



MARC RATINGS BERHAD

P R E S S A N N O U N C E M E N T

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MARC RATINGS AFFIRMS CHAILEASE BERJAYA'S AA-_(cg) RATING

MARC Ratings has affirmed its rating of **AA-_(cg)/Stable** on Chailease Berjaya Credit Sdn Bhd's (CBC) RM1.0 billion Medium-Term Notes (MTN) Programme. The programme is unconditionally and irrevocably guaranteed by CBC's ultimate holding company, Chailease Holding Company Limited (CHC). Accordingly, the rating reflects the credit strength of CHC which carries a public information rating of AA-/Stable.

MARC Ratings notes that CBC has continued to maintain healthy operating performance, recording double-digit growth from 2017 to 2023, and is expected to achieve a similar growth level for 2024. Despite the rapid loan growth, asset quality metrics have been strong, partly attributable to the support received from its Taiwan-based parent by way of expertise in establishing tight risk controls and prudent underwriting standards. CHC, through its subsidiary Chailease Finance Co Ltd, holds about 40% market share of the Taiwanese leasing sector.

As at end-June 2024, CBC's gross impaired loan ratio stood at about 1.5%. With a loan-loss allowance coverage of 214% as at end-1H2024, it has also set aside a comfortable provisioning cushion. Overall profitability strengthened in 1H2024, supported by an increase in net interest margin (NIM) to 11.8% (1H2023: 10.6%), loan growth, and lower impairment charges. Accordingly, pre-tax profit rose to RM64.4 million in 1H2024 (1H2023: RM37.5 million). The rating agency views that interest income could further improve in the near-to-medium term, backed by loan growth and a strong NIM.

In terms of funding, CBC relies primarily on bank borrowings, which have gradually increased in line with its asset growth, standing at RM2.2 billion as at end-1H2024 from RM2.1 billion as at end-2023. Debt-to-equity ratio remained stable at 4.1x as at end-June 2024. While CBC expects more issuances under the MTN programme in the near-to-medium term, this is not expected to materially impact CBC's leverage position, as the proceeds would largely be utilised to repay/refinance its existing borrowings. As at end-October 2024, the outstanding under the programme was RM10.0 million.

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