

KTC announces 2.790 billion in Q2 profits with aims to adjust business model for long-term growth.

KTC reports its Q2/2020 business operations, announcing a net profit for the first half-year of 2.790 billion. Port of receivables grew 8.3 percent, with aims to push "P BERM" secured loans to penetrate the market along with Pico and Nano Finance to establish long-term business opportunity. The firm is ready to provide additional support for the government's policy to provide aid to cardmembers whom have been affected by the COVID-19 virus outbreak by adjusting interest rates and overall fees for credit card and personal loans debtors in accordance to the standard set by the Bank of Thailand from August 1, 2020 onwards.

Mr. Rathian Srimongkol, President & Chief Executive Officer, "KTC" or Krungthai Card Public Company Limited, states, "KTC's business operations in Q2 and the first half of 2020 remains profitable despite the declaration of an emergency situation. The spread of the COVID-19 virus outbreak will significantly cause effects on asset quality and decreases in the volume of the firm's credit card spending. Should the general situation improve and measures become loosened, consumers will adjust and revert back to better spending habits correspondingly. These factors contributed to a 9.6 percent decrease in the firm's credit card spending, totalling at a value of 90.613 billion, a rate better than the industry level in the past 5 months. To boot, the firm has prioritised and controlled its financial costs and have been continuously managing its quality of ports leading to a satisfactory level for bad debt income and a growth in port of receivables."

"The firm believes that if the spread of the COVID-19 virus does not escalate to a level in which the government has to consider tighter measures, Q2 should be a period of time most affected in terms of asset quality. Despite this, in the second half of the year, the firm's business operations will still have to face risks due to the economic slowdown, with possible increased risks if there is a widespread outbreak of COVID-19 again. This may have an effect on employment, debt-paying ability, or increases in non-performing loans. Additionally, the Bank of Thailand's announcement to promulgate debt relief measures in the second phase which reduce interest rate ceilings to 2 percent for the credit card business and 3 percent for the personal loans business will directly affect the firm's operations. For these reasons, investors should not base his or her forecast for the firm's performance in the second half of the year using the first half-year results. However, the management division will adjust and make changes to the business model to correspond to changes in both the economy and the lowered interest rate, and will give importance to the expansion of "P BERM" secured loans with guarantee, such as automobile and motorcycle license plate mortgage loans coupled with building upon the "Pico Finance" and "Nano Finance" loans, all of which have a likelihood to have long-term growth."

"In regards to the firm's business operations according to the new TFRS9 standard, terminated on June 30, 2020, KTC has a net profit of 2.790 billion for the first half-year, and 1.149 billion for Q2. Overall income from interest (including credit line usage fees) grew 10 percent which totalled 7.247 billion. Cost to income ratio decreased to 31.0 percent due to the aforementioned decrease in market activity. NPL under the new TFRS9 standard is at 6.06 percent, while total loans to debtors and accrued interest receivables (total trade receivables) totalled 83.486 billion, user database accounts numbered 3.5 million (3.8 percent boost), comprising of 2,605,461 credit cards (8.3 percent increase), total loans to debtors and accrued interest receivables (credit card debtors) of 53.242 billion, credit card spendings totalled 90.613 billion or a 9.6 percent decrease. NPL for credit

cards according to the new standard is at 5.6 percent. Port of KTC personal loans accounts (including Thanawat and owner loans) numbered 932,112 accounts (7.1 percent decrease) due to account inactivity. Loans to personal loans debtors and total accrued interest receivables (total personal loans debtors) amounted to 30.244 billion and NPL for the personal loans business according to the new standard totalled 8.5 percent.”

“Moreover, according to the new TFRS 9 standard, the firm accumulated a net income for the first-half of the year at a level similar to that of last year from income gained from interest from credit card and personal loans debtors which numbered 7.247 billion, and from fees (excluding credit line usage fees) which totalled 2.152 billion. Meanwhile, overall expenses totalled 7.595 billion, divided into 3.430 billion in operation fees, 3.392 billion in anticipated credit losses (376 million in bad debt and 3.016 billion in allowance for doubtful accounts), and 773 million in financial costs”

“The firm has begun to provide debtors personal loans assistance in full and continuous support of the Ministry of Finance’s and the Bank of Thailand’s measure, which includes: 1) Lower installment rates for credit cards from originally 10 percent to 5 percent from April 2020 to 2021, 8 percent in 2022 and 10 percent in 2023. Meanwhile, “KTC PROUD” Revolving Loan debtors currently have a minimum installment payment rate of 3 percent which is within the relief guideline; 2) Provide relief for small business debtors who have been affected by the spread of the COVID-19 virus outbreak, for instance, change personal loans to long-term or defer installment or principal payment, and installment payment reduction to terminate on December 31, 2020. As of June 30, 2020, there have been a total of 4,000 debtors who participated in the debt restructuring process under the firm’s debt relief measure, totalling in a debt value of approximately 300 million Baht and 99 debtors with debt payment suspension, and 3) Readjust interest rate ceiling and credit line usage fees according to the standard set by the Bank of Thailand, including an interest and total fee rate of 16 percent annually (15 percent interest rate per year and up to 1 percent in credit line usage fees per year) for all KTC credit card types, overall interest and fees of 25 percent (15 percent interest rate per year and up to 10 percent in credit line usage fees) for “KTC PROUD” Revolving Loan and “KTC Cash” Multi-purpose Loan cards, effective August 1, 2020 onwards.”