

# BUALUANG SECURITIES PLC

No. 226/2024  
2 December 2024

## FINANCIAL INSTITUTIONS

**Company Rating:** AA  
**Outlook:** Stable

**Last Review Date:** 12/12/23

### Company Rating History:

Date	Rating	Outlook/Alert
21/12/17	AA	Stable
19/09/12	AA-	Stable
18/11/11	A-	Positive
27/05/10	A-	Stable

### Contacts:

Pawin Thachasongtham

pawin@trisrating.com

Jantana Taveeratanasilp

jantana@trisrating.com

Jittrapan Pantaleard

jittrapan@trisrating.com

Narumol Chamchanavivat

narumol@trisrating.com



WWW.TRISRATING.COM

## RATIONALE

TRIS Rating affirms the company rating on Bualuang Securities PLC (BLS) at “AA” with a “stable” outlook. The rating is one notch below the company rating assigned to Bangkok Bank PLC (BBL, rated “AA+/Stable”), reflecting the company’s group status as a “highly strategic subsidiary” of BBL. BLS’s group status is supported by its strong business integration with and financial support from BBL.

## KEY RATING CONSIDERATIONS

### A highly strategic subsidiary of BBL

We consider BLS a “highly strategic subsidiary” of BBL. The company is wholly owned by BBL. The company continues to serve as a capital market arm of the parent bank, providing a comprehensive range of investment products and services for the group’s clients.

We expect the strategic and operational integration between BLS and BBL to remain robust, as seen in business referrals and collaboration as well as product cross-selling. BLS also leverages the parent bank’s extensive branch network and mobile banking platform to expand its client base. More than 90% of the company’s newly added accounts for the first nine months of 2024 (9M24) were referred clients from BBL.

BLS’s business and risk management policies are determined and closely monitored by the parent bank via board representatives. BLS adopts the parent bank’s prudent risk management approach in operating its businesses. This is evidenced by BLS’s policy not to engage in proprietary trading.

### Ongoing financial support from BBL

The ongoing financial support the company receives from BBL demonstrates the parent bank’s strong and long-term commitment to the company. At the end of September 2024, BLS had available credit facilities of THB28.9 billion from BBL. We expect BLS will continue to receive ongoing support from BBL in the foreseeable future. The company also had THB735 million credit lines from other financial institutions that help support its liquidity needs.

### Maintaining strong market position

BLS consistently secured its leading market position in the securities brokerage industry. The company’s revenue market share in the securities brokerage stood at 9.1% in the first half of 2024 (1H24), relatively stable compared with 9.4% in 2023.

The company has strong franchise particularly within the retail segment, with revenue market share of 10.1% in 1H24. This is supported by its user-friendly digital platform, comprehensive range of investment products, and ongoing investment-related education.

BLS has also diversified its services by introducing international stock trading service, enabling customers to participate in overseas stock markets. Additionally, the company offers Depository Receipts (DRs) as a new financial instrument for clients seeking international market exposure.

### Securities industry starting to recover

After forming a new government, introducing the Vayupak Fund, and easing global monetary policies, the average daily trading value of securities rose to

THB51 billion in October 2024 from THB45 billion in 1H24. TRIS Rating's data shows that securities companies' revenue increased by 15% quarter-on-quarter (q-o-q) to THB11.8 billion in 3Q24. However, revenue for the first 9M24 was still 7% lower year-on-year (y-o-y). We expect the daily trading value to keep improving with stronger economic growth and continued rate cuts.

#### BASE-CASE ASSUMPTIONS

TRIS Rating's base-case assumption is that BLS will remain a highly strategic subsidiary of the BBL Group.

#### RATING OUTLOOK

The "stable" outlook reflects our expectation that BLS will maintain its status as a highly strategic subsidiary of the BBL Group and continue to receive strong business and financial supports from its parent bank.

#### RATING SENSITIVITIES

A rating change is unlikely in the near term. Nonetheless, the rating and/or outlook on BLS could be revised upward or downward should there be material changes in BBL's credit profile that cause revisions of the rating and/or outlook on BBL or if there are changes in our assessment of BLS's group status as a highly strategic subsidiary of BBL.

#### COMPANY OVERVIEW

BLS was founded by Bualuang Finance Co., Ltd. in 2001 after acquiring a securities brokerage license. Initially capitalized at THB100 million, it expanded by acquiring JP Morgan Securities (Thailand) Ltd.'s retail brokerage business, raising its capital to THB200 million. In 2002, BLS also acquired JP Morgan's private fund management business, authorized by the Securities and Exchange Commission (SEC) to offer various securities-related services. By the end of 2002, the company's capital had risen to THB250 million.

In 2004, BLS issued THB300 million in convertible debentures to BBL, increasing its paid-up capital to THB264 million. The company was listed on the Stock Exchange of Thailand (SET) in 2005, further increasing its capital to THB360 million. In 2006, BLS formed a strategic partnership with the Morgan Stanley Group, enhancing overseas trading volumes.

BLS established a business referral program with BBL in 2007 to expand its retail customer base. By 2011, BLS's paid-up capital had risen to THB540 million. In 2012, following a tender offer by BBL, BLS was delisted from the SET, with BBL holding 99.70% of shares. In 2013, BLS raised THB1.6 billion in new equity capital to expand operations. In 2014, BLS established a subsidiary, Bangkok Capital Asset Management Co., Ltd. (BCAP Asset), to separate its asset management business, which began operations in January 2015. All the private funds and provident funds previously managed by BLS were transferred to BCAP Asset.

#### FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS

Unit: Mil. THB

	Jan-Jun 2024	-----Year Ended 31 December -----			
		2023	2022	2021	2020
Total assets	13,847	16,418	20,558	18,968	15,690
Net Investment in securities	6,083	7,669	10,473	10,855	6,452
Total securities business receivables and accrued interest receivables	5,080	4,035	5,678	5,110	6,150
Allowance for doubtful accounts	101	101	101	101	115
Total debts	1,176	998	834	344	99
Shareholders' equity	8,240	8,992	9,318	10,286	8,972
Net securities business income	1,232	2,913	3,298	4,956	2,738
Total income	1,677	3,610	3,934	5,681	3,315
Operating expenses	763	1,844	1,958	2,412	1,808
Interest expenses	116	187	116	103	145
Net income	451	934	1,138	2,112	825

Unit: %

	Jan-Jun 2024	-----Year Ended 31 December -----			
		2023	2022	2021	2020
<b>Profitability</b>					
Brokerage fees/total revenues	43.7	49.8	65.4	67.2	76.9
Fee and service income/total revenues	16.3	19.0	14.4	15.2	22.3
Gain (loss) from trading/total revenues	8.0	7.5	6.5	9.4	(14.6)
Operating expenses/net revenues	48.9	53.9	51.3	43.2	57.0
Pre-tax margin	36.6	33.7	37.0	47.2	31.9
Return on average assets	6.0 *	5.1	5.8	12.2	5.6
Earnings before tax/risk-weighted assets <sup>1</sup>	3.3 *	3.1	3.6	7.3	3.3
<b>Asset Quality</b>					
Classified receivables/gross securities business receivables	1.3	1.7	1.2	1.3	1.4
Allowance for doubtful accounts/gross securities business receivables	2.0	2.5	1.8	2.0	1.9
Credit costs (reversal)	0.0 *	(0.0)	0.2	(0.0)	(0.0)
<b>Capitalization</b>					
Leverage ratio	61.2	51.7	41.3	44.8	55.2
Risk-adjusted capital <sup>1</sup>	24.8	24.8	21.5	22.3	24.6
<b>Funding and Liquidity</b>					
Gross stable funding ratio	196.5	208.7	182.0	253.8	223.9
Liquidity coverage metric (times)	3.9	5.3	13.4	12.1	7.9

\* Annualized

<sup>1</sup> Adjusted

## RELATED CRITERIA

- Group Rating Methodology, 7 September 2022

## Bualuang Securities PLC (BLS)

**Company Rating:**

AA

**Rating Outlook:**

Stable

## TRIS Rating Co., Ltd.

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

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