

PHAHONYOTHIN ASSET MANAGEMENT CO., LTD.

No. 22/2022
11 March 2022

FINANCIAL INSTITUTIONS

Issue Ratings:

Guaranteed	Long-term	AA
Guaranteed	Short-term	T1+
Outlook:		Stable

Last Review Date: 14/07/21

Issue Ratings History:

Date	Rating	Outlook/Alert
14/07/21	AA-/T1+	Stable

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RATIONALE

TRIS Rating upgrades the rating of the long-term guaranteed debentures issued by Phahonyothin Asset Management Co., Ltd. (PAMCO or “Issuer”) to “AA” from “AA-”. The upgrade follows a rating action on TMBThanachart Bank (TTB, upgraded to “AA/Stable” from “AA-/Stable” by TRIS Rating*). At the same time, TRIS Rating affirms the “T1+” rating of the short-term guaranteed debentures issued under a medium-term note program of up to THB30 billion. PAMCO is a wholly-owned subsidiary of TTB. The rating outlook is “stable”. The debentures are guaranteed by TTB (“Guarantor”). The ratings reflect the creditworthiness of TTB as the guarantor.

KEY RATING CONSIDERATIONS

TTB, as the obligor under terms and conditions of the guarantee agreement, is rated “AA” with a “stable” rating outlook, by TRIS Rating.

Under the terms and conditions of the guarantee agreement, TTB agrees to provide unconditional and irrevocable guarantees for the payment of principal, interest, fees, duties, and any other amounts that the Issuer shall pay to the debenture holders. The principal provisions include, but are not limited to the following:

Pari Passu Ranking: The debenture holders’ rights to receive payments rank pari passu with the rights to receive payments of other outstanding or future unsecured and unsubordinated creditors of the Guarantor, except for obligations mandatorily preferred by laws that affect the rights of creditors in general.

Payment: In the event of default, the Guarantor agrees to make payment to the debenture holders, accordance with the terms and guarantee agreement, and not to exercise the right to set-off that it may have against the Issuer.

Changes of terms and conditions: In case the debenture holders’ representative (on behalf of the bondholders) agrees to a grace period or to waive any conditions or change any provisions in the terms and conditions, which is not a debt conversion, it shall be deemed that the Guarantor agrees to these without taking them as reason for release from guarantee obligations.

RATING OUTLOOK

The ratings and outlook on PAMCO’s guaranteed debentures solely reflect the creditworthiness of its guarantor, TTB.

RATING SENSITIVITIES

The ratings and/or outlook on PAMCO’s guaranteed debentures may change, corresponding to any changes of the rating and/or outlook on its guarantor, TTB.

COMPANY OVERVIEW

PAMCO was established by TTB on 22 November 2018. The company is a wholly-owned subsidiary of TTB. The company conducts the asset management business under the Emergency Decree on Asset Management Company B.E. 2541 (1998). The company was formed to manage non-performing loans, non-performing assets, and relevant collateral transferred

from TTB to maximize the bank's returns. Phayathai Asset Management Co., Ltd., a former wholly-owned subsidiary of TTB, completely transferred the entire business to PAMCO on 27 December 2018. The goal of the entire business transfer of Phayathai Asset Management to PAMCO is to reform the business process. Phayathai Asset Management finished the liquidation process on 1 October 2020.

TTB (previously TMB Bank PLC) was founded on 5 November 1957 with an initial registered capital of THB10 million. TMB Bank was listed on the Stock Exchange of Thailand (SET) on 23 December 1983 and became a public company limited in 1994. In September 2004, Thai Military Bank, DBS Thai Danu Bank, and the Industrial Finance Corporation of Thailand (IFCT) legally merged to become TMB Bank. Following the capital increase in December 2007, ING Group became TMB Bank's new business partner. In December 2019, Thanachart Bank PLC (TBANK) became TMB Bank's subsidiary as a result of the merger of TMB Bank and TBANK. TMB Bank changed its name to TMBThanachart Bank (TTB) to reinforce the strength of both banks. TTB's credit profile reflects its solid market position in auto-hire purchase lending and well-diversified loan portfolio. TTB's rating also takes into account the bank's adequate capital position, average funding and liquidity profile, and adequate risk management.

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS¹

The Guarantor TMBThanachart Bank PLC (TTB)

Unit: Mil. THB

	-----Year Ended 31 December -----				
	2021	2020	2019 ²	2018	2017
Total assets	1,759,181	1,808,332	1,858,190	891,713	843,872
Total deposits	1,339,195	1,373,408	1,398,112	649,568	611,430
Loans and receivables	1,372,315	1,392,925	1,392,225	685,707	643,373
Gross NPL	42,121	39,594	37,746	21,674	17,473
Net Interest income	51,000	53,805	26,865	24,497	24,734
Non-interest income ³	14,537	15,541	12,956	23,545	12,705
Other operating expenses (non-interest expenses) ⁴	31,219	32,177	20,674	17,475	17,792
Earnings before provision and taxes	34,300	37,266	19,658	30,540	19,736
Expected credit loss	21,514	24,831	10,337	16,100	8,915
Net income	10,477	10,115	7,222	11,601	8,728

1 Consolidated financial statement

2 Consolidated P&L included TBANK's performance for 28 days. /Balance sheet included TBANK's financial position as of 31 Dec 2019.

3 Net of fees and service expense

4 Excluding fees and service expense

Unit: %

	-----Year Ended 31 December -----				
	2021	2020	2019 ⁵	2018	2017
Profitability					
ROAA	0.56	0.55	0.74	1.34	1.05
ROAE	5.05	5.06	6.50	12.30	10.05
NIM	2.95	3.04	2.81	2.90	3.12
Cost-to-income ratio	47.57	45.80	50.63	36.39	47.31
Asset Quality					
Gross NPL/loan	3.07	2.84	2.71	3.16	2.72
Reserve/Gross NPL	129.32	133.80	120.48	152.14	142.90
Capital					
CET-1	14.35	14.45	13.62	13.53	13.27
CAR	19.33	19.59	18.95	17.31	17.44

5 Consolidated P&L included TBANK's performance for 28 days. /Balance sheet included TBANK's financial position as of 31 Dec 2019

RELATED CRITERIA

- Issue Rating Criteria, 15 June 2021
- Banks Rating Methodology, 3 March 2020

Phahonyothin Asset Management Co., Ltd. (PAMCO)
Issue Ratings:

Up to THB30,000 million guaranteed debentures under the medium-term note program

- Long-term guaranteed debentures	AA
- Short-term guaranteed debentures	T1+
- PAMCO22526A: THB3,100 million guaranteed debentures due 2022	T1+
- PAMCO22826A: THB1,920 million guaranteed debentures due 2022	T1+

Rating Outlook:

Stable

TRIS Rating Co., Ltd.

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