

THANACHART SECURITIES PLC

No. 5/2019
14 March 2019

FINANCIAL INSTITUTIONS

Company Rating: A+
CreditAlert: Negative

Last Review Date: 10/04/18

Company Rating History:

Date	Rating	Outlook/Alert
28/04/15	A+	Stable
03/04/12	A	Stable

Contacts:

Preeyaporn Kosakarn

preeyaporn@trisrating.com

Sithakarn Tongphiphat, FRM

sithakarn@trisrating.com

Narumol Charnchanavivat

narumol@trisrating.com



WWW.TRISRATING.COM

RATIONALE

TRIS Rating places CreditAlert with a “negative” implication on the company rating currently assigned to Thanachart Securities PLC (TNS) at “A+”. The CreditAlert follows the signing of non-binding memorandum of understanding (MOU) by five parties including: TMB Bank PLC (TMB), Thanachart Bank PLC (TBANK), Thanachart Capital PLC (TCAP), ING Groep N.V. (ING), and Bank of Nova Scotia (BNS) on 26 February 2019 to proceed with a merger between TMB and TBANK.

We note that at this point the transaction remains uncertain and subject to the precedent conditions specified in the SET disclosure. The due diligence process will span over the next few months. The transaction remains to be approved by relevant regulators, including the Ministry of Finance (MOF), the Bank of Thailand, and the Securities and Exchange Commission, as well as the shareholders of both banks. If the transaction is approved, the entire process is expected to be completed by end-2019.

The company rating of TNS remains unchanged as of this CreditAlert announcement. However, based on our credit rating methodology, we place the “negative” CreditAlert on TNS as TNS’s rating could be downgraded or remained unchanged from the current level. This is because TNS’s rating may no longer benefit from its linkage to TBANK as a wholly-owned parent of TNS, once TBANK is amalgamated with TMB to form a new bank and/or TNS becomes a wholly-owned subsidiary of TCAP. TNS’s rating will depend largely on its stand-alone financial performance and profile and/or its relationship with TCAP.

TRIS Rating expects to resolve the CreditAlerts upon completion of the transaction or when available data is sufficient to enable us to make in-depth analysis and conclusion on the rating of TNS.

Details of transaction

According to the announced plan, the merger focuses on TBANK’s banking business. TBANK is therefore required to divest its holding in most of its subsidiaries and other investments to TBANK’s shareholders based on respective shareholding (TCAP 51%; BNS 49%). As a consequence TNS, which is currently 100%-owned by TBANK, will be divested along with other subsidiaries including Ratchathani Leasing PLC (THANI; 65%), Thanachart Insurance Co., Ltd. (TNI; 100%), and TS Asset Management Co., Ltd. (TS AMC; 100%). Ultimately, TCAP is likely to become TNS’s parent company, if the transaction is successful.

TMB estimates the total consideration at about Bt130-Bt140 billion. The transaction will be 70% equity-funded and 30% debt-funded (part of this may come from TMB’s excess liquidity). The equity financing will derive from new share offering, comprising: 1) a rights offering to TMB’s existing shareholders (Bt40-Bt45 billion); and 2) share offering to TCAP and BNS at 1.1 times TMB’s book value post-recapitalization (Bt50-Bt55 billion).

If the merger is successful, ING and TCAP are expected to hold more than 20% each in the combined bank, while the MOF is expected to hold less than 20%. BNS is likely to hold a minimal stake in the new bank. TNS will ultimately

become a subsidiary of TCAP.

RELATED CRITERIA

- Securities Company in Thailand, 21 December 2017
- Group Rating Methodology, 10 July 2015

Thanachart Securities PLC (TNS)

Company Rating:	A+
CREDITALERT:	Negative

TRIS Rating Co., Ltd.

Silom Complex Building, 24th Floor, 191 Silom Road, Bangkok 10500, Thailand Tel: 0-2098-3000

© Copyright 2019, TRIS Rating Co., Ltd. All rights reserved. Any unauthorized use, disclosure, copying, republication, further transmission, dissemination, redistribution or storing for subsequent use for any purpose, in whole or in part, in any form or manner or by any means whatsoever, by any person, of the credit rating reports or information is prohibited, without the prior written permission of TRIS Rating Co., Ltd. The credit rating is not a statement of fact or a recommendation to buy, sell or hold any debt instruments. It is an expression of opinion regarding credit risks for that instrument or particular company. The opinion expressed in the credit rating does not represent investment or other advice and should therefore not be construed as such. Any rating and information contained in any report written or published by TRIS Rating has been prepared without taking into account any recipient's particular financial needs, circumstances, knowledge and objectives. Therefore, a recipient should assess the appropriateness of such information before making an investment decision based on this information. Information used for the rating has been obtained by TRIS Rating from the company and other sources believed to be reliable. Therefore, TRIS Rating does not guarantee the accuracy, adequacy, or completeness of any such information and will accept no liability for any loss or damage arising from any inaccuracy, inadequacy or incompleteness. Also, TRIS Rating is not responsible for any errors or omissions, the result obtained from, or any actions taken in reliance upon such information. All methodologies used can be found at www.trisrating.com/rating-information/rating-criteria