest receivables, net	56,017	26,777	82,794

- Net interest margin for 2020 was 14.66% due to average interest received at 17.32% and cost of funds at 2.67%. Net interest margin for this year was down from last year of 14.93% following the reduction in interest rate ceiling.
- The Company's total NPL under the TFRS 9 standard for 2020 declined to 1.8% from that of 1.9% in Q3, thanks to the Company's capability in effectively managing its receivables quality. The Company had also been in full support of the government policy to assist debtors not to be too quickly classified as NPL during this abnormal economic situation by following the Bank of Thailand's relaxation guidelines to postpone debt classification for NPL receivables who still can make predetermined repayment without undertaking debt restructuring. Therefore, the value of receivables in Stage 3 (NPL) at the end of the year hardly changed with the amount of 1,598 MB, compared to that of 1,555 MB in Q3.

Impacts from Implementing TFRS9	Consolidated 4Q2020 (TFRS9)	Consolidated 3Q2020 (TFRS9)	Consolidated 2Q2020 (TFRS9)
Total NPL(%)	1.8%	1.9%	6.6%
-NPL Credit Card (%)	1.3%	1.4%	5.6%
-NPL Personal Loan (%)	2.7%	2.6%	8.5%
Allowance for Expected Credit Loss to Total Receivables (%)	8.2%	8.3%	10.4%
NPL Coverage Ratio (%)	460.4%	452.0%	157.5%

- Allowance for expected credit loss to total loans at the end of 2020 equaled to 8.2%, down from that of 8.3% in Q3 and NPL Coverage Ratio was higher to 460.4% in this quarter from that of 452.0% in the last quarter.
- For 2020, total operating cost to income ratio was 32.9%, declined from 34.1% (yoY). This was owing to less marketing campaigns for both new card acquisition and card spending promotion, but more focus on marketing campaigns via online channels. Yet, net operating cost to income ratio was 25.4%, approximately the same as previous of 25.3% (yoY).

Business Overview in 2020

In the third quarter of 2020, the Thai economy had recovered faster than expected due to various factors. In particular, public investment and private consumption somewhat gradually improved. Nevertheless, tourism, private investment, as well as merchandise exports continued to contract sharply. Hence, the Bank of Thailand had adjusted its GDP forecast for 2020 to contract at -6.6% (from previously estimate in September 2020 of -7.8% contraction). For 2021, the Bank of Thailand had taken new waves of COVID-19 infections into consideration for its economic projection under the assumption that such infections could be contained within a short period of time. The economy in 2021 was projected to expand by 3.2% (from earlier estimate in September 2020 of 3.6% growth) as merchandise exports would improve in tandem with trading partner economies' growth. Meanwhile, exports of services would recover more slowly as the admission of foreign tourists to Thailand would likely be limited. Domestic demand would depend on public expenditure which would remain a key economic driver to the Thai economy during 2021.

As the economic situation had slowly recovered, overall consumer finance industry expanded at a slower pace. The industry's credit card receivables as of November 2020 valued 422,054 MB in total while its total personal receivables amounted to 580,719 MB. Meanwhile, the industry's total credit card spending for the first 11 months of 2020 equaled to 1,461,201 MB.

For the 11 months period in 2020, KTC's credit card receivables accounted for 13.5% of the industry whereas its personal loan receivables accounted for 5.1% of the industry.

Industry Comparison ⁽²⁾	11M2020	Y2019	Y2018
Credit Card Receivable (Million Baht)	422,054	457,090	418,747
Growth (%)	0.3%	9.2%	6.2%
KTC Credit Card Receivables to Industry (%)	13.5%	12.4%	12.2%
Number of Credit Cards (Cards)	24,135,212	23,620,374	22,105,554
Growth (%)	2.8%	6.9%	8.7%
Credit Card Spending (Million Baht)	1,461,201	1,885,725	1,730,488
Growth (%)	-13.1%	9.0%	10.0%
KTC Credit Card Spending to Industry (%)	12.0%	11.3%	11.2%
Personal Loan Receivables (Million Baht) ⁽¹⁾	580,719	579,911	383,303
Growth (%)	0.7%	51.3%	8.2%
KTC Personal Loan Receivables to Industry (%)	5.1%	5.0%	7.0%

Source : Bank of Thailand

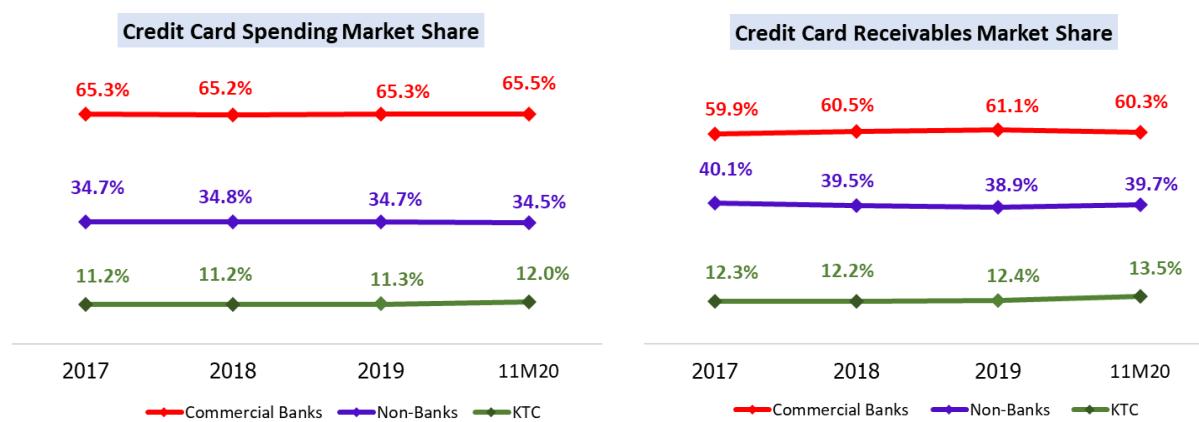
Ramark : ⁽¹⁾ Information of Personal Loan incorporated Car Title Loan since February 2019

⁽²⁾ Industry data for the year 2020 can be found on <https://www.ktc.co.th/investor-relations>

in the KTC Performance Presentation after the Bank of Thailand published the information

KTC's credit card spending compared to the industry's

- The Company's credit card spending for 11 months of 2020 contracted at -8.3% (yoY), yet better than that of the industry which contracted at -13.1% (yoY). The Company's market share for 11 months of 2020 was at 12.0%, up from the end of 2019 at 11.3%.



Revenue and Expense

- Total revenue for 2020 was 22,056 MB, down by -2.5% compared to last year. Interest income from credit card receivables and personal loan receivables increased by 5.7% (yoY) and 2.8% (yoY) respectively, nonetheless at a slower pace as a result of the COVID-19 pandemic, together with the impact from the reduction of interest rate ceiling following the Bank of Thailand's debt relief measure. Meanwhile, fee income (excluding credit usage fee) contracted at -11.0% (yoY) because of the decline in fee income from interchange fee, from cash withdrawal, as well as from merchant's acquiring business.

(Unit: Million Baht)	Y2020	% of Revenue	Y2019	% of Revenue	Growth
Total interest income including credit usage fee	14,167	64%	13,607	60%	4%
- Credit Card Receivables	6,611	30%	6,255	28%	6%
- Personal Loan Receivables	7,556	34%	7,352	32%	3%
Fee Income (excluding credit usage fee)	4,478	20%	5,032	22%	-11%
Financial Cost	1,534	7%	1,566	7%	-2%
Net Interest Margin	14.66%	0.00%	14.93%	0.00%	0.00%
- Average Interest Received (%)	17.32%	0.00%	17.73%	0.00%	0.00%
- Cost of Fund (%)	2.67%	0.00%	2.81%	0.00%	0.00%

- In 2020, the total expense equaled to 15,400 MB, comprising of 7,260 MB from administrative expense, 6,605 MB from expected credit loss, and 1,534 MB from funding cost.
- Administrative expense was down by -6.0% (yoY) due to the decline in both transaction volumes and marketing activities.
- Details of total administrative expense in 2020 are listed as follows.

(Unit: Million Baht)	Y2020	% of Revenue	Y2019	% of Revenue	Growth (%)
Personal Expense	2,278	10%	2,450	11%	-7%
Marketing Expense	817	4%	1,014	4%	-19%
Fees	2,267	10%	2,373	10%	-4%
Other Adminisnistrative Expense	1,899	9%	1,884	8%	1%
Total Administrative Expense	7,260	33%	7,722	34%	-6%

- Expected credit loss valued 6,605 MB in total, up 2.7% (yoY), consisting of 4,920 MB of bad debts and 1,685 MB of doubtful accounts. Details are explained as follows.

(Unit: Million Baht)	Y2020	% of Revenue	Y2018	% of Revenue	Growth
Expected Credit Loss	6,605	30%	6,433	28%	3%
-Expected Credit Loss: Credit Card	3,467	16%	3,508	16%	-1%
- Expected Credit Loss: Personal Loan	3,138	14%	2,926	13%	7%

- Change in allowance for expected credit loss as of December 31, 2020

(Unit : Million Baht)	Allowance for Expected Credit Loss			Allowance for Doubtful Account	Total
	12-month ECL (Stage 1)	Lifetime ECL - not Credit Impaired (Stage 2)	Lifetime ECL - Credit Impaired (Stage 3)		
Blance as to December 31, 2019	-	-	-	5,670	5,670
Impact of adoption of TFRS 9	2,419	1,998	1,252	(5,670)	-
Balance as at January 1, 2020	2,419	1,998	1,252	-	5,670
Changes in staging	831	(582)	(249)	-	-
Changes in risk parameters	148	1,528	5,696	-	7,372
New financial assets purchased/acquisition	631	-	-	-	631
New financial assets derecognized	(165)	(500)	(732)	-	(1,397)
Written-off	-	-	(4,920)	-	(4,920)
Balance as at December 31, 2020	3,865	2,445	1,046	-	7,355

- At the end of 2020, the Company's Management Overlay was 1,000 MB to prepare to mitigate economic risk in the future

Financial status and sources of funding

- Increase in assets.** The Company's assets at the end of 2020 were at 88,403 MB. The main income generating assets were loans to customers and net accrued interest receivables of 82,794 MB, accounted for 94% of total assets whereas the rest of 6% comprised of cash, other receivables, deferred tax assets and other assets.
- Effective fund raising.** The Company's total borrowing amounted to 57,439 MB, nearly the same as the previous year of 57,540 MB. Fund raising structure was both from short-term and long-term borrowings. Short term borrowings were loans from related financial institutions of 7,660 MB and from other financial institutions of 6,299 MB. Long term borrowings were from debentures issuances of 43,480 MB to various sources, i.e. Thai commercial banks, securities companies, insurance companies and other asset managements. At the end of 2020, the Company's total credit lines amounted to 29,940 MB, consisting of 18,030 MB from Krung Thai Bank and 11,910 MB from other commercial banks. As the Company had utilized some of those credit lines, its available credit lines at the end of December 2020 equaled to 16,979 MB. The Company's cost of funds was at 2.67% and its debt-to-equity ratio was at 2.87 times, very well below the bond covenant limited at 10 times.

KTC Financial Highlights (Unit : Million Baht)	4Q2020	4Q2019	Y2020	Y2019
Total Revenue	5,566	5,927	22,056	22,625
Total Expense (excluding Financial Cost)	3,548	3,878	13,866	14,155
Total Expense (including Financial Cost)	3,923	4,278	15,400	15,721
Net Profit	1,321	1,319	5,332	5,524
Loans to Credit Card Customer and Accrued Interest Receivables, net	56,017	53,507	56,017	53,507
Loans to Personal Loans Customers and Accrued Interest Receivables, net	26,777	27,248	26,777	27,248
Total Assets	88,403	85,409	88,403	85,409
Total Borrowings	57,439	57,540	57,439	57,540
Total Liabilities	65,553	65,674	65,553	65,674
Total Shareholders' Equity	22,850	19,735	22,850	19,735

Impacts from the COVID-19 outbreak

The COVID-19 pandemic had inevitably impacted the growth of KTC's credit card spending and its receivable portfolio. The Ministry of Finance and the Bank of Thailand had announced forbearance measures to assist clients affected by the COVID-19 outbreak, which the Company had proceeded according to such programs since March 26, 2020. Later on, the Bank of Thailand had announced the second phase of relief measures dated June 19, 2020 to further aid retail clients during the COVID-19 pandemic in which interest rate ceilings had been reduced and credit limits had been increased for both credit card and personal loan clients according to the standard rates specified by the Bank of Thailand and had been effective since August 1, 2020. The Company, therefore, had proceeded following the Bank of Thailand's guidelines for the second phase of forbearance program by expanding not only relief criteria but also relief period for retail clients affected by the COVID-19, such as restructuring debt to long term loan, postponing payment or principle, or reducing installment payment etc., in which the ending of relief period had extended to December 31, 2020. However, on January 12, 2021, the Bank of Thailand had announced another forbearance measure to aid retail clients for a new round of the domestic COVID-19 outbreak by extending relief period until June 30, 2021 in which the Company will later proceed accordingly.

Since the beginning of the Company's debt relief program, there were 11,404 accounts participating in debt restructuring under such program with total debt values of 911 MB, and as of December 31, 2020, there were 10,812 accounts with total existing debt values of 813 MB.

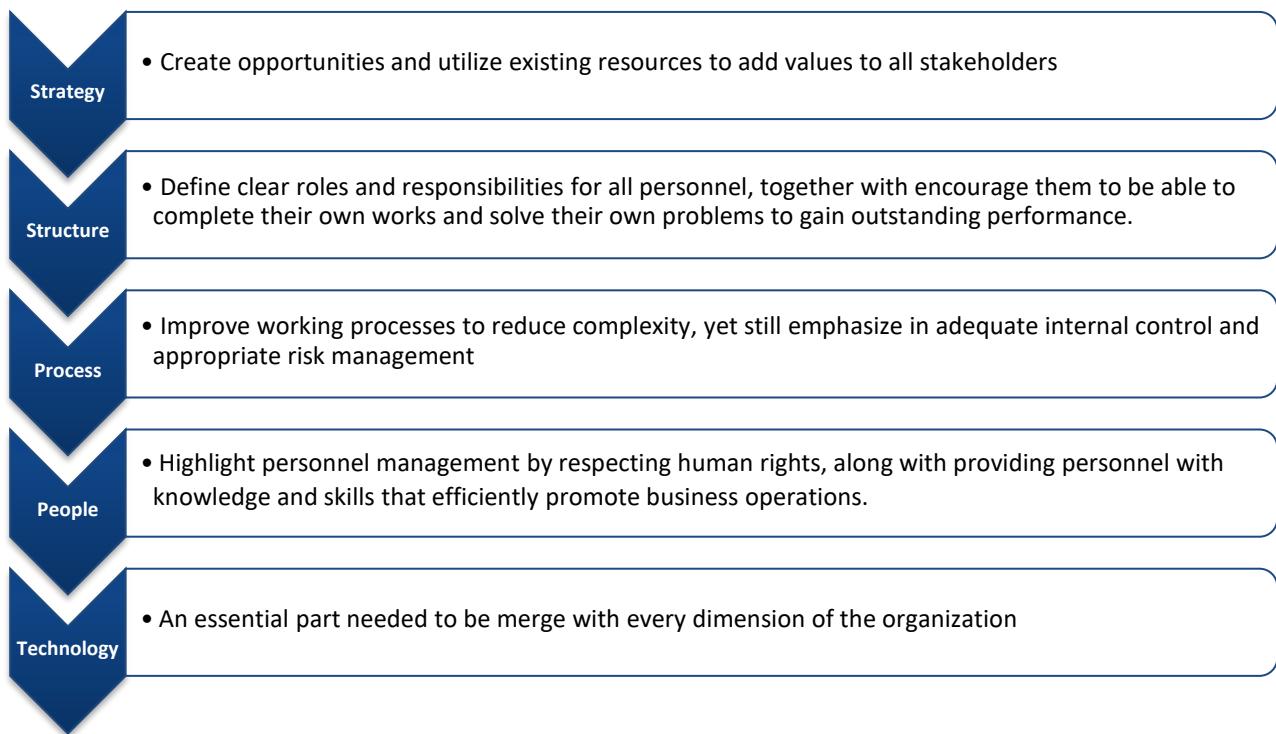
Key Financial Ratio Unit : Million Baht)	4Q2020	4Q2019	Y2020	Y2019
Gross Profit Margin (%)	88.3%	87.9%	88.3%	87.7%
Net Profit Margin (%)	23.7%	22.3%	24.2%	24.4%
Interest Coverage Ratio (Times)	5.4	5.1	5.3	5.4
Debt to Equity (Times)	2.9	3.3	2.9	3.3
Return to Equity (%)	24.8%	29.2%	25.0%	30.6%
Return on Asset (%)	6.1%	6.4%	6.1%	6.7%
Allowance for Expected Credit Loss/ Total Receivables (%)	8.2%	6.6%	8.2%	6.6%
NPL Coverage Ratio (%)	460%	620%	460%	620%
Book Value per Share (Baht)	8.9	7.7	8.9	7.7
Earning per Share (Baht)	0.51	0.51	2.07	2.14

KTC's business direction for future growth

Under the Company's vision "KTC is a membership company in payment service and retail lending businesses with sustainability as key element", KTC defines its business strategies to be in consistent with its vision and to create balance among economic, social, and environment aspects in order to precisely meet customer needs and stakeholder interests, as well as to achieve sustainable business growth amidst continuous changes in business conditions. The Company's business strategies can be summarized as follows.

Being an "Agile Entity" or a living organism

In order to gain its solid foundation for sustainable growth, the Company has implemented the working concepts of flexibility and adaptability through 5 key factors as follows:



For 2021, the Company has adjusted its business plans for credit card business by aiming to closely coordinate with its business partners in promoting more marketing campaigns thru online channels. For personal loan business, the Company seeks to provide convenience for its clients with all utilized functions, "Withdraw-Swipe-Pay Installments-Transfer", offered in one card. For 'KTC P Berm' covering car title loan and motorcycle title loan, the Company plans to largely expand its market this year with loan growth target of 1,000 MB in which it's believed to support the Company's future business growth. The Company also aims not just to manage high quality of its total receivable portfolio but also to focus on maintaining its current membership loyalty to KTC by continually promoting marketing campaigns thru both online and offline.

In addition, the Company has another ongoing project plan related to Payment System in which its information and operating procedures are still under study. Nonetheless, the management is convinced that this could become another new business which would help strengthening the Company's core businesses as well as provide opportunity for the Company to achieve sustainable and steady growth in the long run.