

# HATTHA BANK PLC

No. 94/2022  
29 August 2022

## FINANCIAL INSTITUTIONS

<b>Company Rating:</b>	BBB+
<b>Issue Rating:</b>	
Senior unsecured	BBB+
<b>Outlook:</b>	Stable

**Last Review Date:** 28/04/22

### Company Rating History:

Date	Rating	Outlook/Alert
07/05/18	BBB+	Stable

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## RATIONALE

TRIS Rating affirms the company rating on Hattha Bank PLC (HB) at “BBB+” with a “stable” outlook. At the same time, TRIS Rating assigns the “BBB+” rating to HB’s proposed issue of up to THB2 billion senior unsecured debentures with an over-allotment option of up to THB1 billion maturing within three years. The company intends to use the proceeds from the proposed debenture issue for business expansion.

The rating remains constrained by the sovereign rating on the Kingdom of Cambodia (Cambodia; rated “BBB+/Stable” by TRIS Rating). We assess HB’s credit profile (excluding Cambodia sovereign risk) that incorporates a rating enhancement at “a-”. The enhancement is based on our assessment of the bank’s status as a “strategically important” subsidiary of Bank of Ayudhya PLC (BAY, rated “AAA/Stable” by TRIS Rating).

HB’s credit profile reflects its strong market position in the retail credit market in Cambodia, adequate capital position, and prudent risk management. However, the credit profile is weighed down by its mid-sized banking franchise and the assessed high risk inherent in the Cambodian banking industry.

The company’s performance in the first half of 2022 (1H22, unaudited) is on track to meet our expectation. At the end of 1H22, HB’s outstanding loan portfolio increased to USD1.96 billion, a 16% growth year-to-date (YTD). Net income was USD38 million, a significant improvement compared to the USD8.2 million in 1H21. The increase was driven mainly from higher interest income from expanded loan book and fee income. Despite the strong loan growth, its solvency ratio remains unchanged from the end of 2021, at 18.7%, above the minimum regulatory requirement of 17.5%.

The non-performing loan (NPL) ratio rose slightly to 1.94% at the end of 1H22 from 1.49% at the end of 2021 while NPL coverage ratio declined to 68%, from 97% at the end of 2021. Looking ahead, we anticipate a moderate increase in HB’s NPL ratio after the expiration of debt relief measures at the end of June 2022.

We assess HB’s funding position at “average” level. At the end of 1H22, the company’s deposit increased to USD1.23 billion, a 19% growth YTD following the company’s core strategy to enhance its deposit franchise. Loan to deposit ratio fell to 158% from 162% at the end of 2021. Customer deposits accounted for 65.7%, an increase from 62.2% of its total funding at the end of 2021.

## RATING OUTLOOK

The “stable” outlook reflects our expectation of HB’s continued satisfactory operating performance over the next few years, and our view of its status as a strategically important subsidiary of BAY will remain unchanged. However, as the rating on HB is capped by the sovereign rating assigned to Cambodia, changes in the sovereign rating outlook could result in the same change in the rating outlook on HB.

## RATING SENSITIVITIES

An upward revision of our assessment on Cambodia's sovereign risk could result in a rating upgrade on HB as it is currently capped by the sovereign rating. An upgrade on HB's credit profile (excluding Cambodia sovereign risk) could happen if there is material improvement in HB's business position, as indicated by a materially improved market position as well as diversification of business and revenue, with asset quality and capital maintained at the current levels.

A downward revision of our assessment on Cambodia sovereign risk could result in a downward revision of the rating on HB. A downgrade on HB's credit profile (excluding Cambodia sovereign risk) by two notches or more or a material change in HB's group status that leads to a reduction in credit enhancement could also lead to a rating downgrade.

## RELATED CRITERIA

- Sovereign Rating Methodology, 26 August 2022
- Issue Rating Criteria, 15 June 2021
- Group Rating Methodology, 13 January 2021
- Banks Rating Methodology, 3 March 2020

## Hattha Bank PLC (HB)

<b>Company Rating:</b>	BBB+
<b>Issue Rating:</b> Up to THB2,000 million senior unsecured debentures with an overallotment option of THB1,000 million due within 3 years	BBB+
<b>Rating Outlook:</b>	Stable

## TRIS Rating Co., Ltd.

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