

RATCHTHANI LEASING PLC

No. 151/2025
15 September 2025

FINANCIAL INSTITUTIONS

Company Rating:	A-
Issue Ratings:	
Senior unsecured	A-
Outlook:	Stable

Last Review Date: 13/03/25

Company Rating History:

Date	Rating	Outlook/Alert
13/03/25	A-	Alert Negative
10/04/20	A-	Stable
14/03/19	A-	Alert Negative
19/10/16	A-	Stable
25/01/12	BBB+	Stable

Contacts:

Siriwan Weeramethachai
siriwan@trisrating.com

Jantana Taveeratanasilp
jantana@trisrating.com

Jittrapan Pantaleard
jittrapan@trisrating.com

Taweechok Jiamsakunthum
taweechok@trisrating.com

Narumol Charnchanavivat
narumol@trisrating.com



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RATIONALE

TRIS Rating resolves the CreditAlert with a “negative” implication and at the same time affirms the company rating on Ratchthani Leasing PLC (THANI) and the issue rating on THANI’s senior unsecured debentures at “A-”, with a “stable” outlook.

The rating actions follows Thanachart Capital PLC (TCAP)’s group restructuring in relation to the sale of Thanachart Securities PLC (TNS, rated “A+/Stable”) to TMB Thanachart Bank PLC (TTB).

The ratings incorporate a one-notch enhancement from its stand-alone credit profile (SACP) assessed at “bbb+” to reflect the company’s status as a “strategically important” entity of TCAP, rated “A/Stable”. The enhancement reflects THANI’s strong contributions in terms of equity, net profit, and assets to TCAP. THANI also receives ongoing business and financial support from TCAP.

The THANI’s SACP reflects its strong market position in the commercial truck and luxury car hire-purchase (HP) loan market. The SACP also considers the company’s strong capital base and sufficient funding and liquidity. However, these supporting factors are constrained by the decline in earnings capacity due to higher credit costs and narrower interest spread.

KEY RATING CONSIDERATIONS

Strategically important subsidiary of TCAP

TRIS Rating continues to consider THANI a “strategically important” subsidiary of TCAP. The company rating on THANI therefore incorporates a rating enhancement from its SACP at “bbb+”. According to TRIS Rating’s Group Rating Methodology, we typically incorporate a three-notch enhancement to the SACP of a “strategically important” entity (SACP+3). However, the rating enhancement for THANI is only one notch as the rating is capped at one notch below the group credit profile (GCP) of Thanachart Group, which is assessed at “a”.

We anticipate that TCAP will likely retain its majority stake in THANI, which stood at 65% as of June 2025. Among TCAP’s major subsidiaries constituting Thanachart Group’s GCP, THANI is the largest contributor in terms of equity, net profit, and assets, which we expect to continue in coming years. In the first half of 2025 (1H25), THANI’s net profit accounted for 13% of TCAP’s net profit.

Regarding business support, TCAP influences THANI’s business strategy and risk management through its board representatives. Longer term, we expect THANI to still benefit from TCAP’s financial support and rely on TCAP as a lender of last resort if necessary.

Preserving strong business position

THANI continues to hold a leading position in the commercial truck HP financing market despite its strategic de-risking measures and weaker demand for trucks in recent years. We anticipate total outstanding loans to decline to THB40-THB42 billion over the next three years. Management’s prudent and conservative growth policies during vulnerable credit conditions have resulted in more stable asset quality compared to peers.

As of December 2024, total outstanding loans dropped to THB47 billion or slowed down 12% y-o-y. By the end of the second quarter of 2025 (2Q25), balances contracted further to THB43 billion, representing a 9% year-to-date

(YTD) decline. This was driven mainly by softer demand for trucks, stemming from a slowdown in the domestic economy, as well as THANI's aim to control asset quality. Also, declining used truck prices from 2023-2024 have lowered demand for new truck sales, which directly impacts THANI's business volume.

The loan composition as of 2Q25 comprised 69% truck HP, 24% luxury car HP, and 7% in other categories. Title loans for used trucks, offered primarily to existing customers, stood at THB1 billion as of 2Q25. The title loan expansion will be limited, reflecting heightened credit risk aversion, while luxury car HP has trended upward, supported by stronger demand.

THANI's cautious stance highlights sound risk management practices amidst a challenging macroeconomic backdrop. We expect new loan originations to contract 5% y-o-y in 2025, before rebounding with an estimated 12% growth annually in 2026 and 2027, consistent with our base-case scenario of gradual recovery of the auto sector.

Asset quality shows improvement

THANI's asset quality weakened in 2023 but has been on a recovery path. The non-performing loan (NPL) formation ratio rose to 2.4% in 2023 from below 2% in prior years, driving up credit cost. This was exacerbated by higher losses from the disposal of repossessed assets given the increase in truck repossessions and declining prices of used trucks.

Since 4Q24, asset quality has shown signs of improvement. NPL formation peaked at 3.2% (annualized) in 3Q24 and gradually declined to 1.2% (annualized) in 1H25. The NPL ratio also steadily decreased to 2.5% at the end of 2Q25 from 3.8% at the end of 3Q24, aligning with the company's targets.

However, credit costs remained elevated at an annualized 2.3% in 1H25 versus 2.2% in 2024 due to higher write-offs during the period. The recovery reflects THANI's continued efforts to enhance underwriting standards as well as accelerating the debt collection activities and write-offs of legacy NPLs.

Over the next few years, we expect THANI to still pursue a cautious lending policy given the ongoing economic uncertainty. We expect its asset quality metrics to stabilize in 2025-2027, with NPL coverage ratio staying at a healthy level of over 100%. As of June 2025, NPL coverage ratio stood at 140%, reflecting a prudent provisioning policy.

Lower costs support improvement in earnings

We still assess THANI's earnings capability as "moderate", despite profit erosion over the past few years. The company has been adversely impacted by higher credit costs and rising funding costs. Its earnings before tax to average risk-weighted assets (EBT/ARWA) declined notably to 3.1% in 2023 and further to 2.0% in 2024, compared to over 4% in the past.

We anticipate THANI's EBT/ARWA to recover to 2.8%-3.0% in 2025-2027. This is based on lower credit costs and operating expenses and stable interest spread. We expect credit costs to range between 1.4%-2.1% in 2025-2027 due to fewer write-offs and potentially smaller losses as used truck prices continue to recover. The volume of repossessed trucks is likely to decline to a normal level in 2H25. We therefore expect the loss on sales of repossessed vehicles to decrease.

We project interest spread to remain stable at 3.5% in 2025-2027 as we expect loan yield and funding costs to stay flat. The loan yield is assumed to remain at the current level of 6.6% due to increased competition and a strategic shift toward lower-risk borrowers. As for funding cost, given that the majority of its funding consists of fixed-rate borrowings, the company is unlikely to benefit significantly from rate cuts. We therefore expect its funding costs to remain at 3.1%-3.2% in 2025-2027.

Meanwhile, the ratio of operating expenses to total income declined to 11% in 1H25 due to a reversal of impairment on foreclosed assets of about THB120 million. We expect the ratio to stay in the 15%-18% range in 2025-2027, supported by lower costs of litigation and collections associated with managing NPLs, and loss on sale of repossessed assets. In the longer term, we expect the company's earnings capability to recover gradually and remain within the "moderate" range.

Capital position remains strong

We consider THANI's solid capital position to be sufficient to support its business expansion strategy. The company reported a risk-adjusted capital (RAC) ratio of 31.3% at the end of 2Q25 from 28.1% at the end of 2024. This was due to profit accumulation and portfolio contraction.

Looking ahead, we project the RAC ratio to strengthen more than 30% over the next three years, assuming a modest loan portfolio contraction of 3%-11% annually in 2025-2026, followed by loan growth of 3% in 2027. This forecast also factors in a 60% dividend payout ratio during the same period.

Regarding financial leverage, at the end of 2Q25, the company's debt to equity (D/E) ratio was 2.3 times, well below the D/E covenant limit of 10 times on its debt obligations.

Healthy funding, liquidity position continues

By the end of June 2025, THANI had access to THB5.5 billion in total credit lines from financial institutions, with THB2.5 billion provided by TTB. Roughly half of these facilities remained undrawn, offering ample flexibility to support operations and growth. As of 2Q25, the company's debt structure included 47% short-term and 53% long-term borrowings.

As for liquidity, THANI anticipates average monthly repayments from customers of THB2.3 billion from July 2025-June 2026, which are expected to adequately cover debt service requirements. The company is further supported by sizable backup credit lines that mitigate liquidity risk. Of the THB22 billion in outstanding debentures as of September 2025, THB3 billion is scheduled for redemption within 2025. The company plans to use cash inflows to repay maturing debt obligation. As of June 2025, there was no priority debt outstanding.

Trade war, sluggish economy weigh on truck sales

Overall domestic automobile sales contracted in line with the economic slowdown, with total car sales in the first seven months of 2025 declining by 0.7% year-on-year. Commercial vehicle sales dropped by 1.4%, while truck sales contracted more sharply by 9% over the same period, though improving slightly compared to 2024.

The overall contraction in the auto market also affected auto loan outstanding balances. For listed companies in the Stock Exchange of Thailand, auto loan growth declined by 4.5% in 1H25, improving from a 10.2% contraction in 2024. Nevertheless, uncertainties surrounding the trade war and fiscal measures as well as budget disbursement could still cloud the outlook for truck sales going forward.

BASE-CASE ASSUMPTIONS

TRIS Rating's base-case assumptions for the performance of THANI during 2025-2027 are as follows:

- New loan to contract by 5% per annum in 2025 and expand by 12% in 2026-2027.
- Loan spread to remain at around 3.5%.
- Credit cost in the 1.4%-2.1% range.
- Operating expense to total income ratio in the range of 15%-18%.

RATING OUTLOOK

The "stable" outlook is based on TRIS Rating's expectation that THANI will maintain its market position, capital position, and earnings capability. The outlook also considers our anticipation that the company's asset quality will remain manageable.

RATING SENSITIVITIES

THANI's SACP could be revised upward if its capital base is materially strengthened, with the RAC ratio rising well above 25% for a sustained period, while the market position is at least maintained, and earnings capacity and asset quality improve steadily.

The SACP could be revised downward if the company's capital position weakens materially, with the RAC ratio falling below 12% and/or asset quality deteriorating substantially to the extent that EBT/ARWA falls below 1.5%.

The issuer credit rating (ICR) on THANI could be upgraded if the rating on TCAP is upgraded. A rating downgrade on TCAP could also pressure THANI's ratings.

COMPANY OVERVIEW

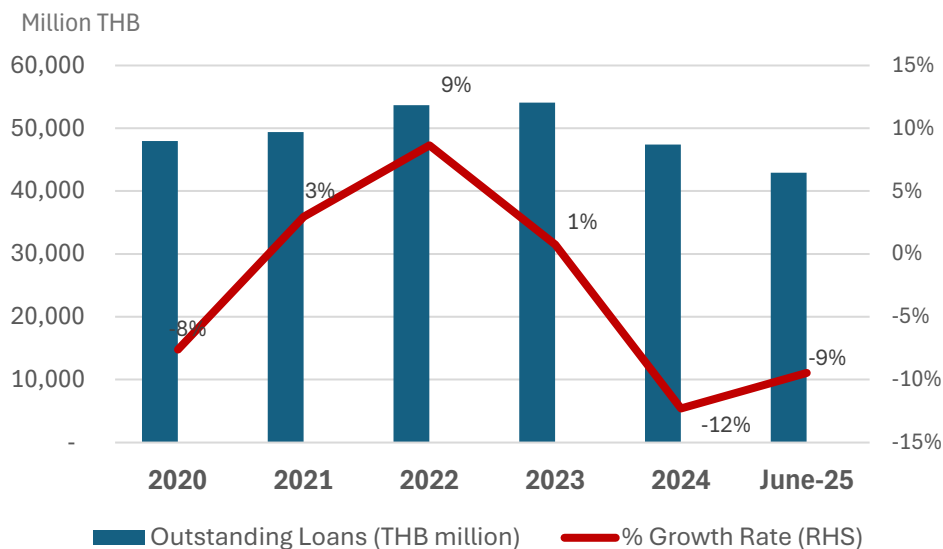
THANI was established in 1988 and listed on SET in 2002. THANI provides HP loans for both new and used commercial trucks.

In 2006, Siam City Bank PLC (SCIB) was the company's largest shareholder with a 39.8% stake. THANI's shareholding structure changed after the merger of SCIB and TCAP Bank PLC (TBANK) in 2010. TBANK included THANI as one of its subsidiaries on a non-solo consolidation basis, consistent with the Bank of Thailand's (BOT) consolidated supervision regulations. After the merger of TMB and TBANK in 2019, TCAP became a major shareholder of THANI with a 65% stake as of June 2025, 56.8% through TCAP SPV1 Co., Ltd., and 6.7% through TCAP.

THANI's loan portfolio stood at THB43 billion at the end of June 2025, comprising 69% truck HP, 24% luxury car HP, 7% in other categories.

KEY OPERATING PERFORMANCE

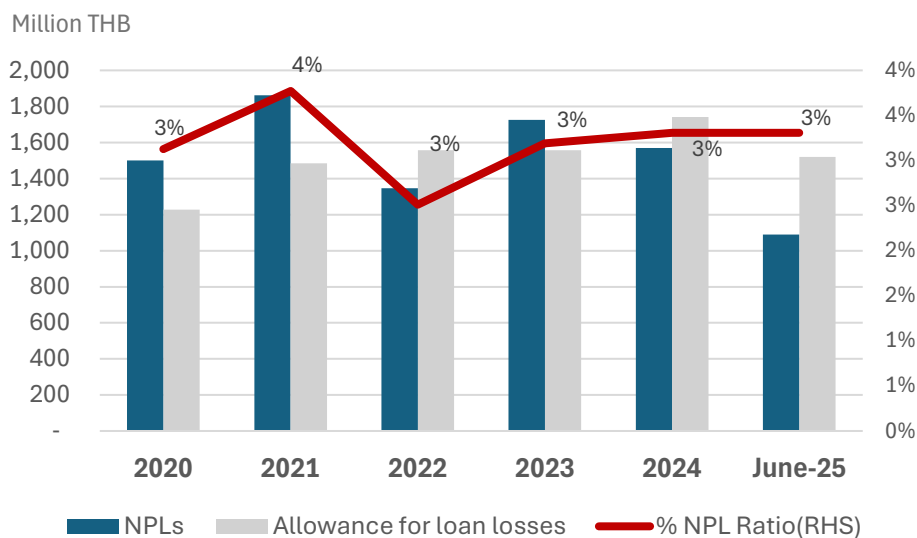
Chart 1: Outstanding Loans



Source: THANI's financial statements

*Year-to-date growth for June 2025

Chart 2: Asset Quality



Source: THANI's financial statements

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS*

Unit: Mil. THB

	Jan-Jun 2025	----- Year Ended 31 December -----			
		2024	2023	2022	2021
Total assets	44,428	51,163	55,260	53,909	49,223
Total loans	42,928	47,414	54,061	53,660	49,396
Allowance for expected credit loss	1,520	1,742	1,678	1,558	1,485
Short-term debts	14,126	18,329	17,146	16,121	17,802
Long-term debts	16,029	18,730	24,635	24,504	18,879
Shareholders' equity	13,460	13,364	12,685	12,361	11,567
Net interest income	960	2,152	2,496	2,585	2,517
Expected credit loss	526	1,112	1,048	555	586
Non-interest income	457	867	929	933	796
Operating expenses	208	868	737	774	585
Earnings before taxes	684	1,039	1,641	2,189	2,143
Net profit	532	800	1,287	1,753	1,709

* Consolidated financial statements

Unit: %

	Jan-Jun 2025	----- Year Ended 31 December -----			
		2024	2023	2022	2021
Profitability					
Net interest income/average assets	4.02 **	4.04	4.57	5.01	5.15
Non-interest income/average assets	1.91 **	1.63	1.70	1.81	1.63
Operating expenses/total income	10.69	20.52	16.02	17.41	13.83
Operating profit/average assets	2.86 **	1.95	3.01	4.25	4.38
Earnings before taxes/average risk-weighted assets	3.02 **	2.05	3.06	4.27	4.43
Return on average assets	2.23 **	1.50	2.36	3.40	3.50
Return on average equity	7.94 **	6.14	10.28	14.65	15.27
Asset Quality					
Non-performing loans (NPL)/total loans	2.54	3.31	3.19	2.51	3.77
Expected credit loss/average loans	2.33 **	2.19	1.95	1.08	1.20
Allowance for expected credit loss/NPL	139.54	111.01	97.21	115.70	79.69
Capitalization					
Risk-adjusted capital ratio	31.33	28.05	23.46	23.07	23.55
Debt to equity (times)	2.30	2.83	3.36	3.36	3.26
Funding and Liquidity					
Stable funding ratio	118.29	113.89	111.10	109.12	102.08
Liquidity coverage measure (times)	0.11	0.20	0.08	0.04	0.03
Short-term debts/total liabilities	45.62	48.49	40.27	38.80	47.27

** Annualized

RELATED CRITERIA

- Group Rating Methodology, 25 August 2025
- Issue Rating Criteria, 26 December 2024
- Financial Institution Rating Methodology, 25 September 2024

Ratchthani Leasing PLC (THANI)

Company Rating:	A-
Issue Ratings:	
THANI25DA: THB2,000 million senior unsecured debentures due 2025	A-
THANI25DB: THB1,000 million senior unsecured debentures due 2025	A-
THANI262A: THB1,000 million senior unsecured debentures due 2026	A-
THANI262B: THB1,000 million senior unsecured debentures due 2026	A-
THANI264A: THB700 million senior unsecured debentures due 2026	A-
THANI265A: THB2,500 million senior unsecured debentures due 2026	A-
THANI268A: THB2,000 million senior unsecured debentures due 2026	A-
THANI26NA: THB1,100 million senior unsecured debentures due 2026	A-
THANI271A: THB651.1 million senior unsecured debentures due 2027	A-
THANI271B: THB2,000 million senior unsecured debentures due 2027	A-
THANI272A: THB1,000 million senior unsecured debentures due 2027	A-
THANI274A: THB1,300 million senior unsecured debentures due 2027	A-
THANI277A: THB2,500 million senior unsecured debentures due 2027	A-
THANI27NA: THB900 million senior unsecured debentures due 2027	A-
THANI282A: THB1,000 million senior unsecured debentures due 2028	A-
THANI282B: THB1,000 million senior unsecured debentures due 2028	A-
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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