

KRUNGTHAI CARD PLC

No. 47/2025
9 April 2025

FINANCIAL INSTITUTIONS

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

Last Review Date: 04/04/24

Company Rating History:

Date	Rating	Outlook/Alert
02/04/21	AA-	Stable
29/03/16	A+	Stable
02/04/15	A-	Stable
11/05/09	BBB+	Stable
30/04/09	BBB+	Alert Developing
24/04/09	A-	Alert Developing
08/11/05	A-	Stable
09/02/05	A-	Positive
12/07/04	A-	Stable
26/03/03	A-	-

Contacts:

Siriwan Weeramethachai
siriwan@trisrating.com

Pawin Thachasongtham
pawin@trisrating.com

Jittrapan Pantaleard
jittrapan@trisrating.com

Taweechok Jiamsakunthum
taweechok@trisrating.com

Narumol Chamchanavivat
narumol@trisrating.com



WWW.TRISRATING.COM

RATIONALE

TRIS Rating upgrades the company rating on Krungthai Card PLC (KTC) and the ratings on its outstanding senior unsecured debentures to “AA” from “AA-” with a “stable” outlook.

At the same time, TRIS Rating assigns a “AA” rating to KTC’s proposed issue of up to THB15 billion senior unsecured debentures due within 10 years. The proceeds from the new debentures will be used for debt refinancing, business expansion, investments, or funding for its subsidiaries.

The rating action is premised on the enhancement of its stand-alone credit profile (SACP) to “a” from “a-” due to our reassessment of the business position to “very strong” from “strong”. KTC’s group status as a “strategically important” subsidiary of Krungthai Bank PLC (KTB, rated “AA+/Stable”*) remains unchanged.

KTC’s “very strong” business position reflects our view that the company has consistently upheld its solid market presence and brand strength in the credit card and personal loan business over the years. This has enabled the company to maintain healthy financial performance and asset quality as well as steadily strengthen its capital position despite the challenging credit environment.

KEY RATING CONSIDERATIONS

Continued integration and support from KTB

TRIS Rating considers KTC a “strategically important” subsidiary of KTB, its majority shareholding with a 49.3% stake. As KTB’s consumer finance arm, KTC plays a crucial role in providing retail credit products, mainly credit cards, personal loans, and auto title loans.

KTC aligns its business strategy and risk management with those of KTB. It further benefits from the shared brand and joint marketing efforts. The new credit card customers have been acquired through KTB branches and the bank’s mobile application, “Krungthai Next” as a majority channel.

KTB provides substantial credit facilities and business support to KTC, indicating its strong, long-term commitment. This support is expected to continue in the foreseeable future. We believe KTB would extend financial assistance to KTC in times of stress.

Ability to maintain stability across cycles

KTC’s “very strong” business position is shown in its operations that demonstrate resilience amid challenging market conditions. The company has preserved its strong market share in its core credit card business in terms of number of cards, outstanding loans, and credit card spending, despite weak consumption since the pandemic.

KTC has successfully maintained its market position despite intense competition. In 2024, KTC’s market share in credit card receivables rose to 15%, up from 13%-14% in previous years. The company achieved a 10% growth in card spending, significantly outperforming the 3% industry average. KTC has also maintained a steady 6%-7% market share in unsecured personal loans despite fierce competition from commercial banks and other non-bank financial institutions.

In terms of customer base, KTC has demonstrated strength in retaining customers through a loyalty program that leverages reward points in

* The rating assigned to KTB is based on public information which TRIS Rating believes provides a sufficient basis for the assessment of credit profile of KTB. The rating is assigned without participation from KTB.

promotional campaigns, providing a key competitive advantage. The company serves diverse income segments, from middle income to higher income clients, while implementing targeted marketing by offering specialized affinity credit cards and tailored promotions for different age demographics.

In terms of revenue diversification, the company generates revenue from both interest income on outstanding balance and fee-based income associated with credit card spending. The fee income serves as a source of recurring revenue contributing around 20% of total revenue. Its gradual expansion into auto title loans provides an additional revenue source that can support future profitability.

As for the quality of management, KTC's management has been able to execute operational plans, with actual performance closely aligning with targets over the years. Also, management has consistently set prudent and conservative financial policies by using a higher portion of long-term funding and building up capital through a balanced dividend payout policy of about 40%. During weak credit conditions, the company adopts a more cautious approach to loan approvals, ensuring credit risk control to maintain strong asset quality.

Earnings expected to remain stable despite increased costs

KTC has demonstrated earnings resilience through the cycles. The company's earnings capabilities, as assessed by the ratio of earnings before taxes to average risk-weighted assets (EBT/ARWA), has remained relatively stable, around 5.0%-6.0% during and after the COVID-19 period. This stability can be attributed to the company's ability to sustain its interest spread as well as manage asset quality and operational efficiency.

In 2024, KTC reported a 5.1% EBT/ARWA ratio and a net profit of THB7.4 billion, a 2% year-over-year growth, despite increased credit costs from write-off policy changes and a lower interest spread. This was notable compared with the earnings decline seen in most non-bank financial institutions in TRIS Rating's database. The strong earnings were supported by higher non-interest income mainly due to robust credit card spending fueled by marketing campaigns and high recovery rates from written-off accounts.

We project KTC's EBT/ARWA to remain intact at about 5% in 2025-2027, even with increased costs in various areas. We project its interest spread to be maintained at its current level of 12%, primarily due to a shift in its portfolio toward higher-yielding products. Such products include personal and auto title loans, offsetting increased funding costs. We anticipate its operating expenses to total income to rise marginally to 36% in 2025-2027, compared with 35% in previous years from higher marketing expenditures and investments in information technology (IT) infrastructure. Also, we expect its credit costs to rise modestly, reflecting the prudent reserves policy with non-performing loan (NPL) coverage above 400% amid persistent economic uncertainty.

Focus on core businesses, cautiously expanding auto title loans

At the end of 2024, KTC's outstanding loans stood at THB111 billion, remaining stable year-on-year (y-o-y). Within this portfolio, credit card receivables accounted for 66%, followed by unsecured personal loans at 29%, while auto title loans and auto leasing comprised the remaining 5%.

We project KTC's loan portfolio to expand by 4%-7% annually in 2025-2027, driven by growth in new credit card acquisitions, unsecured personal loans, and auto title loans. Customer acquisition efforts will be strengthened further through a strategic partnership with KTB, a collaboration within the group's broader strategy, as well as through online channels and the appy online service.

In 2025, KTC aims to issue 250,000 new credit cards, targeting higher income clients and first-time jobholders. Based on our base-case assumptions, we estimate card spending to grow at an annual rate of 8%-10% between 2025 and 2027, supported by marketing initiatives and enhanced collaborations with both existing and new credit card partners. For unsecured personal loans, KTC plans to acquire around 100,000 new accounts in 2025, driven by marketing campaigns. Also, the company will focus on increasing credit utilization among existing customers.

For auto title loans, KTC continues to adopt a cautious growth strategy, prioritizing asset quality. The company has set a new loan origination target of THB3 billion for this year, focusing on low-risk customer segments, including salaried employees, government and state enterprise officials, and business owners with verifiable income sources. With new lending of THB3 billion and a repayment rate of 40% per year, we estimate KTC's outstanding loans to reach THB7 billion by end-2026. Over the long term, we expect diversification into this sector to support its overall business expansion while mitigating pressure on overall loan yields, given the relatively high yields associated with auto title loans.

Meanwhile, we anticipate the auto leasing business to continue to contract, as KTC has ceased new loan disbursements due to concerns over deteriorating asset quality amid a down-cycle in the auto leasing industry. The company will focus on debt collection and offer loan restructuring options to borrowers in need of financial relief.

Well managed asset quality

The company's asset quality remains strong relative to industry peers, supported by prudent underwriting policies, enhanced risk management strategies, and strong loan loss reserves.

At the end of 2024, its NPL ratio declined to 2.0%, down from 2.2% at the end of 2023. The NPL ratios for KTC's core products — credit card loans and personal loans — remained at 1.3% and 2.5%, respectively, below industry averages as of the end of 2024. The NPL formation ratio increased to 13.6% (annualized) in the first quarter of 2024, up from 5.1% in 2023, before stabilizing at 5.6%-5.9% in the second to fourth quarter of 2024. This fluctuation was primarily driven by a temporary change in loan write-off policy to manage NPLs.

Based on our base-case assumption of a moderate rise in the NPL formation ratio to 5.8%-5.9% in 2025-2027, we estimate KTC's NPL ratio to remain below 2.0% throughout this period, in line with the company's target. Also, we anticipate its credit costs (provisions to average loans) to range between 6.3%-6.6% in 2025-2027, slightly exceeding 2024 levels. Our projections also assume its NPL coverage to stay around 400%, according to management's policy. At the end of 2024, the NPL coverage stood at 369%.

The company expects the debt relief measures introduced by the Bank of Thailand (BOT) in early 2025 to have minimal impact on its financial performance and asset quality. These measures include maintaining the minimum credit card payment at 8% in 2025, while offering cash-back incentives for payments exceeding the minimum threshold, and the implementation of the "You Fight, We Help" program.

Strengthened capital due to healthy profit

KTC has consistently strengthened its capital position, driven by steady profit accumulation and a prudent dividend payout strategy. We assess its capital as "strong," with a risk-adjusted capital (RAC) ratio of 21.8% as of December 2024. We expect its RAC ratio to improve further to 25% by 2027. Our RAC projection is based on assumptions of 4%-7% loan growth, EBT/ARWA in the 5% range, and a 46% dividend payout ratio. As of December 2024, the company's financial leverage, indicated by the debt to equity (D/E) ratio of 1.8 times was at a healthy level, compared to the D/E ratio covenant of 10 times on its debt obligations.

Strong funding and liquidity position

KTC maintains a sound financial position with ample liquidity. The company benefits from diverse funding sources, including debt and equity markets, as well as credit facilities from financial institutions. Also, KTB has extended significant short-term and long-term credit lines to KTC. As of December 2024, KTB's credit lines accounted for 72% of KTC's total credit facilities, amounting to THB41.2 billion.

Regarding its funding structure, short-term debt increased to 37% of KTC's total debt as of December 2024 from 33% as of December 2023. Long-term borrowings continued to comprise the majority of the funding base. By April 2025, the company's outstanding long-term debentures were THB40 billion, with THB10 billion maturing within the year. KTC has established a refinancing plan to address these obligations.

Slowdown in consumer credit growth

Thailand's sluggish economy and high household debt have limited credit card and personal loan growth. Credit card spending grew just 3% to THB2.2 trillion in 2024, while outstanding balances contracted, with credit cards falling 3% and personal loans excluding auto title loan dropping 5.4% as lenders tightened approval standards. Nonetheless, the stricter underwriting resulted in improved asset quality, with the credit card NPL ratio remaining stable at 2.6% from 2.5% at the end of 2023, while personal loan NPL excluding auto title loan ratio also improved slightly to 3.9% from 4.4%. Debt relief from the government and the BOT may help improve the NPL ratio, but results could be limited. High household debt will likely continue as the major factor hindering consumer credit growth.

BASE-CASE ASSUMPTIONS

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

- Total outstanding loans to grow by 4%-7% per annum.
- Loan yield to hover around 15%.
- Funding cost to range between 2.8%-3.0%.
- Expected credit loss to range between 6.3%-6.7%.
- Operating expenses to total income to stay around 36%.

RATING OUTLOOK

The “stable” outlook reflects our expectation that KTC will maintain its solid market position in both the credit card and personal loan sectors and continue to preserve strong capital, profitability, and asset quality.

RATING SENSITIVITIES

KTC’s SACP could be enhanced if its capital base strengthens significantly, with the RAC ratio well exceeding 25% or EBT/ARWA rising above 6% for an extended period. However, without an upgrade of the rating on KTB, KTC’s ratings will remain unchanged even if its group status is elevated to a higher level.

Conversely, a rating downgrade could occur if its SACP deteriorates, with the RAC ratio dropping below 12%, or credit cost rising above 12.5% or its market position declines steadily. A downgrade of the rating on KTB or a reassessment of KTC’s group status to a lower status could also lead to a downgrade of the ratings or outlook.

COMPANY OVERVIEW

KTC was established in 1996 as a wholly-owned subsidiary of KTB, responsible for all the credit cards and debit cards issued by the KTB Group. To allow KTC to operate more efficiently as a separate consumer finance company, KTB spun off its credit card business and listed KTC on the Stock Exchange of Thailand (SET) in 2002. KTB transferred its credit card portfolio to KTC. After the listing, KTB held a 49.29% stake in KTC, with the remaining 50.71% held by the general public.

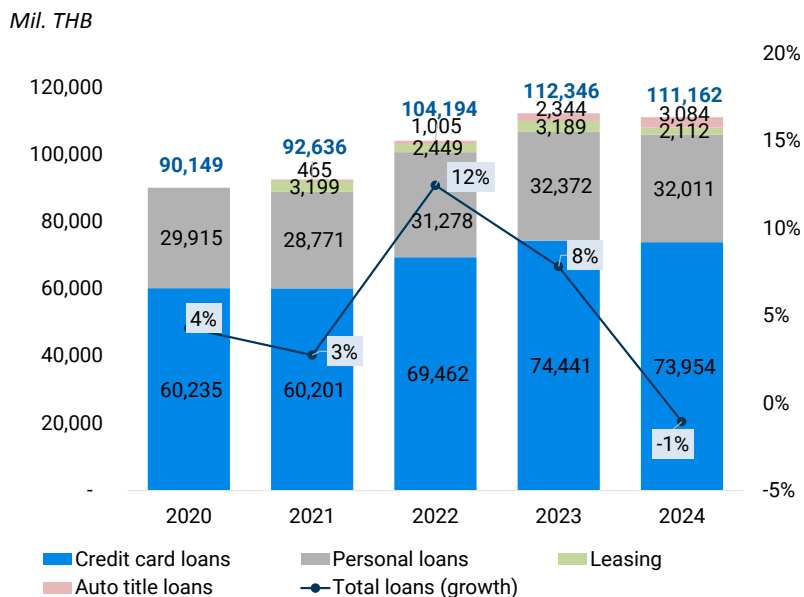
KTC has a history of launching new products, such as personal loans, loans for entrepreneurs, and credit cards. KTC has continued to develop and implement new operating systems, such as risk management and IT systems, and digital banking. The company is closely supervised and monitored by its parent bank and is indirectly controlled by the BOT through the parent bank.

KTC acquired KTB Leasing Co., Ltd. (KTBL) from KTB in 2021. Following the completion of the transaction, KTC became the major shareholder of KTBL with a 75.05% stake, while KTB holding the remainder. KTC aims to diversify into collateral-based loan services comprising hire purchase and leasing.

As of December 2024, KTC had around 1,700 staff and 11 “KTC Touch” to provide services. The services offered at these branches include accepting payments, receiving applications for credit cards and personal loans, and responding to customer inquiries. Apart from KTC Touch, KTC also utilizes KTB’s nationwide branch network and the networks of co-branded alliances as channels to provide services to its customers.

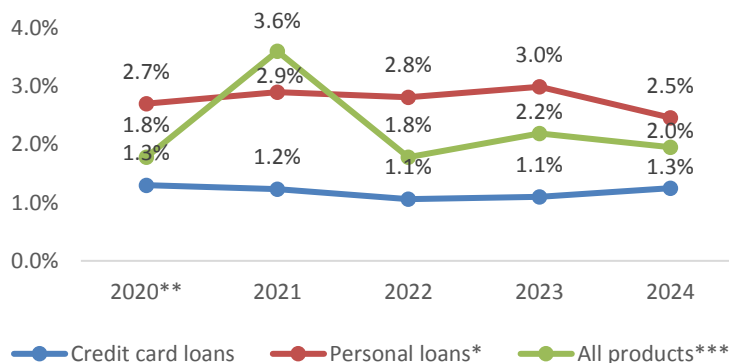
KEY OPERATING PERFORMANCE

Chart 1: Gross Credit Card and Personal Loan Receivables



Sources: KTC & TRIS Rating

Chart 2: NPL Ratio



Sources: KTC & TRIS Rating

* Personal loans include auto title loans.

** Since 2020, NPL has been based on receivables in stage 3.

*** All products include leasing from KTBL.

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS*

Unit: Mil. THB

	Year Ended 31 December				
	2024	2023	2022	2021	2020
Total assets	111,066	112,814	101,796	89,471	88,403
Total loans	111,162	112,346	104,194	92,636	90,149
Allowance for expected credit loss	7,966	9,763	8,792	9,691	7,355
Short-term debts	23,326	22,085	14,980	18,845	22,952
Long-term debts	39,583	45,360	47,533	36,453	35,436
Shareholders' equity	39,900	35,845	31,576	27,084	22,850
Net interest income	14,382	14,317	12,989	12,198	12,633
Expected credit loss	6,762	5,894	4,868	5,456	6,605
Non-interest income	11,267	9,446	8,850	7,828	7,888
Operating expenses	9,622	8,801	8,117	7,326	7,260
Earnings before taxes	9,265	9,068	8,871	7,255	6,656
Net profit	7,388	7,250	7,054	5,789	5,332

* Consolidated financial statements

Unit: %

	Year Ended 31 December				
	2024	2023	2022	2021	2020
Profitability					
Net interest income/average assets	12.85	13.34	13.58	13.71	14.54
Non-interest income/average assets	10.07	8.80	9.25	8.80	9.08
Operating expenses/total income	35.05	34.62	34.94	34.17	32.92
Operating profit/average assets	8.28	8.45	9.28	8.16	7.66
Earnings before taxes/average risk-weighted assets	5.11	5.19	5.61	4.90	4.55
Return on average assets	6.60	6.76	7.38	6.51	6.14
Return on average equity	19.51	21.51	24.05	23.18	25.04
Asset Quality					
Non-performing loans (NPL)/total loans	1.95	2.19	1.78	3.60	1.78
Expected credit loss/average loans	6.05	5.44	4.95	5.97	7.48
Allowance for expected credit loss/NPL	369.27	400.29	476.34	292.17	460.28
Capitalization					
Risk-adjusted capital ratio	21.75	19.63	18.44	18.01	15.11
Debt to equity (times)	1.78	2.15	2.22	2.30	2.87
Funding and Liquidity					
Stable funding ratio	76.46	78.42	82.11	75.74	69.59
Liquidity coverage measure (times)	0.13	0.24	0.15	0.13	0.08
Short-term debts/total liabilities	32.78	28.69	21.33	30.21	35.01
Payment rate	42.70	39.62	38.88	36.32	37.60

RELATED CRITERIA

- Issue Rating Criteria, 26 December 2024
- Financial Institution Rating Methodology, 25 September 2024
- Group Rating Methodology, 7 September 2022

Krungthai Card PLC (KTC)

Company Rating:	AA
Issue Ratings:	
KTC258A: THB1,000 million senior unsecured debentures due 2025	AA
KTC259A: THB1,000 million senior unsecured debentures due 2025	AA
KTC259B: THB4,000 million senior unsecured debentures due 2025	AA
KTC25NA: THB1,000 million senior unsecured debentures due 2025	AA
KTC25NB: THB1,500 million senior unsecured debentures due 2025	AA
KTC262A: THB200 million senior unsecured debentures due 2026	AA
KTC262B: THB300 million senior unsecured debentures due 2026	AA
KTC265A: THB4,000 million senior unsecured debentures due 2026	AA
KTC269A: THB200 million senior unsecured debentures due 2026	AA
KTC26NA: THB3,030 million senior unsecured debentures due 2026	AA
KTC26NB: THB2,100 million senior unsecured debentures due 2026	AA
KTC26DA: THB2,500 million senior unsecured debentures due 2026	AA
KTC277A: THB1,232 million senior unsecured debentures due 2027	AA
KTC278A: THB1,500 million senior unsecured debentures due 2027	AA
KTC278B: THB1,000 million senior unsecured debentures due 2027	AA
KTC279A: THB1,000 million senior unsecured debentures due 2027	AA
KTC27OA: THB1,000 million senior unsecured debentures due 2027	AA
KTC27NA: THB2,000 million senior unsecured debentures due 2027	AA
KTC282A: THB1,250 million senior unsecured debentures due 2028	AA
KTC288A: THB2,065 million senior unsecured debentures due 2028	AA
KTC292A: THB2,000 million senior unsecured debentures due 2029	AA
KTC297A: THB1,500 million senior unsecured debentures due 2029	AA
KTC29OA: THB1,700 million senior unsecured debentures due 2029	AA
KTC29NA: THB730 million senior unsecured debentures due 2029	AA
KTC301A: THB1,000 million senior unsecured debentures due 2030	AA
KTC318A: THB500 million senior unsecured debentures due 2031	AA
Up to THB15,000 million senior unsecured debentures due within 10 years	AA
Rating Outlook:	Stable

TRIS Rating Co., Ltd.

Silom Complex Building, 24th Floor, 191 Silom Road, Bangkok 10500, Thailand Tel: +66 2 098 3000

© Copyright 2025, 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 www.trisrating.com/rating-information/rating-criteria