

# KB J CAPITAL CO., LTD.

No. 14/2025  
26 February 2025

## FINANCIAL INSTITUTIONS

**Company Rating:** A-  
**Outlook:** Negative

**Last Review Date:** 23/02/24

Company Rating History:		
Date	Rating	Outlook/Alert
25/02/22	A-	Stable

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## RATIONALE

TRIS Rating revised the rating outlook on KB J Capital Co., Ltd. (KBJ) to “negative” from “stable” and affirmed the company rating at “A-”. The “negative” outlook reflects weaker-than-expected financial performance, potential decline in capital position, and asset quality.

The rating incorporates a three-notch enhancement from KBJ’s stand-alone credit profile (SACP) affirmed at “bbb-”. This reflects our assessment of KBJ’s status as a strategically important subsidiary of KB Kookmin Card Co., Ltd. (KBC), a credit card subsidiary of KB Financial Group (KBFG) (rated “A/Stable” by S&P Global Ratings).

KBJ’s SACP reflects its modest market presence and earnings capacity. The rating also considers the adequate funding and liquidity profile.

## KEY RATING CONSIDERATIONS

### A strategically important subsidiary of KBC

We assess KBJ as a strategically important subsidiary of KBC, a credit card subsidiary of KBFG, a leading South Korean bank holding company. KBC owns 77.4% of KBJ.

KBJ plays a key role in KBFG’s expansion into Thailand and Southeast Asia, an important market for the group. The strategically important status is highlighted by financial support from the group, including corporate guarantees from KBC and standby letters of credit from KB Kookmin Bank for KBJ’s bank loans.

KBJ’s operations are highly integrated with those of KBC, with regular reporting and key decisions require approval from KBC. Also, KBJ operates under a comprehensive set of policies and guidelines established by KBC for its overseas subsidiaries. These cover corporate governance, risk management, financial management, internal controls, human resource management, and IT security. Adoption of the “KB” brand also reinforces KBJ’s group status.

### Weakened earnings capacity despite strong loan expansion

Our outlook revision was driven mainly by KBJ’s significantly weaker-than-expected earnings. The company’s earnings before taxes to average risk-weighted assets (EBT/ARWA) turned negative, despite strong loan growth in 2024. The ratio dropped to -1.8% from 1.3% in 2023, primarily due to a precipitous increase in credit costs to 15.1% from 7.0% in 2023. This stemmed from large non-performing loan (NPL) write-offs of THB1.6 billion, mostly revolving loans, to clean up its loan portfolio.

We project KBJ’s EBT/ARWA ratio to gradually improve to the 1.0%-1.6% range in 2025-2027, buoyed by lower credit costs due to fewer major NPL write-offs. KBJ’s operating expense growth is also projected to moderate, thanks to reductions in staff in discontinued business lines and points of sale (POS). Expansion of Samsung Finance Plus (SF+), the financing service for Samsung phone buyers, which has greater asset quality control, should help reduce credit costs from this year onwards.

### Strong capital position but potentially weakening

One credit factor potentially pressuring the rating is capital position. The risk-adjusted capital (RAC) ratio, while still assessed as strong, declined to 16.7% at

the end of 2024 from 21.3% at the end of 2023. This decrease is due to a 33% loan expansion and net losses in 2024. Based on our projected loan growth of up to 7% in 2025-2027, we expect the average RAC ratio to hover around 15%. However, if the ratio falls below our base-case projection due to rapid credit expansion, this could affect the rating.

### **Asset quality improvement expected**

KBJ has adopted KBC's risk management policies, supporting our 'adequate' risk position assessment. We anticipate the company's overall asset quality to remain manageable. This is despite notable deterioration in 2024 due to NPL inflows from revolving loans exiting the debt relief program. NPL formation thus increased to 13.5%, up from around 6% during 2022-2023. The parent company's support for large NPL write-offs at KBJ led to a reduction in the NPL ratio to 0.6% at the end of 2024, raising NPL coverage ratio to 652%. We believe the improved loan portfolio bodes well for the company's future asset growth.

That said, the credit risk of unsecured revolving loans is generally high, in our view. To address this, KBJ plans to focus on quality growth, target higher-income customers, cross-sell revolving loans to expired SF+ customers, and improve collections. The growing proportion of SF+ loans, which have better asset quality is expected to help maintain overall asset quality.

### **Business position remains moderate**

KBJ is a pioneer in the locked phone lending business in Thailand. The SF+ program, linked to Samsung mobile sales via "Samsung Finance Plus" (SF+), is designed to support sales of Samsung mobile phones via hire purchase financing. The program, a collaboration between KBJ and Thai Samsung Electronics Co., Ltd., has contributed to KBJ's strong loan growth in recent years. According to the International Data Corporation (IDC), in 2024 Samsung held a 19.4% share of the smartphone market in Thailand, shipping 3.3 million units, an increase of 15.6% year-on-year (y-o-y). Supported by this growth, SF+ outstanding loans surged to THB8.5 billion at the end of 2024 from THB3.8 billion at the end of 2023 (+ 126% y-o-y), indicating a two-year compound annual growth rate (CAGR) loan growth of 62% in 2023-2024. SF+ loans currently contribute 65% to KBJ's THB13.2 billion loan portfolio. Our base case scenario projects SF+ to constitute 65%-70% of the loan portfolio over the next three years-

To mitigate the risk of high dependence on SF+ loans, KBJ plans to diversify more into revolving loans while continuing to focus on SF+. Concurrently, the company will gradually phase out non-core products, including car title loans, home equity loans, and term loans. We estimate revolving loans to gradually increase to around 26% of total loans by the end of 2025 from 23% at the end of 2024. Nonetheless, with focus on asset quality over growth, overall loan expansion is expected to be moderate, with projected growth of 0%-7% in 2025-2027.

### **Adequate funding and liquidity profile**

KBJ's funding and liquidity risks are underpinned by the financial support from KBC through corporate guarantees and standby letters of credit (SBLC) issued by KB Kookmin Bank. The securing of an additional credit line from the International Finance Corporation (IFC) in 2024 further highlights the strong integration between KBJ and KBC. This is facilitated by IFC's financing provided to subsidiaries of KBC, including PT KB Finansia Multi Finance in Indonesia and KBJ in Thailand.

As of the end of 2024, KBJ maintained readily available credit facilities totaling around THB3.0 billion from various financial institutions. These existing facilities, together with the additional THB1 billion corporate guarantees from KBC expected in 2025, should be sufficient to support KBJ's funding and liquidity needs.

### **BASE-CASE ASSUMPTIONS**

TRIS Rating's base-case assumptions for KBJ in 2025-2027 are as follows:

- Outstanding loans to expand by 0%-7% per year.
- Interest spread to be maintained at around 15%-16%.
- NPL ratio to be around 2%-4%.
- Credit cost to stay at around 10%.

### **RATING OUTLOOK**

The "negative" outlook reflects weaker-than-expected financial performance, potential decline in capital position, and deteriorating asset quality.

### **RATING SENSITIVITIES**

A credit upside would materialize if the company's earnings capacity and asset quality improve over an extended period, while capital strength is maintained with the RAC ratio hovering above 15%. Conversely, the rating could be downgraded if

the company's asset quality and profitability weaken below our base case projections and the RAC ratio falls below 15% for an extended period.

The rating and/or outlook could also be revised upward or downward should there be a change in KBJ's current group status as a strategically important subsidiary of KB Kookmin Card.

## COMPANY OVERVIEW

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The company was established as JMT Plus Co., Ltd in March 2011. with THB1 million of capital and a 99.99% ownership held by JMT Network Services PLC.

In 2015, The company's paid-up capital increased to THB120 million. The company also obtained a personal loan license from the Bank of Thailand (BOT) and expanded into the personal loan business with Shinsei Financial Group as a partner.

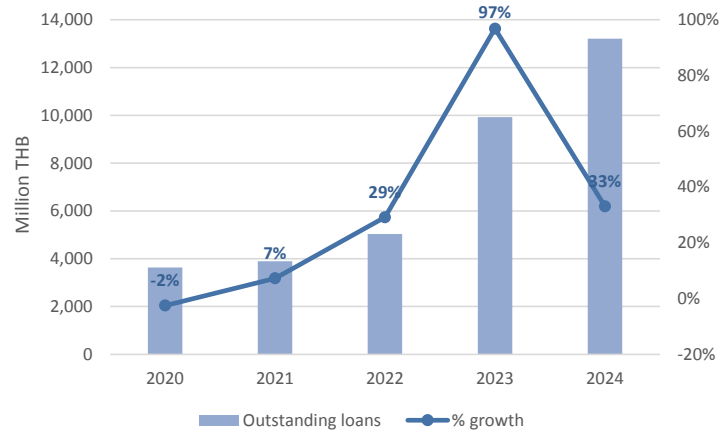
In 2016, the company received a capital injection from Jay Mart PLC (JMART), and the shareholding structure was changed to JMART holding 90.16% and JMT holding 9.84% stake in the company. The company's name was also changed to J Fintech Co., Ltd. In 2018, the company expanded its business to car for cash loans and factoring loans.

In February 2021, JMART completed a joint-venture agreement with KB Kookmin Card in J Fintech. KB Kookmin Card owned 49.99% of shares and 50.99% of voting rights in the company, while JMART held a 50.01% of shares and 49.01% of voting rights. The company's name was changed to KB J Capital Co., Ltd. (KBJ). The company operates in five major business lines: revolving loans, installment loans, installment sales, car for cash, and home for cash.

In June 2022, the company obtained a foreign business license from the BOT, after KB Kookmin Card increased its stakes to 50.99% of shares by receiving a 1% share from JMT Network Services in March 2022.

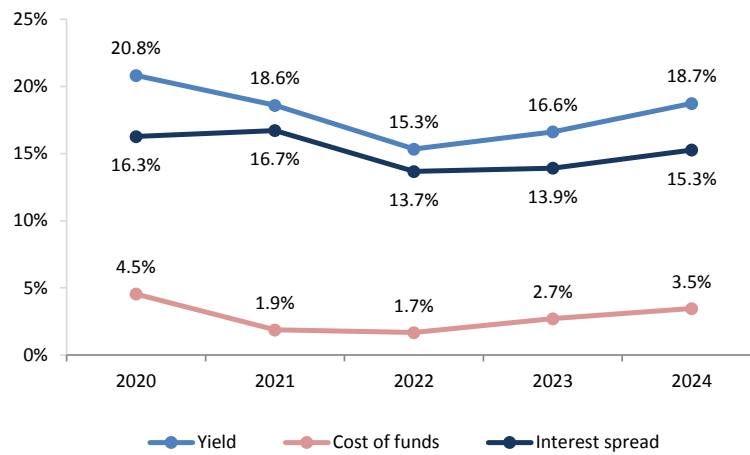
In July 2023, the company received a capital injection of THB1.3 billion from KB Kookmin Card, and the shareholding structure was changed to Kookmin Card holding 77.40%, JMART holding 20.80%, and JMT holding 1.81% of shares in the company.

**Chart 1: Outstanding Loans**



Source: KBJ

**Chart 2: Interest Spread**



Source: KBJ

## FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS

Unit: Mil. THB

	-----Year Ended 31 December -----				
	2024	2023	2022	2021	2020
Total assets	14,049	10,430	5,407	4,212	3,583
Total loans	13,213	9,923	5,041	3,902	3,637
Allowance for expected credit loss	489	425	288	411	546
Short-term debts	5,717	3,247	2,358	2,588	2,877
Long-term debts	5,461	4,075	1,422	60	0
Shareholders' equity	2,668	2,892	1,484	1,408	657
Net interest income	1,856	1,097	633	650	635
Expected credit loss	1,741	521	267	396	409
Non-interest income	351	178	206	268	232
Operating expenses	728	616	478	394	322
Earnings before taxes	(262)	138	94	129	136
Net income	(222)	111	75	102	100

Unit: Mil. THB

	-----Year Ended 31 December -----				
	2024	2023	2022	2021	2020
<b>Profitability</b>					
Net interest and dividend income/average assets	15.16	13.86	13.16	16.69	16.98
Non-interest income/average assets	2.87	2.25	4.28	6.86	6.19
Operating expenses/total income	28.80	43.23	53.55	40.60	32.19
Operating profit/average assets	(2.14)	1.75	1.95	3.30	3.64
Earnings before taxes/average risk-weighted assets	(1.79)	1.32	1.37	2.24	2.33
Return on average assets	(1.81)	1.41	1.56	2.61	2.68
Return on average equity	(7.97)	5.09	5.19	9.84	13.40
<b>Asset Quality</b>					
Non-performing loans/total loans	0.57	1.96	1.73	4.87	6.63
Expected credit loss/average loans	15.05	6.96	5.97	10.50	11.09
Allowance for expected credit loss/non-performing loans	652.33	217.86	328.84	216.41	226.47
<b>Capitalization</b>					
Risk-adjusted capital ratio	16.7	21.8	19.2	23.6	12.0
Debt/equity (times)	4.27	2.61	2.64	1.99	4.46
<b>Funding and Liquidity</b>					
Stable funding ratio	133.5	107.0	63.4	42.8	21.4
Liquidity coverage measure (times)	0.06	0.08	0.09	0.09	0.02
Short-term debts/total debts	51.15	44.35	62.38	97.74	100.00

Note: 2024 Financial Statements is unaudited and 2023 Financial statement is restated

## RELATED CRITERIA

- Financial Institution Rating Methodology, 24 November 2023
- Group Rating Methodology, 7 September 2022

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**KB J Capital Co., Ltd. (KBJ)**

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**Company Rating:**

A-

**Rating Outlook:**Negative

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**TRIS Rating Co., Ltd.**

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