

THANACHART SECURITIES PLC

No. 145/2025
3 September 2025

FINANCIAL INSTITUTIONS

Company Rating: A+
Outlook: Stable

Last Review Date: 13/03/25

Company Rating History:

Date	Rating	Outlook/Alert
13/03/25	A-	Alert Developing
10/04/20	A-	Stable
14/03/19	A+	Alert Negative
28/04/15	A+	Stable
03/04/12	A	Stable

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RATIONALE

TRIS Rating resolves the CreditAlert with “developing” implication and at the same time upgrades the company rating on Thanachart Securities PLC (TNS) to “A+” from “A-” with a “stable” outlook.

The rating upgrade follows the change in TNS’s shareholding structure after TMB Thanachart Bank PLC (TTB, rated “AA/Stable”*) purchased 89.97% of the shares in TNS. TTB now holds 99.97% of TNS shares.

The enhancement reflects our view of TNS’s status as a “strategically important” subsidiary of TTB. The rating thus incorporates a three-notch enhancement from TNS’s stand-alone credit profile (SACP) assessed at “bbb+”, according to TRIS Rating’s “Group Rating Methodology”.

This group status takes into consideration potential business and strategic integration between TTB and TNS. As TTB’s securities arm, TNS will help expand investment product offerings for the bank’s wealth clients. We expect TNS to receive financial and business support from TTB.

TNS’s SACP is supported by its healthy capital position and mid-tier market position in the securities brokerage business with strong franchise in the domestic institution segment. The rating also considers its relatively prudent risk management practice, as well as sound funding and liquidity position. However, the strengths are weighed down by weakened earnings capability and declining business volumes, which are in line with the industry.

KEY RATING CONSIDERATIONS

Strategically important subsidiary of TTB

TNS’s group status is predicated on our view that TNS will likely play an important role as TTB’s securities arm. TNS will help enhance TTB’s wealth management service by broadening investment products. This will allow TTB’s wealth clients to access diversified investment options across multiple risk levels both domestically and internationally.

Furthermore, in terms of operational integration, TNS will utilize shared services from its parent bank, including human resources, information technology (IT), sales management, accounting, and compliance.

TTB also exerts control over TNS through board representatives, overseeing its business strategies, risk management, and financial policies. Prior to the change in shareholding structure, TTB has already extended financial support to TNS through credit facilities. With TNS becoming TTB’s subsidiaries, the financial support will be strengthened, which should enhance TNS’s financial flexibility and underscores TTB’s commitment to its subsidiary.

Capital position is stronger but from lower business activities

Despite an improved risk-adjusted capital (RAC) ratio, we maintain our assessment of TNS’s capital position as “adequate”. This evaluation is primarily due to the fact that the improvement in the RAC ratio was mainly a result of reduced activities in securities brokerage, margin lending, and block trading.

We project the company’s five-year average RAC ratio to be approximately 22% between 2023 and 2027. This forecast is based on our assumption of a gradual increase in the volume of securities brokerage and margin loans, as well as a 100% dividend payout.

* The rating assigned to TTB is based on public information which TRIS Rating believes provides a sufficient basis for the assessment of credit profile of TTB. The rating is assigned without participation from TTB.

The company's RAC ratio increased to 22.8% at the end of June 2025, up from 19.7% at the end of June 2024. This improvement occurred despite a capital reduction of THB990 million in June 2025 as part of Thanachart Capital PLC's (TCAP) sale of TNS to TTB. This capital reduction brought the company's total equity down to THB2.3 billion at the end of June 2025, from THB3.2 billion at the end of 2024.

Business position expected to gradually improve

We continue to assess TNS's business position as "adequate", reflecting the company's strong standing in the securities brokerage market. Despite declining trading volumes industry-wide over recent years, TNS has maintained its mid-tier position among 43 securities brokers, holding a 3.4% revenue market share in 2024. We expect this market share to gradually improve over the next two years.

TNS's primary strength within the brokerage business lies in the domestic institutional segment, underpinned by high-quality research and sales teams. While its institutional revenue market share declined to 5.8% in 2024 from 6.7% in 2023, the company remains the top performers of its peers. We anticipate a gradual recovery in institutional revenue market share, driven by the synergies between TNS and TTB's asset management business.

The strategic alliance between TTB and TNS should further strengthen TNS's business position through client referrals from TTB, which could result in stronger business volumes across securities brokerage, investment banking, and investment advisory services. Additionally, TNS could expand its reach by providing financial services to related companies within the TTB Group.

Maintaining prudent risk management

We expect TNS to maintain its prudent management of market and credit risks. TNS's exposure to credit risk is modest, a result of its prudent credit policy. At the end of June 2025, the company's outstanding margin loans totaled THB2.9 billion, a decrease from THB4.7 billion at the end of 2024. This reduction followed a general industry-wide decline in margin loans and the company's own efforts to de-risk its portfolio.

In January 2025, one of its margin loan accounts defaulted. The company set aside THB302 million provision in 2024. Despite this isolated incident, we believe TNS's overall credit risk management remains prudent. After becoming a wholly-owned subsidiary of TTB, TNS is now subject to the Bank of Thailand's (BOT) consolidated supervision of the group. We expect TNS's risk management standards to be enhanced to align with TTB's risk management policies.

Support from TTB strengthens TNS's funding and liquidity position

We expect TNS to maintain an adequate funding and liquidity position over the next three years. This is anchored by its diverse funding sources and financial backing from its parent bank. TTB currently provides a credit line of THB1.7 billion, and we expect the amount to increase to support higher business volumes.

In addition, as of March 2025, TNS had available credit facilities of approximately THB5 billion from various financial institutions. In our view, these funding sources provide TNS with adequate financial flexibility and stability for future growth.

Earnings capacity pressured by market condition but likely to improve

We assess TNS's earnings capacity as "adequate", as we project its earnings before taxes to risk-weighted assets (EBT/RWA) ratio to be between 1.5% and 3.0% from 2025 to 2027. We expect its brokerage revenue to increase gradually due to a projected rise in market share amid improving market turnover and higher fee income from product cross-selling to TTB's customers. We anticipate TNS's earnings capacity in 2025-2027 to gradually improve from lower cost-to-income ratio enabled by leveraging shared services with its parent bank.

TNS's financial performance was under pressure in 2024 amid the declining market trading volumes, similar to most firms in the brokerage industry. The company's total revenues decreased by 15.6% year-on-year (y-o-y). The large provisions related to both a margin loan account and the closure of a block trade on one stock exacerbated TNS's earnings decline. The company's EBT/RWA ratio dropped to -0.2% in 2024 from 2.0% in 2023. The ratio rebounded to 1.6% in the first half of 2025.

BASE-CASE ASSUMPTIONS

TRIS Rating's base-case assumptions for TNS's operations during 2025-2027 are as follows:

- Securities brokerage revenue market share to remain at 3.5%.
- Average commission rate to be in the 12-14 basis points (bps) range.
- Ratio of operating expenses to net revenue to range between 59%-68%.

RATING OUTLOOK

The “stable” outlook reflects our expectation that TNS will maintain its market position, as measured by revenue share in securities brokerage and improved profitability. The outlook also reflects our expectation that the company’s capital position will be maintained.

RATING SENSITIVITIES

An upward revision of TNS’s SACP is possible if the company improves revenue market share in securities brokerage, continues to diversify revenue sources, and strengthens its financial performance. The rating could be upgraded if its SACP is upgraded but the issuer credit profile (ICR) will still be capped at one notch below the group credit profile (GCP).

Conversely, the SACP could come under pressure if the RAC ratio falls below 12% for a prolonged period or the market position erodes steadily or earnings capability, as measured by EBT/RWA, weakens materially. The company rating on TNS could also be downgraded if its SACP is downgraded or its GCP drops below “aa-”.

The company rating could also change if our view on the degree of support TNS receives from TTB changes.

COMPANY OVERVIEW

TNS entered the securities industry in 1980 under the name National Finance and Securities Co., Ltd. (NFS). In 1997, NFS’s securities brokerage, proprietary trading, and underwriting operations, together with the related assets and receivables were transferred to a newly established company, National Securities Co., Ltd. (NS). The transfer was in accordance with the government’s policy to split finance and securities businesses into separate finance and securities entities. The company was converted into a public company in 2004 and later became Thanachart Securities PLC (TNS) in 2005.

Prior to 2007, before the Bank of Nova Scotia Asia Ltd. became a strategic partner of Thanachart Bank PLC (TBANK), TNS was fully owned by TCAP, formerly known as National Finance PLC (NF). As a part of TCAP’s reorganization, in July 2007, TBANK bought TNS from TCAP, along with seven other subsidiaries. TNS has been a wholly-owned subsidiary of TBANK ever since.

In 2010, TBANK acquired a 99.95% ownership stake in Siam City Bank PLC (SCIB). At the end of that year, TNS acquired the operations of Siam City Securities Co., Ltd. (SCIBS), which was a wholly-owned subsidiary of SCIB. Around 100 staff from SCIBS were transferred to TNS.

As a wholly-owned subsidiary of TBANK, TNS enjoys the use and recognition of the “Thanachart” brand. TNS shares some network infrastructure with TBANK. It also outsources IT services and the human resource function to TBANK.

TNS was granted a license to provide a full range of services in the securities business, including securities brokerage, securities trading, financial advisory and underwriting, investment advisory, derivatives brokerage, securities borrowing and lending (SBL), and acting as a selling agent for unit trusts. The company positions itself as a full-service premium broker, offering high-quality research, investment banking, offshore brokerage, and SBL services.

In 2019, the company increased its registered and paid-up capital to THB3 billion. In December 2019, the company’s shareholding structure changed as a result of the business restructuring of TCAP and the merger of TMB Bank PLC (TMB) and TBANK. As a part of the restructuring, TBANK sold its shares in TNS to its shareholders proportionately, which were TCAP (50.96%), Scotia Netherlands Holdings B.V. (BNS) (49%), and TBANK’s individual retail investors (0.04%).

In 2020, TNS introduced its portfolio advisory business or “Zeal” to provide portfolio advisory services to its clients with an objective to generate absolute returns for its clients. The company officially began offering the service on 2 January 2020.

In 2021, TMB Thanachart Bank PLC (TTB) purchased 10% of the total issued and outstanding shares in TNS from BNS, a member of The Bank of Nova Scotia Group. The transaction value was at THB503 million.

In October 2022, TCAP purchased additional investments in Thanachart Insurance PLC (TNI) and TNS from BNS. As a result, TCAP’s equity stake in the two subsidiaries increased to 89.96 % from 50.96%.

In July 2025, TTB acquired an 89.97% stake in Thanachart Securities PLC from TCAP. This acquisition increased TTB’s total shareholding to 99.97%, making Thanachart Securities a wholly-owned subsidiary of TTB.

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS
Unit: Mil. THB

	Jan-Jun 2025	-----Year Ended 31 December -----			
		2024	2023	2022	2021
Total assets	4,679	6,703	8,519	10,265	8,679
Net Investment in securities	327	663	942	1,562	1,794
Total securities business receivables and accrued interest receivables	3,841	5,137	6,366	7,794	5,597
Allowance for doubtful accounts	302	143	0	0	0
Total debts	1,483	2,318	3,375	4,482	3,147
Shareholders' equity	2,293	3,213	3,527	3,514	3,634
Net securities business income	375	865	1,052	1,297	1,700
Total income	444	1,064	1,261	1,510	1,904
Operating expenses	285	600	674	745	881
Interest expenses	27	109	109	78	42
Net income	75	(21)	307	448	661

Unit: %

	Jan-Jun 2025	-----Year Ended 31 December -----			
		2024	2023	2022	2021
Profitability					
Brokerage fees/total revenues	48.3	49.2	50.4	61.8	66.6
Fees and services income/total revenues	11.0	11.0	10.5	9.2	12.9
Gain (loss) from trading/total revenues	5.8	1.7	4.7	4.2	7.1
Operating expenses/net revenues	68.4	62.8	58.5	52.0	47.3
Pre-tax margin	22.7	(2.8)	33.2	38.8	44.4
Return on average assets	2.3	(0.3)	2.2	4.7	8.5
Earnings before taxes/risk-weighted assets	1.6	(0.2)	2.0	2.9	5.3
Asset Quality					
Classified receivables/gross securities business receivables	7.9	2.8	0.0	0.0	0.0
Allowance for doubtful accounts/gross securities business receivables	7.9	2.8	0.0	0.0	0.0
Credit costs (reversal)	0.0	5.2	0.0	0.0	0.0
Capitalization					
Leverage ratio	47.4	47.9	37.8	29.9	34.3
Risk-adjusted capital	22.8	23.5	18.5	14.7	16.5
Funding and Liquidity					
Gross stable funding ratio	137.4	105.6	97.8	88.5	104.7
Liquidity coverage metric	0.6	0.3	0.3	0.3	0.6

* Excluding gains from sales of investment

RELATED CRITERIA

- Group Rating Methodology, 25 August 2025
- Financial Institution Rating Methodology, 25 September 2024

Thanachart Securities PLC (TNS)

Company Rating:	A+
Rating Outlook:	Stable

TRIS Rating Co., Ltd.

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