

# THANACHART CAPITAL PLC

No. 177/2022  
12 October 2022

## FINANCIAL INSTITUTIONS

<b>Company Rating:</b>	A
<b>Issue Ratings:</b>	
Senior unsecured	A
<b>Outlook:</b>	Stable

**Last Review Date:** 27/05/22

### Company Rating History:

Date	Rating	Outlook/Alert
10/04/20	A	Stable
14/03/19	A+	Alert Negative
16/01/12	A+	Stable
12/03/10	A	Positive
14/07/05	A	Stable

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## RATIONALE

TRIS Rating affirms the company rating on Thanachart Capital PLC (TCAP) and the ratings on TCAP's senior unsecured debentures at "A", with a "stable" outlook. The company rating is equivalent to the group credit profile (GCP) of Thanachart Group (TGROUP), which reflects the integrated stand-alone credit profiles (SACP) of its key subsidiaries, including Ratchthani Leasing PLC (THANI), Thanachart Securities PLC (TNS), and Thanachart Insurance PLC (TNI). The ratings also consider TCAP's low financial leverage and diversified sources of earnings.

The issue ratings on TCAP's debt issues are subject to a one-notch downward adjustment from its company rating due to structural subordination or the lower priority of claims and/or recovery prospects of TCAP's debt obligations compared with claims against its operating subsidiaries. Nonetheless, the notching is offset by a one-notch uplift from its large investment in TMBThanachart Bank PLC (TTB) that consistently generates sizeable cash flows to TCAP.

## KEY RATING CONSIDERATIONS

### Diversified financial group

TCAP is a holding company with investments in diversified financial businesses, including commercial banking, leasing, securities brokerage, insurance, asset-based financing, and distressed asset management, as well as other non-financial businesses. The company rating on TCAP is anchored by the SACPs of the three major subsidiaries, THANI, TNS, and TNI, together contributing 47% of TGROUP's consolidated net profit in 2021 and representing 21% in terms of shareholders' equity. Dividend contributions from these core subsidiaries together with TTB totaled THB2.46 billion in 2021.

### Increased investments

After the restructuring of TGROUP in 2019, TCAP has gradually raised its stakes in several subsidiaries and affiliates over the past two years. We view the moves as signifying its commitment and support for companies within the group. Notably, TCAP's holding in TTB increased to 24.89% at the end of June 2022 from 20.11% at the end of 2020. Its stake in THANI also rose to 60.61% from 58.85% at the end of 2020. Moreover, TCAP also acquired an additional 50% stake in MBK Life Assurance PLC (MBK Life) from MBK PLC and changed the name to T Life Assurance PLC (TLIFE). TCAP's double leverage (investments in subsidiaries and associates to shareholders' equity) was relatively high, at 105.7% at the end of June 2022.

### Key subsidiaries in strong market positions

The SACPs of TCAP's key subsidiaries are underpinned by the strong market positions in their respective business lines. THANI is a dominant player with long-standing presence in the trucks and luxury cars hire purchase market segments. TNS has a competitive advantage in the securities brokerage catering to domestic institutional clients. TNI ranked sixth in the motor insurance market with a market share of 4.78% in terms of direct premiums received in 2021.

## Diversifying into asset-based lending

TCAP is also leveraging its expertise in the lending business by establishing Thanachart Plus Co., Ltd. (T-PLUS) in May 2021. T-PLUS offers term loans and working capital facilities to small and medium enterprises (SMEs), backed by lands and properties. Since the establishment, T-PLUS's outstanding loans have expanded actively to THB3.6 billion at the end of June 2022, up from THB2.1 billion at the end of 2021. Although T-PLUS's profit contribution currently remains small, we expect it to increase steadily over the next three years in-line with its asset expansion strategy.

## Resilient earnings supported by well-diversified business structure

In our view, TCAP has resilient operating performance over the past few years amid the Coronavirus Disease 2019 (COVID-19) pandemic. In 2021, the company reported net profit of THB6.7 billion, a 38.4% year-on-year (y-o-y) increase, compared with THB4.9 billion in 2020 (excluding extra gain on investment). In the first half of 2022, net profit rose 65.5% y-o-y to THB3.5 billion. This was mainly attributed to its well-diversified business structure, strong market positions in respective businesses, and prudent risk management. Among TCAP's subsidiaries, THANI remains the largest profit contributor in 2021, accounting for 25.4% of the group's consolidated net profit, followed by TNI (11.4%) and TNS (9.8%). However, in terms of dividend contribution, TTB provides the largest dividend of about THB1 billion in 2021.

## RATING OUTLOOK

The "stable" outlook reflects our expectation that TCAP's key subsidiaries should be able to maintain their SACPs, while TCAP is able to maintain its strong liquidity position and double leverage of not more than 120%.

## RATING SENSITIVITIES

The company rating and/or outlook on TCAP could be revised upward, should there be any upgrades of the SACPs of TCAP's key subsidiaries to the degree that TCAP's rating and/or outlook could be raised. Conversely, a rating downgrade could happen should there be any downgrades of the SACPs of TCAP's key subsidiaries that cause TCAP's rating and/or outlook to be revised downward, and/or TCAP's short-term liquidity risk or refinancing risk heightens significantly, and/or TCAP's double leverage increases above 120%. The issue ratings could also be downgraded should TCAP dilutes its holding in TTB materially.

## COMPANY OVERVIEW

In April 2005, under the Bank of Thailand's "One Presence" policy, TCAP became a financial holding company of Thanachart Bank PLC (TBANK) and eight other subsidiaries, including TNS, TNI, TLIFE, Thanachart Fund Management Co., Ltd. (TFUND), Thanachart Broker Co., Ltd., Thanachart Group Leasing Co., Ltd., Thanachart Management & Services Co., Ltd., and Thanachart Legal and Appraisal Co., Ltd. TCAP owned TBANK and two asset management companies, NFS Asset Management Co., Ltd. (NFS-AMC) and MAX Asset Management Co., Ltd. (MAX-AMC).

In July 2007, TCAP signed a joint venture agreement with a new strategic partner, Bank of Nova Scotia (BNS), to invest in TBANK. In April 2010, TBANK acquired a 99.98% stake in Siam City Bank PLC (SCIB). In October 2011, all the assets, liabilities, and other financial commitments of SCIB were transferred to TBANK, and SCIB discontinued its operations. As of June 2013, TCAP held a 50.96% stake in TBANK while BNS held 49%.

Effective in May 2013, TBANK sold its life insurance business, TLIFE, to Prudential Life Assurance (Thailand) PLC (PRU) for approximately THB17.5 billion. In addition, TBANK signed a 15-year exclusive agreement with PRU and is now PRU's business partner in banc-assurance services. On 2 June 2014, TBANK sold all the shares of Siam City Life Assurance PLC (SCILIFE), a subsidiary it received in the SCIB acquisition, to TCAP and MBK (rated "A-/Stable" by TRIS Rating). The transaction was worth THB900 million. At the end of June 2015, TCAP held a 51% stake in SCILIFE, while MBK held 49%.

In April 2015, TBANK completed the liquidation process of SCIB, one of its subsidiaries. The liquidation generated tax losses, a part of which the bank has utilized as income tax savings.

On 26 February 2019, signing of a non-binding memorandum of understanding (MOU) by five parties outlined a merger between TMB and TBANK. The five parties included TMB, TBANK, TCAP, International Netherlands Group (ING), and BNS. As the merger focuses on TBANK's banking business, TBANK was required to divest its holdings in its subsidiaries and other investments to TBANK's shareholders based on their respective shareholdings (TCAP 51%; BNS 49%). The subsidiaries include TNS, THANI, TNI, and TS Asset Management Co., Ltd. (TS AMC).

In December 2019, TMB and TBANK completed the share purchases and TBANK became a wholly-owned subsidiary of TMB. As of end-June 2020, TCAP held a 20.1% share in TMB. Shareholdings in other key subsidiaries include effective 57.5% shares in THANI (via 100% shares in Thanachart SPV1 Co., Ltd. (SPV1) and TCAP's own investment), 51% in TNS, and 51% in TNI.

**FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS\***

Unit: Mil. THB

	Jan-Jun 2022	Year Ended 31 December			
		2021	2020	2019	2018
Total assets	155,460	142,735	140,756	160,927	1,060,929
Total loans	64,482	57,836	52,593	56,277	755,270
Allowance for doubtful accounts	2,629	2,615	2,342	3,118	24,145
Short-term borrowings	-	23,834	11,604	34,169	-
Long-term borrowings	-	26,449	35,595	26,271	-
Deposits	-	-	-	-	751,917
Shareholders' equity	74,998	74,141	72,768	74,059	137,918
Net interest income	1,458	2,671	2,593	2,740	30,767
Bad debts and doubtful accounts	181	483	595	(316)	4,785
Non-interest income	4,283	8,513	10,317	4,863	13,408
Operating expenses	1,604	3,143	2,910	3,153	20,979
Net income	3,512	6,722	7,848	16,760	15,806

\* Consolidated financial statements

Unit: %

	Jan-Jun 2022	Year Ended 31 December			
		2021	2020	2019	2018
<b>Profitability</b>					
Net-interest income/average assets	1.96	1.88	1.72	1.70	2.95
Net-interest income/total income	25.39	23.88	20.08	36.61	69.65
Operating expenses/total income	27.93	28.10	22.54	40.54	47.49
Return on average assets	4.71	4.74	5.20	2.74	1.52
Return on average equity	8.57	8.23	10.33	16.43	12.27
<b>Asset Quality</b>					
Non-performing loans/total loans	3.84	5.33	5.28	5.02	2.67
Bad debts and doubtful accounts/average loans	0.59	0.87	1.09	(0.08)	0.65
Allowance for doubtful accounts/total loans	4.08	4.52	4.45	5.54	3.20

**RELATED CRITERIA**

- Group Rating Methodology, 7 September 2022
- Issue Rating Criteria, 15 June 2021

**Thanachart Capital PLC (TCAP)**

<b>Company Rating:</b>	A
<b>Issue Ratings:</b>	
TCAP22NA: THB3,000 million senior unsecured debentures due 2022	A
TCAP238A: THB500 million senior unsecured debentures due 2023	A
TCAP230A: THB1,300 million senior unsecured debentures due 2023	A
TCAP246A: THB400 million senior unsecured debentures due 2024	A
TCAP248B: THB200 million senior unsecured debentures due 2024	A
TCAP240A: THB100 million senior unsecured debentures due 2024	A
TCAP256A: THB3,100 million senior unsecured debentures due 2025	A
TCAP258A: THB900 million senior unsecured debentures due 2025	A
TCAP260A: THB1,690 million senior unsecured debentures due 2026	A
TCAP260B: THB640 million senior unsecured debentures due 2026	A
TCAP300A: THB800 million senior unsecured debentures due 2030	A
TCAP300B THB1,770 million senior unsecured debentures due 2030	A
Up to THB1,500 million senior unsecured debentures under medium-term note program in 2022	A
<b>Rating Outlook:</b>	Stable

**TRIS Rating Co., Ltd.**

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