

KRUNGSRIAYUDHYA CARD CO., LTD.

No. 63/2018

31 August 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 on Krungsriayudhya Card Co., Ltd. (KCC) and the ratings on KCC's existing senior unsecured debentures at "AAA". At the same time, TRIS Rating assigns the rating to KCC's proposed issues on senior unsecured debentures of up to Bt13,000 million due within three years at "AAA". 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 under the supervision of 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 the outstanding credit card 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 sufficient as 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 with a lower lending rate ceiling implemented on 1 September 2017 will affect KCC's profitability, particularly the decreasing interest rate ceiling. However, TRIS Rating expects KCC will adapt and continue delivering 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 receiving 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.

Krungsriyudhya Card Co., Ltd. (KCC)

Company Rating:	AAA
Issue Ratings:	
KCC189A: Bt2,700 million senior unsecured debentures due 2018	AAA
KCC193A: Bt7,000 million senior unsecured debentures due 2019	AAA
KCC199A: Bt1,900 million senior unsecured debentures due 2019	AAA
KCC203A: Bt8,000 million senior unsecured debentures due 2020	AAA
Up to Bt13,000 million senior unsecured debentures due within 3 years	AAA
Rating Outlook:	Stable

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