

## **Fitch Assigns Easy Buy's National Rating 'AA(th)'; Outlook Stable** Ratings

Endorsement Policy  
15 May 2015 2:48 AM (EDT)

Fitch Ratings-Bangkok/Hong Kong/Singapore-15 May 2015: Fitch Ratings (Thailand) has today, assigned Easy Buy Public Company Limited (EB) a National Long-Term Rating of 'AA(th)', with a Stable Outlook, as well as a National Short-Term Rating of F1+(th). Fitch has also assigned issue ratings to EB's outstanding senior unsecured bonds of 'AA(th)' and guaranteed bonds of 'AAA(th)'.

### KEY RATING DRIVERS - NATIONAL RATINGS AND SENIOR DEBTS

EB's National Ratings reflect Fitch's expectation of a high probability of institutional support from its Japanese parent, ACOM Co., Ltd (ACOM; A-/Stable).

Fitch believes EB is a strategically important subsidiary of ACOM. This could be reflected by ACOM's acquisition of a majority stake in 2012 which raised its ownership to 71% from 49%, its full management control via the board of directors, and appointment of key management. There is also clear evidence of on-going and past financial and operational support such as debt guarantees and direct lending as well as the transfer of technical knowledge. Focussing on overseas business is one of the three key pillars of ACOM's strategy, and EB is its largest overseas subsidiary with the highest revenue contribution.

EB's outstanding senior unsecured debts are rated at the same level as EB's National LT rating of 'AA(th)', in accordance with Fitch's criteria.

The Stable Outlook is in line with ACOM's Outlook and Fitch believes that there should be no material change to ACOM's propensity to provide support in the near term.

EB's 2015 performance is at risk of being pressured by further increases in provisioning costs and declining bad debt recoveries but Fitch expects performance to remain satisfactory. EB's high net interest margin (2014: 24.5%) should remain a major buffer against provisioning risks. However, the downside risks could arise from the high consumer leverage (2014: 85.9% of GDP) and weaker than expected economic growth which could significantly weaken EB's performance.

Despite the weak domestic economy in 2014, EB reported a sound performance with higher net profit of THB2.3bn (up 4.2% yoy) and ROE and ROA of 27.1% and 6.7%, respectively. EB's asset quality has moderately weakened but remains satisfactory. EB mainly relies on wholesale funding; however, funding and liquidity risks could be mitigated by financial support (such as direct lending and guarantees) from its parent, ACOM. Capitalisation continued to strengthen with higher equity/assets ratio of 26.5% at end-2014, supported by strong earnings and moderate asset growth.

EB is one of the leading non-bank personal loan providers with a market share of 24% (among non-banks) in 2014. EB's business model mainly focuses on revolving personal loans. The company's target segments are the salary-based lower income earners and office workers, which accounted for more than half of its loans book.

ACOM is one of the leading providers of consumer financial services in Japan. Mitsubishi Financial Group Inc. (MUFG) holds a 40% stake in ACOM, and Fitch views ACOM to be strategically important to the MUFG group.

### RATING SENSITIVITIES - NATIONAL RATINGS AND SENIOR DEBTS

Any change in ACOM's ratings could have a similar effect on EB's National LT Rating. Any indications of weaker propensity for ACOM to provide support to EB could result in a downgrade of the National ratings. For example, this may be indicated by a material reduction in ACOM's ownership or level of commitment to provide financial support.

Any change in EB's National Long Term Rating would similarly affect the rating of its senior unsecured debts.

#### KEY RATING DRIVERS - GUARANTEED BONDS

The 'AAA(tha)' ratings of EB's guaranteed bonds are based entirely on an unconditional and irrevocable guarantee provided by ACOM. Its Long-Term Foreign Currency Issuer Default Rating (LTFC IDR) of 'A-' is at the same level with Thailand's Long-Term Local Currency IDR (LTLC IDR) of 'A-' which also correlates to the National LT rating of 'AAA(tha)'.

#### RATING SENSITIVITIES - GUARANTEED BONDS

The ratings of the guaranteed bonds are the highest on the national scale, therefore, there is no potential rating upside. The guaranteed bonds could be downgraded if ACOM's LTFC IDR falls below Thailand's LTLC IDR.

The rating actions are as follows:

National Long-Term Rating assigned at 'AA(tha)'; Outlook Stable

National Short-Term Rating assigned at 'F1+(tha)'

National Long-Term Rating of outstanding senior unsecured bonds at 'AA(tha)'

National Long-Term Rating of outstanding guarantee bonds at 'AAA(tha)'

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Date of Relevant Rating Committee: 24 April 2015.

Note to Editors: Fitch's National ratings provide a relative measure of creditworthiness for rated entities in countries with relatively low international sovereign ratings and where there is demand for such ratings. The best risk within a country is rated 'AAA' and other credits are rated only relative to this risk. National ratings are designed for use mainly by local investors in local markets and are signified by the addition of an identifier for the country concerned, such as 'AAA(tha)' for National ratings in Thailand. Specific letter grades are not therefore internationally comparable.

Applicable criteria, "Global Non-Bank Financial Institutions Rating Criteria", dated 20 March 2015; and "National Scale Ratings Criteria", dated 30 October 2013; are available at [www.fitchratings.com](http://www.fitchratings.com).

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Additional information is available on [www.fitchratings.com](http://www.fitchratings.com)

**Applicable Criteria and Related Research:**

Global Non-Bank Financial Institutions Rating Criteria  
National Scale Ratings Criteria

Additional Disclosure  
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