

## Press Release

**No. 53/2017**  
**30 March 2017**

### **TRIS Rating Affirms Company & Senior Unsecured Debt Ratings of "KTC" at "A+", and Assigns "A+" Rating to Senior Unsecured Debt Worth Up to Bt15,000 Million, with "Stable" Outlook**

TRIS Rating has affirmed the company rating and the ratings of the existing senior unsecured debentures of Krungthai Card PLC (KTC) at "A+". At the same time, TRIS Rating has assigned a "A+" rating to KTC's proposed issue of up to Bt15,000 million in senior unsecured debentures due within 10 years. The outlook remains "stable". The ratings reflect an enhancement from KTC's stand-alone rating as KTC is a strategically important subsidiary of its parent bank, Krung Thai Bank PLC (KTB). KTC's stand-alone rating has been supported by continual improvements in operating performance and asset quality during the past few years, which substantially strengthened the company's financial profile. The ratings are, however, constrained by the intense competition in the consumer finance industry and a weak economy which might affect KTC's credit quality and profitability.

The "stable" outlook reflects the expectation that KTC will be able to maintain its market position, asset quality, and leverage level at the current positions, through efficient debt collections and a strict underwriting policy. TRIS Rating also expects that KTB will continue to provide business and financial support to KTC.

The credit upside case would arise if KTC delivers better-than-expected financial performance, strengthens its financial profile, and controls credit cost despite a weak economy and challenging competitive pressures in the consumer finance industry. KTC's ratings or outlook could be revised downward if the company's financial profile is affected from the significant deterioration in asset quality or any negatively regulatory changes. However, those situations seem to be unlikely to occur in the short to medium terms. Any change in the degree of support KTB provides to KTC or change in the strategic importance of KTC to KTB would also affect the ratings and/or outlook.

KTC, a 49.45% subsidiary of KTB, has received greater support from its parent bank. As a company in the KTB Group, KTC has collaborated with KTB to have its business strategy to be aligned with the KTB Group. In terms of business cooperation, KTC continues to utilize the bank's nationwide branch network as a channel to expand its client base and as channels for payments and services. KTC also receives ongoing financial support from KTB in the form of credit facilities. The stronger level of support has enhanced the importance status of KTC within the KTB Group. The enhancement importantly increases the probability that KTB would provide extraordinary support to KTC if required.

As a result of aggressive marketing efforts, KTC has maintained its leading market position in the credit card business with approximately 12% market share in outstanding receivables and approximately 6% market share in personal loan over the past few years. KTC's credit card spending also improved continuously with a 13% growth, higher than the industry growth of 7% in 2016. The loan portfolio grew continuously from Bt48,080 million in 2012 to Bt68,697 million in 2016, a compound annual growth rate (CAGR) of 9%.

KTC has strong underwriting and collection systems as evidenced by the ratio of non-performing loans (or NPLs, meaning loans more than 90 days past due) to total loans (NPL ratio). KTC maintained the NPL ratio for credit cards at 1.2% at the end of 2016, lower than the industry average of 2.9%. The results are similar for personal loans. KTC reported an NPL ratio for personal loans at 0.9% at the end of 2016, lower than the industry average of 3.1%. The company maintains a conservative provisioning policy by setting the ratio of the allowance for loan losses against total loans at 7.9% as of December 2016. As a result, the NPL coverage ratio (the ratio of the allowance for doubtful accounts to NPLs) rose to 473% at the end of 2016. This percentage is large enough to serve as a cushion against any potential adverse change in the operating environment.

In May 2015, KTC decided to outsource debt collection service to Win Performance Co., Ltd. As a result, the ratio of operating expenses to total income increased to 39.5% in 2015 and 39.3% in 2016 from 37.5% in 2014. Despite the recent drop in NPLs, the charge-off rate rose from 9% in 2015 to 9.4% in 2016. However, the recovery ratio increased to 47.4% in 2016 from 42.8% in 2014 and 44.3% in 2015.

(Continue on page 2)

TRIS Rating expects the outsourcing company can achieve a high collection rate while maintaining a high quality of service at a controllable cost.

With its ability to access a diverse funding base, plus the financial support from KTB, short-term liquidity is not a major concern for KTC. Its portfolio is funded by borrowings from many financial institutions, and by debentures with a range of maturities. No loan from a single financial institution represents a significant portion of its overall borrowings. While KTC relies on borrowings from financial institutions and the debt market as its main funding sources, its commercial bank-backed competitors have access to the relatively cheaper sources of funding: bank deposits. However, the improvement in KTC's credit profile and the downward trend of interest rates during the past three years reduced its funding cost from 5% in 2012 to 3.1% in 2016.

KTC has managed its funding cost and has got operating costs under control during the past few years. As a result, net income rose continuously. KTC reported a net profit, excluding extraordinary items related to the sale of a long-term investment, of Bt1,037 million in 2013, Bt1,755 million in 2014, and Bt2,073 million in 2015. Net profit was Bt2,495 million in 2016, a 20% increase compared with the same period in 2015. The return on average assets (ROAA) improved continuously to 3.9% in 2016, from 2.1% in 2013, excluding extraordinary items related to the sale of a long-term investment. The major efficiency improvements in 2012 and the abundant reserves from its conservative provisioning policy should keep profitability steady over the next few years.

The improved operating results substantially strengthen KTC's equity base, lowering the debt to equity ratio to 5.6 times at the end of 2016. Given KTC's modest dividend payout policy and future prospects, TRIS Rating expects KTC's equity base to be maintained at this level over the next two to three years. However, the planned growth in the loan portfolio may boost borrowings and cause the leverage ratio to rise.

### **Krungthai Card PLC (KTC)**

#### **Company Rating:**

A+

#### **Issue Ratings:**

KTC174A: Bt500 million senior unsecured debentures due 2017	A+
KTC175A: Bt400 million senior unsecured debentures due 2017	A+
KTC175B: Bt100 million senior unsecured debentures due 2017	A+
KTC177A: Bt200 million senior unsecured debentures due 2017	A+
KTC177B: Bt500 million senior unsecured debentures due 2017	A+
KTC178A: Bt2,000 million senior unsecured debentures due 2017	A+
KTC178B: Bt200 million senior unsecured debentures due 2017	A+
KTC17DA: Bt130 million senior unsecured debentures due 2017	A+
KTC17NA: Bt5,000 million senior unsecured debentures due 2017	A+
KTC17OA: Bt400 million senior unsecured debentures due 2017	A+
KTC182A: Bt500 million senior unsecured debentures due 2018	A+
KTC183A: Bt300 million senior unsecured debentures due 2018	A+
KTC187A: Bt1,120 million senior unsecured debentures due 2018	A+
KTC188A: Bt800 million senior unsecured debentures due 2018	A+
KTC188B: Bt4,000 million senior unsecured debentures due 2018	A+
KTC18NA: Bt550 million senior unsecured debentures due 2018	A+
KTC192A: Bt400 million senior unsecured debentures due 2019	A+
KTC195A: Bt2,500 million senior unsecured debentures due 2019	A+
KTC198A: Bt2,000 million senior unsecured debentures due 2019	A+
KTC198B: Bt385 million senior unsecured debentures due 2019	A+
KTC208A: Bt600 million senior unsecured debentures due 2020	A+
KTC200A: Bt2,000 million senior unsecured debentures due 2020	A+
KTC212A: Bt800 million senior unsecured debentures due 2021	A+
KTC215A: Bt1,500 million senior unsecured debentures due 2021	A+

(Continue on page 3)

KTC217A: Bt3,000 million senior unsecured debentures due 2021	A+
KTC21NA: Bt630 million senior unsecured debentures due 2021	A+
KTC22NA: Bt700 million senior unsecured debentures due 2022	A+
KTC23DA: Bt600 million senior unsecured debentures due 2023	A+
KTC23NA: Bt1,140 million senior unsecured debentures due 2023	A+
KTC247A: Bt100 million senior unsecured debentures due 2024	A+
KTC259A: Bt1,000 million senior unsecured debentures due 2025	A+
KTC25NA: Bt1,000 million senior unsecured debentures due 2025	A+
KTC262A: Bt200 million senior unsecured debentures due 2026	A+
KTC262B: Bt300 million senior unsecured debentures due 2026	A+
KTC269A: Bt200 million senior unsecured debentures due 2026	A+
KTC26DA: Bt2,500 million senior unsecured debentures due 2026	A+
KTC26NA: Bt3,030 million senior unsecured debentures due 2026	A+
Up to Bt15,000 million senior unsecured debentures due within 10 years	A+
<b>Rating Outlook:</b>	Stable

**TRIS Rating Co., Ltd./**[www.trisrating.com](http://www.trisrating.com)

Contact: [santaya@trisrating.com](mailto:santaya@trisrating.com), Tel: 0-2231-3011 ext 500/Silom Complex Building, 24th Floor, 191 Silom Road, Bangkok 10500, Thailand

© Copyright 2017, TRIS Rating Co., Ltd. All rights reserved. Any unauthorized use, disclosure, copying, republication, further transmission, dissemination, redistribution, or storing for subsequent use for any purpose, in whole or in part, in any form or manner or by any means whatsoever, by any person, of the credit rating reports or information is prohibited, without the prior written permission of TRIS Rating Co., Ltd. The credit rating is not a statement of fact or a recommendation to buy, sell or hold any debt instruments. It is an expression of opinion regarding credit risks for that instrument or particular company. The opinion expressed in the credit rating does not represent investment or other advice and should therefore not be construed as such. Any rating and information contained in any report written or published by TRIS Rating has been prepared without taking into account any recipient's particular financial needs, circumstances, knowledge and objectives. Therefore, a recipient should assess the appropriateness of such information before making an investment decision based on this information. Information used for the rating has been obtained by TRIS Rating from the company and other sources believed to be reliable. Therefore, TRIS Rating does not guarantee the accuracy, adequacy, or completeness of any such information and will accept no liability for any loss or damage arising from any inaccuracy, inadequacy or incompleteness. Also, TRIS Rating is not responsible for any errors or omissions, the result obtained from, or any actions taken in reliance upon such information. All methodologies used can be found at [http://www.trisrating.com/en/rating\\_information/rating\\_criteria.html](http://www.trisrating.com/en/rating_information/rating_criteria.html).