

KRUNGSRIAYUDHYA CARD CO., LTD.

No. 19/2018

5 March 2018

FINANCIAL INSTITUTIONS

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

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 rating of KCC's proposed issues of senior unsecured debentures of up to Bt15,000 million due within two years at "AAA". The assigned issue rating is to replace the rating of proposed issue of up to Bt10,000 million announced on 6 February 2018. The ratings reflect KCC's status as a core subsidiary of Bank of Ayudhya PLC (BAY), a commercial bank in 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. The loan portfolio grew to Bt47,203 million as of December 2017, an increase of 7%, from Bt44,054 million as of December 2016. KCC has strong underwriting and collection systems as evidenced in the ratio of non-performing loans (NPLs, loans that past due more than 90 days) to total loans (NPL ratio). KCC maintained its NPL ratio at less than 1% for the past few years, lower than the industry average. The company has maintained a conservative provisioning policy by setting the ratio of the allowance for loan losses against total loans at 6.1% as of December 2017, making the NPL coverage ratio (the ratio of the allowance for doubtful accounts to NPLs) rose to 619% at the end of 2017 from 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 Bt1,700 million in 2017, an increase of 19%, from Bt1,427 million in 2016. The return on average assets (ROAA) was 3.6% in 2017, improving from 3.2% in 2016. 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 AND KEY FINANCIAL RATIOS

Unit: Bt million

	----- Year Ended 31 December -----				
	2017 *	2016	2015	2014	2013
Total assets	49,467	45,974	43,708	42,354	40,617
Total loans (ending gross receivables)	47,203	44,054	42,065	40,393	37,789
Allowance for doubtful accounts	2,866	2,768	2,590	2,324	2,178
Short-term borrowings	28,499	27,296	27,470	28,284	29,456
Long-term borrowings	3,326	3,525	2,797	2,659	2,724
Shareholders' equity	11,563	9,862	8,440	7,228	3,541
Net interest income **	3,872	3,929	3,733	3,446	2,909
Provision for bad debt and doubtful accounts	1,630	1,764	1,802	1,617	1,670
Non-interest income ***	4,198	3,163	2,979	2,419	2,192
Operating expenses	4,284	4,068	3,850	3,478	3,067
Net income	1,700	1,427	1,213	989	779

* Unaudited financial statement

** Including credit usage fee

*** Excluding credit usage fee

Unit: %

	----- Year Ended 31 December -----				
	2017 *	2016	2015	2014	2013
Profitability					
Net interest and dividend income/average assets	8.11	8.76	8.68	8.31	7.95
Fees and services income/average assets	8.80	7.05	6.92	5.83	5.99
Operating expenses/total income	52.80	48.94	48.28	47.68	45.46
Operating profit/average assets	3.15	4.10	3.65	3.14	2.83
Return on average assets	3.56	3.18	2.82	2.38	2.13
Return on average equity	15.87	15.60	15.48	18.37	25.35
Asset Quality					
Non-performing loans/total loans	0.98	1.15	1.22	1.20	1.35
Provision for bad debts and doubtful accounts/average loans	3.57	4.10	4.37	4.14	4.96
Allowance for doubtful accounts/total loans	6.07	6.28	6.16	5.75	5.76
Capitalization					
Debt/equity (times)	3.28	3.66	4.18	4.86	10.47
Shareholders' equity/total assets	23.38	21.45	19.31	17.07	8.72
Shareholders' equity/total loans	24.50	22.39	20.06	17.89	9.37
Liquidity					
Total loans/total borrowings	148.32	142.94	138.98	130.54	117.43
Payment rate	39.48	39.22	38.81	37.59	36.36

* Unaudited financial statement

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 Bt15,000 million senior unsecured debentures due within 2 years	AAA
Rating Outlook:	Stable

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