

KRUNGSRIAYUDHYA CARD CO., LTD.

No. 8/2018

6 February 2018

FINANCIAL INSTITUTIONS

Company Rating:	AAA
Issue Ratings:	
Senior unsecured	AAA Stable
Outlook:	

Company Rating History:

Date	Rating	Outlook/Alert
15/11/16	AAA	Stable

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RATIONALE

TRIS Rating affirms the company rating of Krungsriayudhya Card Co., Ltd. (KCC) and the ratings of KCC's existing senior unsecured debentures at "AAA". At the same time, TRIS Rating assigns the ratings of KCC's proposed issues of senior unsecured debentures of up to Bt10,000 million due within two years at "AAA". The ratings reflect KCC's status as a core subsidiary of Bank of Ayudhya PLC (BAY), a commercial bank with branches throughout Thailand rated "AAA" with a "stable" outlook by TRIS Rating.

The ratings also reflect KCC's status as a fully-owned, solo-consolidated subsidiary of BAY. KCC is closely supervised and monitored by its parent bank, BAY, and, as such, is indirectly controlled by the Bank of Thailand (BOT). KCC has fully integrated its operations with BAY. BAY also supports KCC both in the forms of business cooperation and financial assist through credit facilities.

KCC has maintained its leading market position in the credit card business with an 11% market share of outstanding receivables over the past few years. KCC has strong underwriting and collection systems as evidenced in the ratio of non-performing loans (NPLs are loans of more than 90 days past due) to total loans (NPL ratio). KCC maintained its NPL ratio for credit cards at 1.1% at the end of 2016, lower than the industry average of 2.8%. The results are similar for personal loans. KCC reported an NPL ratio for personal loans at 2.1% at the end of 2016, lower than the industry average of 3.2%. The company has maintained a conservative provisioning policy by setting the ratio of the allowance for loan losses against total loans at 6.3% as of December 2016, making the NPL coverage ratio (the ratio of the allowance for doubtful accounts to NPLs) rose to 545% at the end of 2016. This percentage is expected to be enough for a cushion against any potential adverse change in the operating environment.

KCC's financial performance has been moving in a positive direction. Net income jumped continuously to Bt1,427 million in 2016, from Bt1,213 million in 2015. The return on average assets (ROAA) was 3.2% in 2016, improving from 2.8% in 2015. KCC's net income for 2016 accounted for 6.6% of BAY's consolidated net income for the same period. The new regulation implemented on 1 September 2017 will affect KCC's profitability, particularly the decreasing interest rate ceiling. However, TRIS Rating expects KCC will adapt and deliver an acceptable financial performance.

RATING OUTLOOK

The "stable" rating outlook reflects the expectation that KCC will maintain its status as a core subsidiary of the BAY Group and will continue to receive strong support from BAY.

RATING SENSITIVITIES

KCC's credit profile could be affected if the BAY Group's credit profile changes or TRIS Rating notices any significant change regarding the degree of support provided by BAY to KCC or the importance of KCC to the BAY Group.

FINANCIAL STATISTICS

Unit: Bt million

	----- Year Ended 31 December -----				
	2016	2015	2014	2013	2012
Total assets	45,974	43,708	42,354	40,617	32,534
Total loans (ending gross receivables)	44,054	42,065	40,393	37,789	29,502
Allowance for doubtful accounts	2,768	2,590	2,324	2,178	1,261
Short-term borrowings	27,296	27,470	28,284	29,456	23,763
Long-term borrowings	3,525	2,797	2,659	2,724	2,708
Shareholders' equity	9,862	8,440	7,228	3,541	2,605
Net interest income *	3,929	3,733	3,446	2,909	2,055
Provision for bad debt and doubtful accounts	1,764	1,802	1,617	1,670	605
Non-interest income **	3,163	2,979	2,419	2,192	2,176
Operating expenses	4,068	3,850	3,478	3,067	3,257
Net income	1,427	1,213	989	779	789

* Including credit usage fee

** Excluding credit usage fee

KEY FINANCIAL RATIOS

Unit: %

	----- Year Ended 31 December -----				
	2016	2015	2014	2013	2012
Profitability					
Net interest and dividend income/average assets	8.76	8.68	8.31	7.95	8.03
Fees and services income/average assets	7.05	6.92	5.83	5.99	8.51
Operating expenses/total income	48.94	48.28	47.68	45.46	63.87
Operating profit/average assets	4.10	3.65	3.14	2.83	4.09
Return on average assets	3.18	2.82	2.38	2.13	3.08
Return on average equity	15.60	15.48	18.37	25.35	35.68
Asset Quality					
Non-performing loans/total loans	1.15	1.22	1.20	1.35	1.76
Provision for bad debts and doubtful accounts/average loans	4.10	4.37	4.14	4.96	2.54
Allowance for doubtful accounts/total loans	6.28	6.16	5.75	5.76	4.27
Capitalization					
Debt/equity (times)	3.66	4.18	4.86	10.47	11.49
Shareholders' equity/total assets	21.45	19.31	17.07	8.72	8.01
Shareholders' equity/total loans	22.39	20.06	17.89	9.37	8.83
Liquidity					
Total loans/total borrowings	142.94	138.98	130.54	117.43	111.45
Payment rate	39.22	38.81	37.59	36.36	39.03

Krungsriyudhya Card Co., Ltd. (KCC)

Company Rating:	AAA
Issue Ratings:	
KCC189A: Bt2,700 million senior unsecured debentures due 2018	AAA
KCC199A: Bt1,900 million senior unsecured debentures due 2019	AAA
Up to Bt10,000 million senior unsecured debentures due within 2 years	AAA
Rating Outlook:	Stable

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