

Thailand Diversified Financials

Unsecured lenders are still our least preferred

- Expect a slight improvement in ULO's operations. KTC should have stronger performance.
- ULO should have a greater impact from rate hikes and high inflation vs other segments.
- Maintain ULO as our least preferred segment; prefer KTC to AEONTS.

Expect a slight improvement in unsecured lenders' operations

We expect a slight improvement in unsecured lending operator (ULO)'s 2Q22 (1QFY22 for AEONTS) operations, with a projected aggregate net profit of THB2.8b (-2% y-y, +4% q-q). First, we see stronger loan growth for both AEONTS and KTC following the resumption of business activity and their greater willingness to lend due to the gradual pace of the economic recovery. Second, we expect a minimal rise in NIM q-q for both AEONTS and KTC. Lastly, we expect a stable aggregate NPL volume q-q. KTC's 2Q22 net profit should post a mild recovery, increasing 7% y-y and 3% q-q. While AEONTS' 1QFY22 net profit should rise 15% q-q but decrease 9% y-y, pressured by higher provisions.

Pressure from potential rate hike and high inflation

Due to the high inflation environment in Thailand, the Bank of Thailand has changed its view to be hawkish on a rate hike, seeing it as unavoidable. We expect that KTC would be less negatively impacted than AEONTS as KTC normally issues longer-term debentures. Accordingly, when the policy rate increases, it can tactically issue shorter duration debentures to minimise the rate hike impact. As for high inflation, this should lead to 1) slower loan growth as lending operators will likely switch to a more conservative lending mode; and 2) a higher asset deterioration rate from the lower debt repayment ability of their clients. We believe that KTC should see a more limited impact than AEONTS. KTC's client base is geared toward the middle income compared to AEONTS' low-income client base. On top of that, we think KTC has a sufficient provision cushion. We think it will not need to add a special provision. Compared to other segments among diversified financials under our coverage, we think ULO should be more affected by this situation as 1) they have limited room to increase their charges to clients as they normally charge at the rate cap; and 2) their asset quality has a higher risk of deterioration because the majority of their clients are low salary earners and factory workers, which should be more impacted by the surge in the cost of living than the agricultural segment.

Maintain ULO as our least preferred segment due to potentially lowest net profit growth

Among diversified financials under coverage, asset management is our most preferred segment, while ULO is still our least preferred due to its lower projected net profit growth at a 12% CAGR in 2022-24 vs 19% CAGR for the sector. We have no Buy calls among ULO. We shift our preference to KTC from AEONTS as we expect KTC's net profit to increase at an impressive rate of 12% CAGR in 2022-24 vs AEONTS at 11%. KTC should also have a smaller impact from the potential rate hike and high inflation.

FSSIA recommendations

Company	BBG code	share price	Rating		Target Price			
			Current	Previous	Current	Previous	%change	Up/downside
Aeon Thana Sinsap (Thailand)	AEONTS TB	173.00	HOLD	unchanged	188.00	204.00	-7.84%	+8.7%
Krungthai Card	KTC TB	57.50	HOLD	REDUCE	60.00	52.00	+15.38%	+4.3%

Note: Priced at close of business 21/06/2022. Share prices and TPs are in listing currency; Sources: FSSIA estimates



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Investment thesis

Among the diversified financials under our coverage, asset management is our most preferred segment, while unsecured lending is still our least preferred due to its lower projected net profit growth at a 12% CAGR during 2022-24 vs 19% CAGR for the sector. Compared to other segments among diversified financials, we think unsecured lenders should suffer a greater impact from the high inflation and potential rate hikes as 1) they have limited room to increase their charges to clients as they normally charge at the rate cap; and 2) their asset quality has a higher risk of deterioration because the majority of their clients are low salary earners and factory workers, which should endure a greater impact from the surge in the cost of living than the agriculture segment.

We have no Buy recommendations for unsecured lenders under our coverage. We are shifting our preference to KTC from AEONTS as we expect that KTC's net profit should increase at an impressive rate of 12% CAGR during 2022-24 vs AEONTS at 11%. Also, KTC should have a smaller impact from the potential rate hikes and high inflation.

Catalysts

1. Fewer regulations;
2. Slower pace of rate hikes to lower cost of funds;
3. Good operating cost control.

Risks to our call

1. The greater deterioration of asset quality from a weak economy would result in a higher provisioning setup for the lending industry;
2. More intense price competition from new operators.

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Company reports

Aeon Thana Sinsap (Thailand) (AEONTS TB, HOLD, TP THB188.00)
 Krungthai Card (KTC TB, HOLD, TP THB60.00)

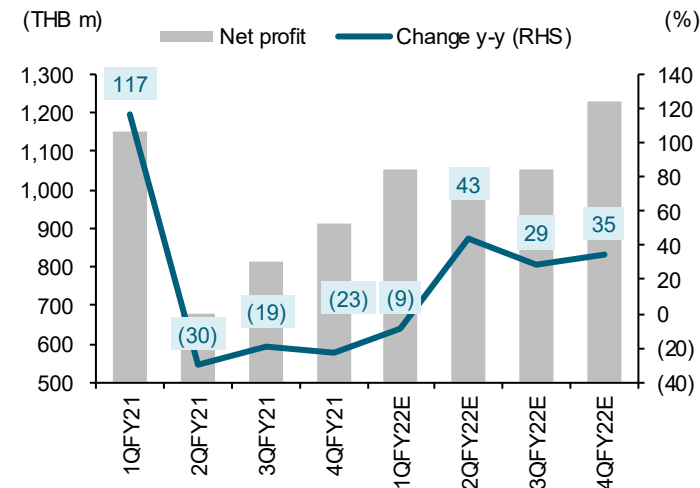
Event Calendar

Date	Event
08 Jul 2022	AEONTS' 1QFY22 results announcement
21 Jul 2022	KTC's 2Q22 results announcement

Expect a slight improvement in unsecured lenders' operations

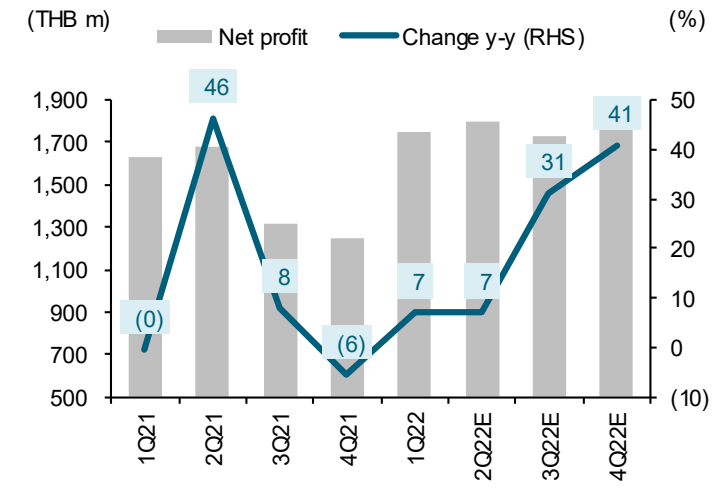
We expect a slight improvement in ULO's 2Q22 (1QFY22 for AEONTS) operations, with a projected aggregate net profit of THB2.8b (-2% y-y, +4% q-q). First, we see stronger loan growth for both AEONTS and KTC following the resumption of business activity and their greater willingness to lend due to the gradual pace of the economic recovery. Second, we expect a minimal rise in NIM q-q for both AEONTS and KTC, supported by higher loan growth – especially personal loans. Lastly, we think they have been able to contain their asset quality effectively, and expect a stable aggregate non-performing loan (NPL) volume q-q. KTC's 2Q22 net profit should post a mild recovery, increasing 7% y-y and 3% q-q. While AEONTS' 1QFY22 net profit should rise 15% q-q but decrease 9% y-y, pressured by higher provisions.

Exhibit 1: Quarterly net profit forecasts for AEONTS



Sources: Company data; FSSIA estimates

Exhibit 2: Quarterly net profit forecasts for KTC



Sources: Company data; FSSIA estimates

Exhibit 3: Summary of earnings forecasts for AEONTS and KTC

Year-end Dec 31	1QFY22E	2Q22E	Unsecured lenders
	AEONTS	KTC	
	(THB m)	(THB m)	(THB m)
Net profit	1,050	1,796	2,769
<i>Change y-y %</i>	(8.6)	6.9	(2.1)
<i>Change q-q %</i>	15.3	2.8	4.2
Key ratios			
Asset quality ratio			
NPLs (THB m)	4,472	3,269	7,741
<i>Change y-y %</i>	(9.7)	(15.7)	(12.3)
<i>Change q-q %</i>	1.0	2.0	1.4
NPLs / Loans (%)	4.81	3.54	4.17
Loan loss reserve/NPLs (%)	245	300	269
Credit cost (bp)	710	480	591
Profitability ratio			
	(%)	(%)	(%)
Cost to income ratio	39.9	34.9	38.3
Average yield	20.0	15.0	17.5
Cost of fund	2.6	2.6	2.6
Net interest margin (NIM)	18.2	13.5	15.9
Non-int income/total income	15.7	40.4	27.6
Loan growth			
	(%)	(%)	(%)
y-y	7.3	3.8	5.7
q-q	2.2	3.0	2.7

Sources: Company data; FSSIA estimates

Pressure from potential rate hike and high inflation

After a 13-year high inflation rate at 7.1% y-y in May-22, the Monetary Policy Committee (MPC) has shifted the policy priority to curb the inflation rate from supporting a more even economic recovery previously. At their recent meeting on 8 Jun-22, the MPC stated that the very accommodative monetary policy will be less necessary going forward and they are considering gradually increasing the policy rate at the appropriate time.

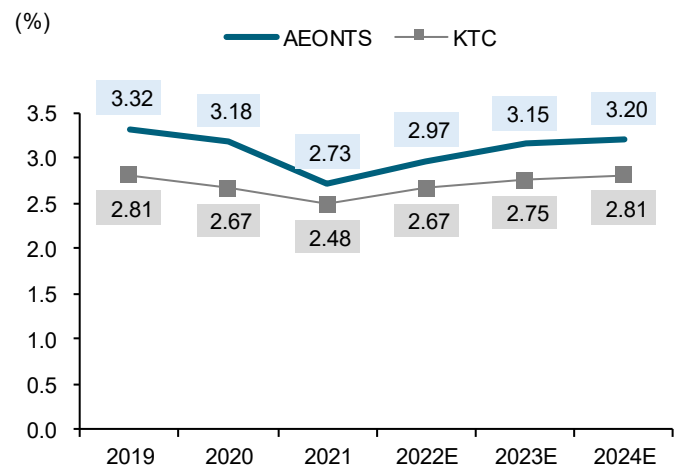
It is unable to avoid being hit by a rate hike, we think. The cost of funds of ULO should turn to a rising trend. We expect that KTC should have a less negative impact from the rate hike than AEONTS as KTC normally issues longer-term debentures, with a tenor of 5-10 years. Accordingly, when the policy rate increases, it can tactically issue shorter duration debentures, e.g. 3-5 years, for certain periods.

Exhibit 4: Comparing AEONTS' and KTC's funding structures

Source of funds	----- AEONTS -----		----- KTC -----	
	Debentures (THB m)	(%)	Debentures (THB m)	(%)
Borrowing	57,159	87	4,080	8
- Short-term *	26,262	40	4,080	8
- Long-term	30,896	47	-	-
Debenture	8,260	13	46,287	92
- Short-term *	3,799	6	10,698	21
- Long-term	4,461	7	35,589	71

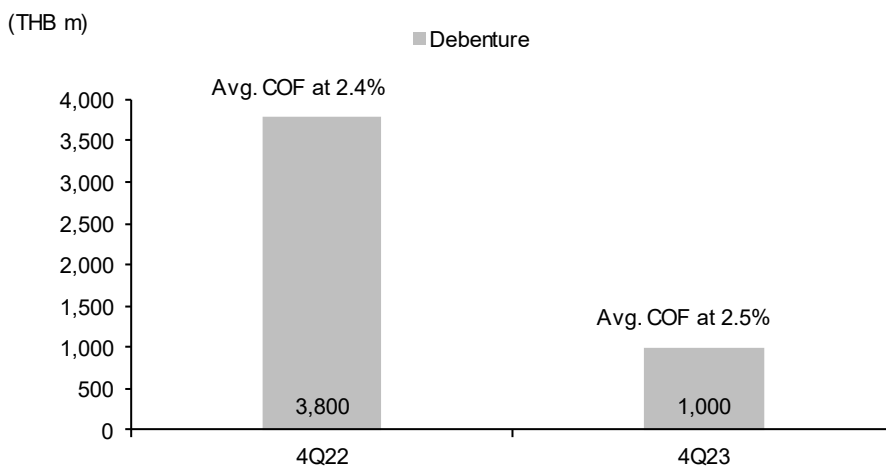
*Including current portion of long-term obligations
Sources: Company data; FSSIA estimates

Exhibit 5: Comparing AEONTS' and KTC's cost of funds



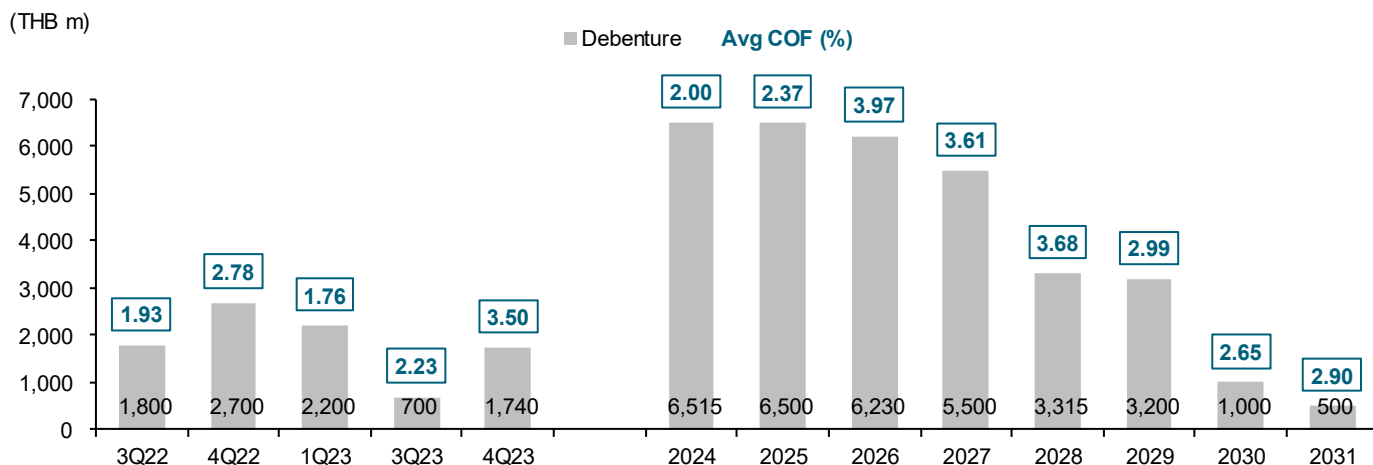
Sources: Company data; FSSIA estimates

Exhibit 6: AEONTS' debentures as of FY22E



Sources: AEONTS; FSSIA's compilation

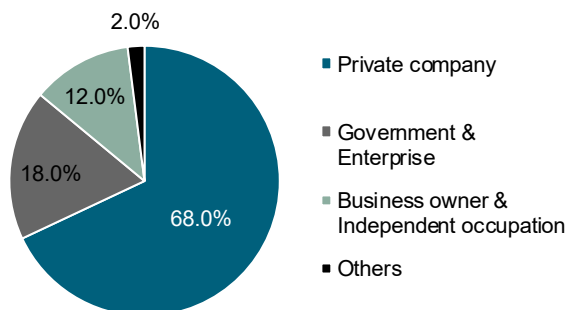
Exhibit 7: KTC's debentures as of 1Q22



Sources: KTC; FSSIA estimates

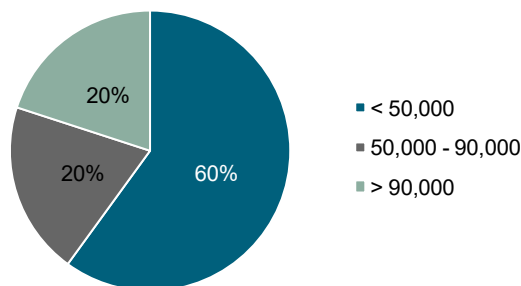
As for the high inflation environment, we think this should lead to 1) slower loan growth as lending operators will likely switch to a more conservative lending mode; and 2) a higher asset deterioration rate from the lower debt repayment ability of their clients, resulting in higher NPLs. We believe that KTC should see a more limited impact than AEONTS. KTC's client base is geared toward the middle income compared to AEONTS' low-income client base. On top of that, we think KTC has a sufficient provision cushion. We think it will not need to add a special provision to weather the potentially higher volume of NPLs.

Exhibit 8: AEONTS' client base, divided by occupation



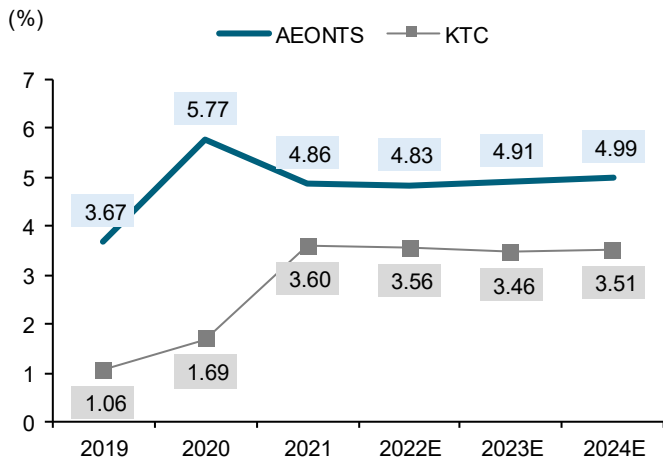
Sources: AEONTS; FSSIA's compilation

Exhibit 9: KTC's client base, divided by monthly income (THB/month)



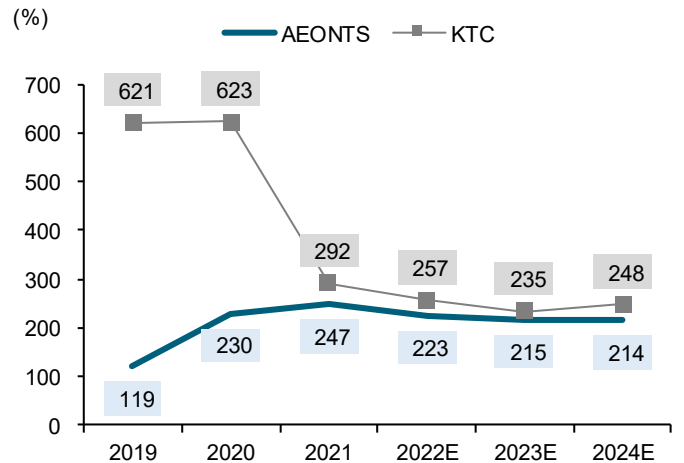
Sources: KTC; FSSIA's compilation

Exhibit 10: Comparing AEONTS' and KTC's NPL ratios



Sources: Company data; FSSIA estimates

Exhibit 11: Comparing AEONTS' and KTC's coverage ratios



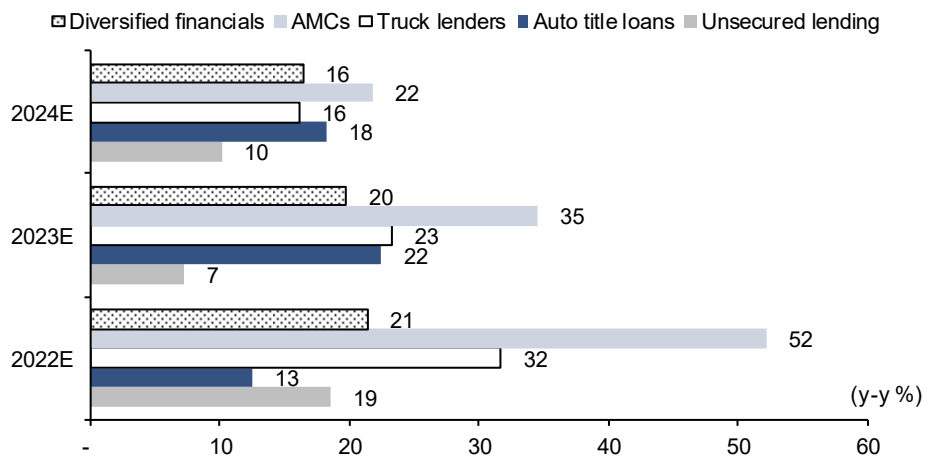
Sources: Company data; FSSIA estimates

Compared to other segments among diversified financials under our coverage, we think ULO should be more affected by potential rate hikes and high inflation as 1) they have limited room to increase their charges to clients as they normally charge at the rate cap (16% for credit cards and 25% for personal loans); and 2) their asset quality has a higher risk of deterioration because the majority of their clients are low salary earners and factory workers, which should be more impacted by the surge in the cost of living than the agricultural segment.

Shifting our preference to KTC

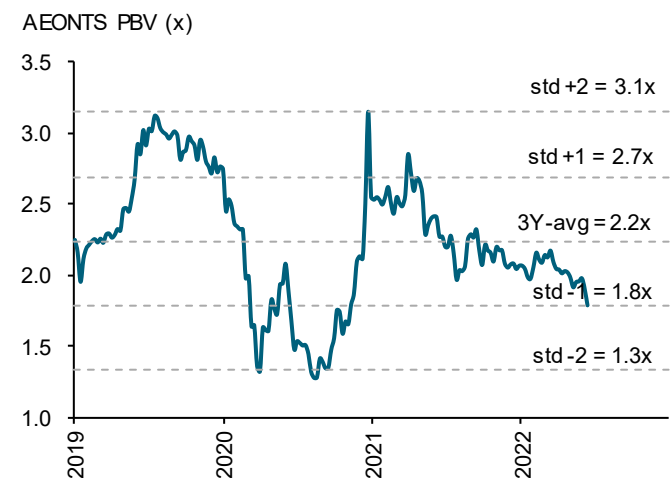
Among the diversified financials under coverage, asset management is our most preferred segment, while ULO is still our least preferred due to its lower projected net profit growth at a 12% CAGR during 2022-24 vs 19% CAGR for the sector. We have no Buy calls among ULO. We shift our preference to KTC from AEONTS as we expect KTC's net profit to increase at an impressive rate of 12% CAGR during 2022-24 vs AEONTS at 11%. KTC should also have a smaller impact from the potential rate hike and high inflation.

Exhibit 12: Net profit growth (y-y %) of diversified financials under our coverage



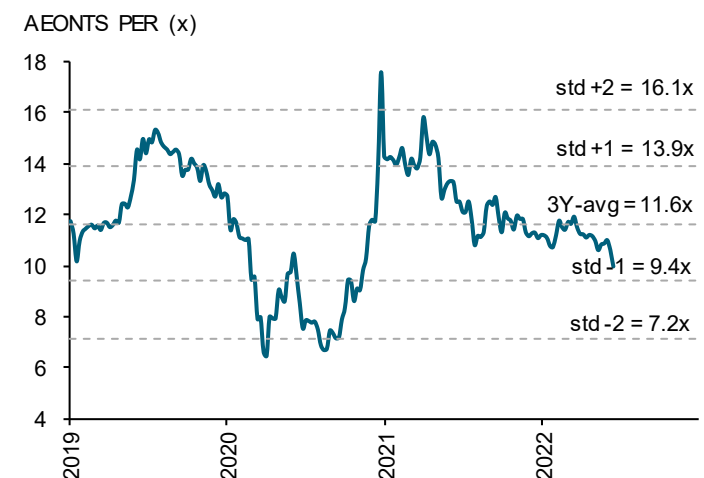
Source: FISSIA estimates

Exhibit 13: AEONTS – one-year prospective P/BV



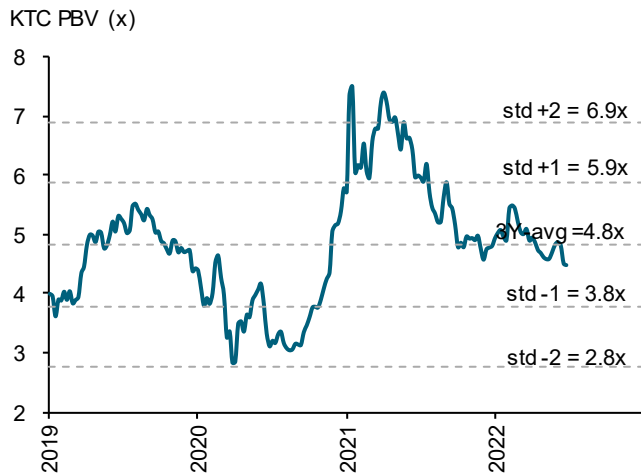
Sources: Bloomberg; FSSIA estimates

Exhibit 14: AEONTS – one-year prospective P/E



Sources: Bloomberg; FSSIA estimates

Exhibit 15: KTC – one-year prospective P/BV



Sources: Bloomberg; FSSIA estimates

Exhibit 16: KTC – one-year prospective P/E



Sources: Bloomberg; FSSIA estimates

Exhibit 17: Key valuations of companies under our coverage

	BBG code	Rec	--- Share price ---		Up side	Market Cap	EPS growth		---- P/E ----		---- ROE ----		---- PBV ----	
			Current (THB)	Target (THB)			22E (%)	23E (%)	22E (x)	23E (x)	22E (%)	23E (%)	22E (x)	23E (x)
Diversified financials						20,871	16.2	21.0	22.2	17.9	16.2	16.8	3.2	2.8
Unsecured loan lenders						5,419	13.0	7.3	18.8	17.5	23.1	21.6	4.1	3.6
Aeon Thana Sinsap (Thailand)*	AEONTS TB	HOLD	173.00	188.00	9	1,224	19.0	7.0	10.2	9.6	19.8	18.5	1.9	1.7
Krungthai Card	KTC TB	HOLD	57.50	60.00	4	4,195	11.2	7.4	21.3	19.9	24.1	22.5	4.8	4.2
Auto-title lenders						7,054	11.6	22.6	16.8	13.7	18.3	19.5	2.8	2.5
Muangthai Capital	MTC TB	BUY	43.00	55.00	28	2,580	9.3	25.5	16.9	13.4	19.9	21.0	3.1	2.6
Srisawad Corp	SAWAD TB	BUY	48.75	68.00	39	1,894	10.0	20.5	13.2	11.0	19.3	21.1	2.4	2.2
Saksiam Leasing	SAK TB	BUY	7.75	12.00	55	460	38.5	25.9	19.3	15.3	16.2	18.1	3.0	2.6
Ngern Tid Lor	TIDLOR TB	BUY	30.00	43.00	43	2,120	10.1	20.3	19.3	16.1	15.9	16.5	2.8	2.5
Truck lenders						1,937	12.0	27.1	24.4	18.7	11.2	13.0	2.3	2.2
Micro Leasing	MICRO TB	BUY	5.90	10.70	81	156	45.1	26.8	20.3	16.0	13.2	15.0	2.6	2.3
Singer Thailand	SINGER TB	BUY	48.50	74.00	53	1,121	7.7	35.1	32.2	23.8	8.1	10.5	2.5	2.4
Ratchthani Leasing	THANI TB	BUY	4.12	4.80	17	660	11.5	13.6	12.2	10.8	15.9	16.7	1.9	1.7
Asset management						5,182	30.7	34.2	35.8	26.3	10.1	11.6	3.5	3.0
Bangkok Commercial AM	BAM TB	BUY	17.70	25.50	44	1,619	23.2	26.6	17.9	14.1	7.5	8.6	1.3	1.1
Chayo Group	CHAYO TB	BUY	11.60	16.60	43	350	96.6	(14.9)	25.9	30.5	15.5	8.9	3.2	2.4
JMT Network Services	JMT TB	BUY	74.75	80.00	7	3,086	28.3	43.1	45.2	31.6	11.0	13.6	4.6	4.0
Knight Club Capital AM	KCC TB	BUY	7.25	5.10	(30)	127	3.0	51.5	61.7	40.7	7.9	8.6	3.8	3.2
Other						1,135	4.1	8.5	7.3	6.7	8.0	8.2	0.6	0.5
Thanachart Capital	TCAP TB	HOLD	38.25	42.00	10	1,135	4.1	8.5	7.3	6.7	8.0	8.2	0.6	0.5
Hire purchase motorcycle						143	(9.5)	(4.0)	17.9	18.7	10.1	7.6	1.5	1.3
Next Capital	NCAP TB	HOLD	5.60	7.60	36	143	(9.5)	(4.0)	17.9	18.7	10.1	7.6	1.5	1.3

Share prices as of 21 Jun 2022; *22E fiscal year ending 28 Feb 2023, **Target prices of SINGER and KTC are for 2023, while the rest are 2022 target prices

Source: FSSIA estimates

AEON THANA SINSAP (THAILAND)

THAILAND / DIVERSIFIED FINANCIALS

AEONTS TB

HOLD

UNCHANGED

TARGET PRICE	THB188.00
CLOSE	THB173.00
UP/DOWNSIDE	+8.7%
PRIOR TP	THB204.00
CHANGE IN TP	-7.8%
TP vs CONSENSUS	-16.3%

Gloomy short to medium-term outlook

- An inert 1QFY22E NP of THB1,050m (-9% y-y, +15% q-q).
- Mounting concerns about rate hikes and high inflation risks.
- Lower FY22-24E EPS and cut TP to THB188; maintain HOLD.

Expect an inert 1QFY22 performance

We expect AEONTS to report a 1QFY22 net profit of THB1,050m (-9% y-y, +15% q-q). The q-q increase in its earnings should come from: 1) a rise in NPL sales of THB100m; 2) a slight 2.2% improvement q-q in loan growth following stronger credit card spending momentum and an increase in the company's willingness to lend new personal loans; and 3) a minimal increase in NIM to 18.2% from 18.0% in 4QFY21. However, we expect its 1QFY22 earnings to fall by 9% y-y, dragged down by a substantial increase in provisions due to the rise in its loan volume. Its NPLs in 1QFY22 should remain stable q-q with an NPL ratio of 4.8%. We read the 1QFY22 performance of AEONTS as neutral. The slight improvement in its business would be in line with its guidance.

The low cost of funds party may soon be over

We expect AEONTS to see a moderate negative impact from the potential rate hikes. As of FY21, nearly 10% of its funding was from debentures – 80% of which will mature this year – with the rest (90%) coming from short and long-term borrowing. On top of that, due to the potential for rate increases in Thailand in 2022-23, we think AEONTS might accelerate its issuance of more long-term debentures to lock in its cost of funds (COF). Thus, we expect its COF to surge to 2.97% in FY22 from 2.73% in FY21. After that, its COF should gradually increase in FY23-24 to 3.15% and 3.2%, respectively. With its COF on the rise, we think the company has limited room to increase its lending yield as it currently charges an interest rate close to the rate cap.

Potential for further asset deterioration from high inflation

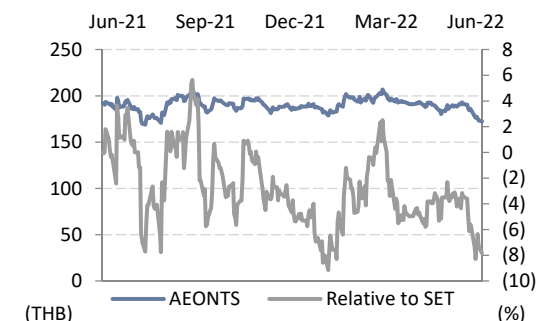
We expect AEONTS' asset quality to gradually deteriorate due to the high inflation environment in Thailand as most of its clients are in the low-income retail segment which should be hardest hit by inflation. Therefore, we expect AEONTS' NPLs to increase moderately starting from 2QFY22 and result in a sustained high credit cost of 690-700 bps during FY22-24.

Lower FY22 TP to THB188; maintain HOLD call

We lower our FY22-24E EPS by 6%/7%/7% to reflect our concerns over COF and asset quality. Also, we cut our 2022 GGM valuation-based TP of THB204 to THB188, implying an FY22E P/BV of 2.1x, near its three-year average, and maintain our HOLD call. We see current valuations reflecting its fair value, as there are few signs of positive catalysts.

KEY STOCK DATA

YE Feb (THB m)	2021	2022E	2023E	2024E
Operating profit	4,574	5,420	5,829	6,281
Net profit	3,553	4,228	4,523	4,874
EPS (THB)	14.21	16.91	18.09	19.49
vs Consensus (%)	-	0.55	(4.1)	(8.2)
Core net profit	3,553	4,228	4,523	4,874
Core EPS (THB)	14.21	16.91	18.09	19.49
Chg. In EPS est. (%)	-	(6.4)	(6.8)	(6.5)
EPS growth (%)	(3.7)	19.0	7.0	7.7
Core P/E (x)	12.2	10.2	9.6	8.9
Dividend yield (%)	3.0	2.9	3.1	3.4
Price/book (x)	2.2	1.9	1.7	1.5
ROE (%)	19.2	19.8	18.5	17.6
ROA (%)	4.0	4.6	4.5	4.7



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(7.7)	(13.9)	(9.4)
Relative to country (%)	(4.9)	(8.5)	(7.9)
Mkt cap (USD m)	1,224		
3m avg. daily turnover (USD m)	1.8		
Free float (%)	21		
Major shareholder	AEON Group (44%)		
12m high/low (THB)	209.00/168.00		
Issued shares (m)	250		

Sources: Bloomberg consensus; FSSIA estimates


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The Chairman Of The Board of Finansia Syrus Securities PCL is also AEONTS's Director.

Investment thesis

AEONTS is one of Thailand's largest non-bank consumer finance companies, with expertise in unsecured lending. Its market share in the credit card and personal loan segments appears sustainable, and has ranged between 9-11% in recent years.

However, we expect banks to more aggressively expand into unsecured lending for the low-income segment, and we believe that AEONTS will face intense competition in the medium to long term. We are also more concerned about AEONTS' performance due to the potential for rate hikes and high inflation in Thailand. Therefore, we maintain HOLD with our TP of THB188.

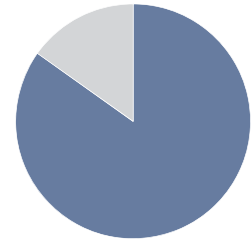
Company profile

The company's business is providing a variety of retail finance services, including credit cards, personal loans, hire-purchase loans and others.

www.aeon.co.th

Principal activities (revenue, 2021)

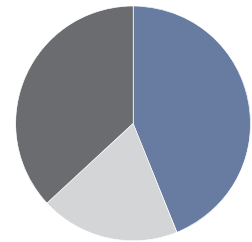
- Net interest income - 84.8 %
- Non-interest income - 15.2 %



Source: Aeon Thana Sinsap (Thailand)

Major shareholders

- AEON Group - 43.9 %
- ACS Capital Corporation - 19.2 %
- Others - 36.9 %



Source: Aeon Thana Sinsap (Thailand)

Catalysts

Potential share price catalysts for AEONTS include: 1) a lower credit cost from better-than-expected non-performing loans; 2) the recovery in personal loan growth; and 3) a significant increase in its new business – digital loans.

Risks to our call

Downside risks to our GGM-derived TP include 1) intense competition; 2) regulatory actions to curb industry growth; and 3) deteriorating asset quality. The upside risk is stronger-than-expected asset quality.

Event calendar

Date	Event
8 July 2022	1QFY22 results announcement

Key assumptions

Year to 28 Feb	FY22E	FY23E	FY24E
<i>Fiscal year ending</i>	<i>28 Feb-23</i>	<i>28 Feb-24</i>	<i>28 Feb-25</i>
	(%)	(%)	(%)
Net profit (THB m)	4,228	4,523	4,874
Net profit growth	19.0	7.0	7.7
NIM	18.08	17.96	18.03
Loan growth	7.2	5.8	5.8
Fee growth	(5.0)	-	4.0
Non-NII growth*	7.0	4.2	3.4
Credit cost (bps)	700	695	690
Cost to income*	40.3	39.7	39.5

*Including share of profits from associates
Source: FSSIA estimates

Earnings sensitivity

Year to 28 Feb	-- FY22E ending 28 Feb 23 --			
	±2ppt	5.2	7.2	9.2
Loan growth				
<i>% change in net profit</i>		(2.1)	-	2.1
NIM (%)	±5bp	18.03	18.08	18.13
<i>% change in net profit</i>		(1.2)	-	1.4
Credit cost (bps)	±10bp	690	700	710
<i>% change in net profit</i>		1.6	-	(1.6)

Source: FSSIA estimates

Expect an improved q-q net profit in 1QFY22, but still weak y-y

We expect AEONTS to report a 1QFY22 (Mar-22 to May-22) net profit of THB1,050m (-9% y-y, +15% q-q). The q-q increase in its earnings should come from: 1) higher non-performing loan (NPL) sales of THB100m; 2) a slight 2.2% improvement q-q in its loan growth due to stronger credit card spending momentum and the company's increased willingness to lend new personal loans; and 3) a minimal increase in NIM to 18.2% from 18.0% in 4QFY21, supported by a rise in personal loans. However, we expect its 1QFY22 earnings to fall by 9% y-y, dragged down by a substantial increase in provisions due to the rise in loan volume. Its NPLs in 1QFY22 should remain stable q-q, with an NPL ratio of 4.8%. We read AEONTS' overall 1QFY22E performance as neutral. The slight improvement in its business would be in line with the company's guidance.

1QFY22E key highlights

- Total loan volume should increase moderately by 2.2% q-q. We expect AEONTS' new lending to improve as the gradual economic recovery leads to a rise in its willingness to lend new personal loans. Moreover, its card spending is expected to accelerate q-q following the resumption of business activity.
- Bad debt recovery should continue to increase y-y and q-q thanks to its efficient debt collection process. Also, AEONTS sold THB100m worth of NPLs. Therefore, its non-NII could rise 28% y-y and 9% q-q.
- As for its international presence, there should be a profit contribution from Cambodia and Laos due to the improving Covid situation. Regarding Myanmar, since the coup, AEONTS has made no new loans there. Thus, its Myanmar portfolio will continue to generate a loss.

Exhibit 18: AEONTS – preview of 1QFY22E results ending 31 May-22

Year-end Feb 28	1QFY21 (THB m)	4QFY21 (THB m)	----- 1QFY22E ----- (THB m)	(y-y %)	(q-q %)	FY21 (THB m)	----- FY22E ----- (THB m)	(y-y %)	1QFY22E comments
Net interest income	3,981	4,065	4,179	5	3	16,158	17,054	6	
Non-interest income*	607	712	777	28	9	2,888	3,090	7	Increase in bad debt recovery and NPL sales
Operating income*	4,588	4,777	4,956	8	4	19,047	20,144	6	
Operating expenses	1,923	1,990	1,980	3	(1)	7,844	8,122	4	
PPOP before tax*	2,665	2,787	2,977	12	7	11,203	12,022	7	
Expected credit loss	1,226	1,619	1,633	33	1	6,629	6,602	(0)	
Income tax	355	231	266	(25)	15	1,000	1,084	8	
Minority interest	(66)	27	27	(141)	1	21	108		
Net profit	1,149	911	1,050	(9)	15	3,553	4,228	19	
EPS (THB)	4.60	3.64	4.20	(9)	15	14.21	16.91	19	
Asset quality ratio									
NPLs	4,951	4,427	4,472	(10)	1	4,427	4,715	6	
NPLs/Loans (%)	5.71	4.86	4.81			4.86	4.83		
LLR/NPLs (%)	225	247	245			247	223		
Credit cost (bps)	563	717	710			743	700		
Profitability ratio									
Cost to income ratio*	41.9	41.7	39.9			41.2	40.3		
Average yield	20.4	19.9	20.0			20.1	20.2		
Cost of funds	2.9	2.5	2.6			2.7	3.0		
NIM	18.3	18.0	18.2			18.1	18.1		Slight improvement q-q from a rise in personal loans
Non-int inc/total income	13.2	14.9	15.7			15.2	15.3		
Loan growth									
y-y	(2.0)	4.1	7.3			4.1	7.2		
q-q	(0.8)	1.7	2.2						A rise in loan volume following the resumption of business activity

*Including share of profits from associates

Sources: AEONTS; FSSIA estimates

Moderate negative impact from rate hikes and high inflation

At their recent meeting on 8 Jun-22, the Monetary Policy Committee (MPC) stated that the very accommodative monetary policy will be less required going forward and they are considering gradually increasing the policy rate at the appropriate time. The Bloomberg consensus expects at least one rate hike in 2022 and at least two more rate hikes in 2023.

We expect AEONTS to see a moderate negative impact from the potential rate hikes and high inflation. As of FY21, nearly 10% of its funding was from debentures – 80% of which will mature this year – with the rest (90%) coming from short and long-term borrowing in foreign and domestic currencies including JPY, USD, and THB. On top of that, due to the potential for rate hikes in Thailand in 2022-23, we think AEONTS might accelerate its issuance of more long-term debentures to lock in its COF. Thus, we expect its COF to surge to 2.97% in FY22 from 2.73% in FY21. Then, its COF should gradually increase in FY23-24 to 3.15% and 3.2%.

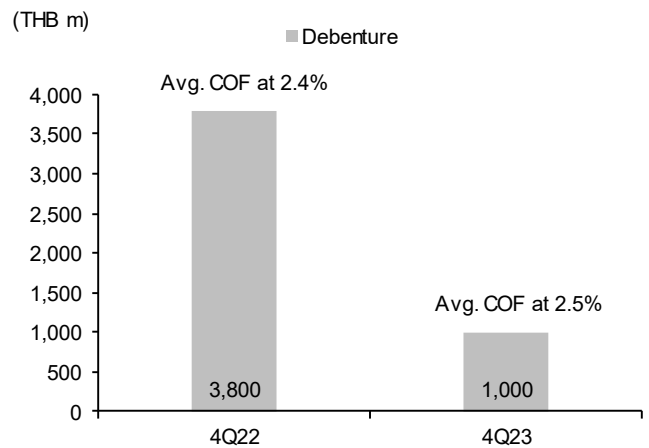
With its COF on the rise, we think the company has limited room to increase its lending yield as it currently charges an interest rate close to the rate cap.

Exhibit 19: AEONTS' funding structure as of FY21

Source of funds	----- Debenture -----	
	(THB m)	(%)
Borrowing	57,159	87
- Short-term *	26,262	40
- Long-term	30,896	47
Debenture	8,260	13
- Short-term *	3,799	6
- Long-term	4,461	7

*Including current portion of long-term obligations
Sources: AEONTS; FSSIA estimates

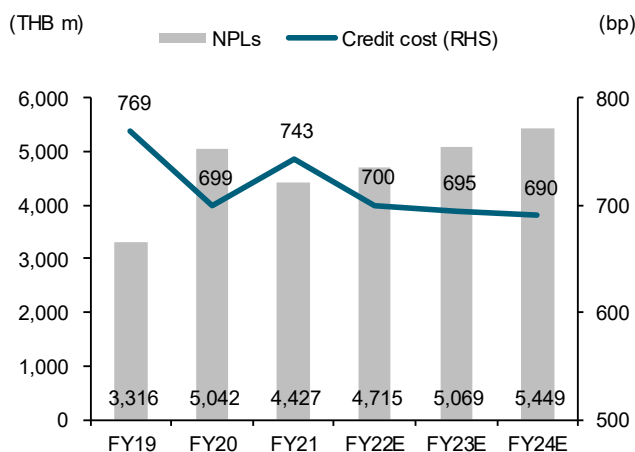
Exhibit 20: AEONTS' debentures at the end of FY21



Sources: AEONTS; FSSIA estimates

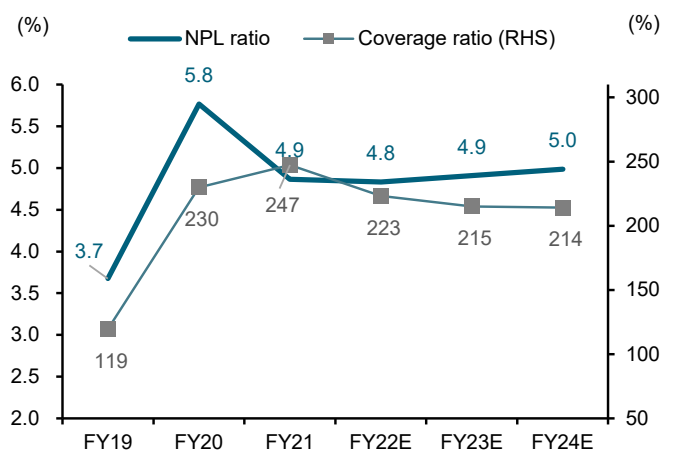
Also, we expect AEONTS' asset quality to gradually deteriorate due to the high inflation environment in Thailand as most of its clients are in the low-income retail segment, which should be one of the most affected by high inflation. Therefore, we expect AEONTS' NPLs to increase moderately starting from 2QFY22 and lead to a sustained high credit cost level of 690-700 bps during FY22-24.

Exhibit 21: Credit cost sustained at an elevated level



Sources: AEONTS; FSSIA estimates

Exhibit 22: NPL and coverage ratios



Sources: AEONTS; FSSIA estimates

EPS and target price revisions

We cut our EPS forecasts for FY22-24 by 6%/7%/7%, respectively, mainly due to our expectation of higher COF, lower bad debt recovery, and higher expected credit losses (ECL) for AEONTS.

- 1) We adjust our cost of funds estimates to 2.97%/3.15%/3.2% from 2.95%/3.10%/3.07% due to our expectations of a rate hike in Thailand and the United States;
- 2) We lower our non-NII estimates by 4%/5.3%/5.2% due mainly to a reduction in bad debt recovery;
- 3) We increase our credit cost assumptions to 700/695/690 bps from 680/680/680 bps to reflect the resumption in loan growth and the potential for a higher NPL volume due to high inflation.

Exhibit 23: Changes in key assumptions

Year to 28 Feb	FY21	FY22E			FY23E			FY24E		
	Actual (THB m)	Old (THB m)	New (THB m)	Change (%)	Old (THB m)	New (THB m)	Change (%)	Old (THB m)	New (THB m)	Change (%)
Net interest income	16,158	17,169	17,054	(0.7)	18,167	18,039	(0.7)	19,347	19,159	(1.0)
Non-interest income*	2,888	3,219	3,090	(4.0)	3,399	3,220	(5.3)	3,511	3,330	(5.2)
Operating income*	19,047	20,388	20,144	(1.2)	21,565	21,259	(1.4)	22,858	22,489	(1.6)
Operating expenses	7,844	8,122	8,122	0.0	8,450	8,450	0.0	8,876	8,876	0.0
PPOP before tax*	11,203	12,266	12,022	(2.0)	13,116	12,809	(2.3)	13,982	13,614	(2.6)
Expected credit loss	6,629	6,414	6,602	2.9	6,829	6,980	2.2	7,227	7,333	1.5
Tax expenses	1,000	1,170	1,084	(7.4)	1,257	1,166	(7.3)	1,351	1,256	(7.0)
Minority interest	21	164	108		176	140		189	151	
Normalised profit	3,553	4,517	4,228	(6.4)	4,853	4,523	(6.8)	5,215	4,874	(6.5)
Extraordinary items	-	0	-		0	-		-	-	
Net profit	3,553	4,517	4,228	(6.4)	4,853	4,523	(6.8)	5,215	4,874	(6.5)
EPS (THB)	14.21	18.07	16.91	(6.4)	19.4	18.09	(6.8)	20.86	19.49	(6.5)
Asset quality ratio										
Gross NPLs (%)	4,427	4,560	4,715	3.4	4,880	5,069	3.9	5,221	5,449	4.4
Gross NPLs / Loans (%)	4.86	4.67	4.83		4.73	4.91		4.78	4.99	
Loan loss reserve/NPLs (%)	247	227	223		216	215		215	214	
Credit cost (bps)	743	680	700		680	695		680	690	
Profitability ratio										
Cost to income ratio* (%)	41.2	39.84	40.32		39.18	39.75		38.83	39.47	
Average yield (%)	20.1	20.35	20.24		20.37	20.25		20.38	20.26	
Cost of funds (%)	2.7	2.95	2.97		3.10	3.15		3.07	3.20	
Net interest margin (NIM) (%)	18.1	18.20	18.08		18.09	17.96		18.20	18.03	
% growth										
Loan growth (y-y %)	4.11	7.22	7.22		5.81	5.81		5.83	5.83	

*Including share of profits from associates

Sources: AEONTS; FSSIA estimates

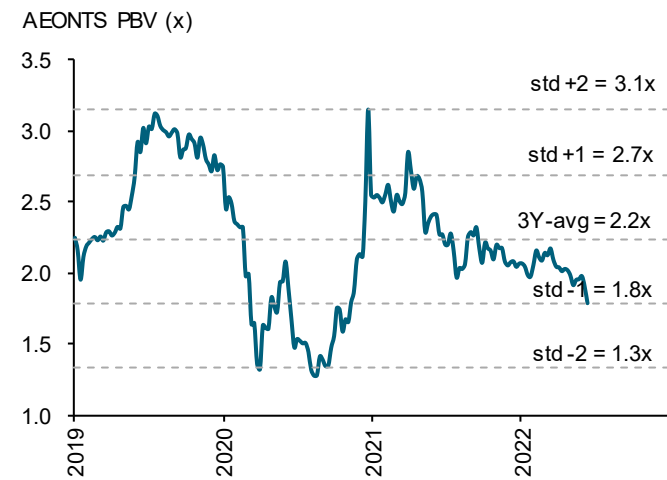
We lower our 2022 GGM valuation-based TP to THB188 from THB204, based on 1) our lower EPS forecasts, leading to a lower book value; and 2) the decrease in our FY22E P/BV target to 2.1x from the previous 2.2x as a result of our lower average long-term ROE target.

Exhibit 24: AEONTS – GGM-derived target price

Target price (THB)	188.0 (from 204.0)
Recommendation	HOLD (unchanged)
Risk-free rate (%)	3.0 (unchanged)
Market risk premium (%)	8.0 (unchanged)
Cost to equity (%)	11.0 (unchanged)
Terminal growth (%)	3.8 (unchanged)
ROE target (%)	18.6 (from 19.3)

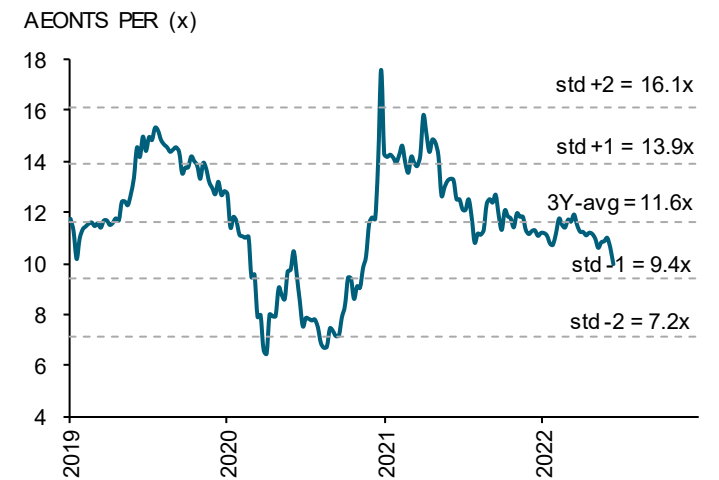
Source: FSSIA estimates

Exhibit 25: AEONTS – one-year prospective P/BV



Sources: Bloomberg; FSSIA estimates

Exhibit 26: AEONTS – one-year prospective P/E



Sources: Bloomberg; FSSIA estimates

Exhibit 27: Key valuations of companies under our coverage

	BBG code	Rec	--- Share price ---		Up side (%)	Market Cap (USD m)	EPS growth		---- P/E ----		--- ROE ---		--- PBV ---	
			Current (THB)	Target (THB)			22E (%)	23E (%)	22E (x)	23E (x)	22E (%)	23E (%)	22E (x)	23E (x)
Diversified financials						20,871	16.2	21.0	22.2	17.9	16.2	16.8	3.2	2.8
Unsecured loan lenders						5,419	13.0	7.3	18.8	17.5	23.1	21.6	4.1	3.6
Aeon Thana Sinsap (Thailand)*	AEONTS TB	HOLD	173.00	188.00	9	1,224	19.0	7.0	10.2	9.6	19.8	18.5	1.9	1.7
Krungthai Card	KTC TB	HOLD	57.50	60.00	4	4,195	11.2	7.4	21.3	19.9	24.1	22.5	4.8	4.2
Auto-title lenders						7,054	11.6	22.6	16.8	13.7	18.3	19.5	2.8	2.5
Muangthai Capital	MTC TB	BUY	43.00	55.00	28	2,580	9.3	25.5	16.9	13.4	19.9	21.0	3.1	2.6
Srisawad Corp	SAWAD TB	BUY	48.75	68.00	39	1,894	10.0	20.5	13.2	11.0	19.3	21.1	2.4	2.2
Saksiam Leasing	SAK TB	BUY	7.75	12.00	55	460	38.5	25.9	19.3	15.3	16.2	18.1	3.0	2.6
Ngern Tid Lor	TIDLOR TB	BUY	30.00	43.00	43	2,120	10.1	20.3	19.3	16.1	15.9	16.5	2.8	2.5
Truck lenders						1,937	12.0	27.1	24.4	18.7	11.2	13.0	2.3	2.2
Micro Leasing	MICRO TB	BUY	5.90	10.70	81	156	45.1	26.8	20.3	16.0	13.2	15.0	2.6	2.3
Singer Thailand	SINGER TB	BUY	48.50	74.00	53	1,121	7.7	35.1	32.2	23.8	8.1	10.5	2.5	2.4
Ratchthani Leasing	THANI TB	BUY	4.12	4.80	17	660	11.5	13.6	12.2	10.8	15.9	16.7	1.9	1.7
Asset management						5,182	30.7	34.2	35.8	26.3	10.1	11.6	3.5	3.0
Bangkok Commercial AM	BAM TB	BUY	17.70	25.50	44	1,619	23.2	26.6	17.9	14.1	7.5	8.6	1.3	1.1
Chayo Group	CHAYO TB	BUY	11.60	16.60	43	350	96.6	(14.9)	25.9	30.5	15.5	8.9	3.2	2.4
JMT Network Services	JMT TB	BUY	74.75	80.00	7	3,086	28.3	43.1	45.2	31.6	11.0	13.6	4.6	4.0
Knight Club Capital AM	KCC TB	BUY	7.25	5.10	(30)	127	3.0	51.5	61.7	40.7	7.9	8.6	3.8	3.2
Other						1,135	4.1	8.5	7.3	6.7	8.0	8.2	0.6	0.5
Thanachart Capital	TCAP TB	HOLD	38.25	42.00	10	1,135	4.1	8.5	7.3	6.7	8.0	8.2	0.6	0.5
Hire purchase motorcycle						143	(9.5)	(4.0)	17.9	18.7	10.1	7.6	1.5	1.3
Next Capital	NCAP TB	HOLD	5.60	7.60	36	143	(9.5)	(4.0)	17.9	18.7	10.1	7.6	1.5	1.3

Share prices as of 21 Jun 2022; *22E fiscal year ending 28 Feb 2023, **Target prices of SINGER and KTC are for 2023, while the rest are 2022 target prices

Source: FSSIA estimates

Financial Statements

Aeon Thana Sinsap (Thailand)

Profit and Loss (THB m) Year Ending Feb	2020	2021	2022E	2023E	2024E
Interest Income	18,587	17,903	19,084	20,342	21,537
Interest expense	(2,096)	(1,745)	(2,031)	(2,303)	(2,378)
Net interest income	16,491	16,158	17,054	18,039	19,159
Net fees & commission	246	210	199	199	207
Foreign exchange trading income	-	-	-	-	-
Securities trading income	-	-	-	-	-
Dividend income	510	682	716	752	790
Other income	1,959	1,997	2,175	2,268	2,333
Non interest income	2,715	2,888	3,090	3,220	3,330
Total income	19,206	19,047	20,144	21,259	22,489
Staff costs	(8,144)	(7,671)	(7,940)	(8,257)	(8,670)
Other operating costs	(180)	(172)	(182)	(192)	(205)
Operating costs	(8,323)	(7,844)	(8,122)	(8,450)	(8,876)
Pre provision operating profit	10,882	11,203	12,022	12,809	13,614
Provision for bad and doubtful debt	(6,210)	(6,629)	(6,602)	(6,980)	(7,333)
Other provisions	-	-	-	-	-
Operating profit	4,673	4,574	5,420	5,829	6,281
Recurring non operating income	(25)	0	0	0	0
Associates	(25)	0	0	0	0
Goodwill amortization	-	-	-	-	-
Non recurring items	0	0	0	0	0
Profit before tax	4,647	4,574	5,420	5,829	6,281
Tax	(967)	(1,000)	(1,084)	(1,166)	(1,256)
Profit after tax	3,680	3,574	4,336	4,663	5,024
Minority interests	10	(21)	(108)	(140)	(151)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	3,690	3,553	4,228	4,523	4,874
Non recurring items & goodwill (net)	-	-	0	0	0
Recurring net profit	3,690	3,553	4,228	4,523	4,874
Per share (THB)					
Recurring EPS *	14.76	14.21	16.91	18.09	19.49
Reported EPS	14.76	14.21	16.91	18.09	19.49
DPS	4.50	5.15	5.07	5.43	5.85
Growth					
Net interest income (%)	(9.1)	(2.0)	5.5	5.8	6.2
Non interest income (%)	(8.1)	6.4	7.0	4.2	3.4
Pre provision operating profit (%)	(7.8)	2.9	7.3	6.5	6.3
Operating profit (%)	(9.4)	(2.1)	18.5	7.5	7.7
Reported net profit (%)	(7.2)	(3.7)	19.0	7.0	7.7
Recurring EPS (%)	(7.2)	(3.7)	19.0	7.0	7.7
Reported EPS (%)	(7.2)	(3.7)	19.0	7.0	7.7
Income Breakdown					
Net interest income (%)	85.9	84.8	84.7	84.9	85.2
Net fees & commission (%)	1.3	1.1	1.0	0.9	0.9
Foreign exchange trading income (%)	-	-	-	-	-
Securities trading income (%)	-	-	-	-	-
Dividend income (%)	2.7	3.6	3.6	3.5	3.5
Other income (%)	10.2	10.5	10.8	10.7	10.4
Operating performance					
Gross interest yield (%)	20.92	20.06	20.24	20.25	20.26
Cost of funds (%)	3.18	2.73	2.97	3.15	3.20
Net interest spread (%)	17.74	17.33	17.27	17.10	17.06
Net interest margin (%)	18.6	18.1	18.1	18.0	18.0
Cost/income(%)	43.3	41.2	40.3	39.7	39.5
Cost/assets(%)	9.1	8.8	8.5	8.2	8.2
Effective tax rate (%)	20.8	21.9	20.0	20.0	20.0
Dividend payout on recurring profit (%)	30.5	36.2	30.0	30.0	30.0
ROE (%)	19.5	19.2	19.8	18.5	17.6
ROE - COE (%)	8.7	8.4	9.0	7.7	6.8
ROA (%)	4.0	4.0	4.6	4.5	4.7
RORWA (%)	-	-	-	-	-

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Aeon Thana Sinsap (Thailand); FSSIA estimates

Financial Statements

Aeon Thana Sinsap (Thailand)

Balance Sheet (THB m) Year Ending Feb	2020	2021	2022E	2023E	2024E
Gross customer loans	87,432	91,027	97,597	103,265	109,288
Total provisions	(11,593)	(10,951)	(10,526)	(10,897)	(11,673)
interest in suspense	0	0	0	0	0
Net customer loans	75,839	80,076	87,071	92,368	97,615
Bank loans	-	-	-	-	-
Government securities	-	-	-	-	-
Trading securities	-	-	-	-	-
Investment securities	0	0	0	0	0
Cash & equivalents	5,105	4,236	5,700	7,078	4,506
Other interesting assets	-	-	-	-	-
Tangible fixed assets	793	623	489	384	301
Associates	-	-	-	-	-
Goodwill	-	-	-	-	-
Other intangible assets	-	-	-	-	-
Other assets	5,651	5,534	6,318	6,749	6,643
Total assets	87,389	90,469	99,578	106,579	109,065
Customer deposits	0	0	0	0	0
Bank deposits	-	-	-	-	-
Other interest bearing liabilities	62,626	65,418	71,320	74,896	73,699
Non interest bearing liabilities	7,383	4,787	5,027	5,278	5,542
Hybrid Capital	-	-	-	-	-
Total liabilities	70,009	70,205	76,347	80,174	79,241
Share capital	250	250	250	250	250
Reserves	16,808	19,639	22,598	25,765	29,176
Total equity	17,058	19,889	22,848	26,015	29,426
Minority interests	322	375	383	390	398
Total liabilities & equity	87,389	90,469	99,578	106,579	109,065
Supplementary items					
Risk weighted assets (RWA)	n/a	n/a	n/a	n/a	n/a
Average interest earning assets	88,832	89,230	94,312	100,431	106,277
Average interest bearing liabilities	65,942	64,022	68,369	73,108	74,297
Tier 1 capital	n/a	n/a	n/a	n/a	n/a
Total capital	0	0	0	0	0
Gross non performing loans (NPL)	5,042	4,427	4,715	5,069	5,449
Per share (THB)					
Book value per share	68.23	79.55	91.39	104.06	117.70
Tangible book value per share	68.23	79.55	91.39	104.06	117.70
Growth					
Gross customer loans	(3.1)	4.1	7.2	5.8	5.8
Average interest earning assets	2.8	0.4	5.7	6.5	5.8
Total asset (%)	(8.4)	3.5	10.1	7.0	2.3
Risk weighted assets (%)	-	-	-	-	-
Customer deposits (%)	nm	nm	nm	nm	nm
Leverage & capital measures					
Customer loan/deposits (%)	-	-	-	-	-
Equity/assets (%)	19.5	22.0	22.9	24.4	27.0
Tangible equity/assets (%)	19.5	22.0	22.9	24.4	27.0
RWA/assets (%)	-	-	-	-	-
Tier 1 CAR (%)	-	-	-	-	-
Total CAR (%)	-	-	-	-	-
Asset Quality					
Change in NPL (%)	52.1	(12.2)	6.5	7.5	7.5
NPL/gross loans (%)	5.8	4.9	4.8	4.9	5.0
Total provisions/gross loans (%)	13.3	12.0	10.8	10.0	10.7
Total provisions/NPL (%)	229.9	247.3	223.2	215.0	214.2
Valuation					
Recurring P/E (x) *	11.7	12.2	10.2	9.6	8.9
Recurring P/E @ target price (x) *	12.7	13.2	11.1	10.4	9.6
Reported P/E (x)	11.7	12.2	10.2	9.6	8.9
Dividend yield (%)	2.6	3.0	2.9	3.1	3.4
Price/book (x)	2.5	2.2	1.9	1.7	1.5
Price/tangible book (x)	2.5	2.2	1.9	1.7	1.5
Price/tangible book @ target price (x)	2.8	2.4	2.1	1.8	1.6

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Aeon Thana Sinsap (Thailand); FSSIA estimates

KRUNGTHAI CARD KTC TB

THAILAND / DIVERSIFIED FINANCIALS

HOLD

FROM REDUCE

Mild recovery phase

- Expect a recovery in 2Q22 NP of THB1.8b (+7% y-y, +3% q-q).
- Manageable impact from potential rate hikes and high inflation.
- Roll forward to 2023 TP of THB60 and upgrade to HOLD.

TARGET PRICE	THB60.00
CLOSE	THB57.50
UP/DOWNSIDE	+4.3%
PRIOR TP	THB52.00
CHANGE IN TP	+15.4%
TP vs CONSENSUS	-2.6%

Expect a mild recovery in 2Q22

We expect a 2Q22 net profit of THB1,796b (+7% y-y, +3% q-q) for KTC, with three improvements. First, we expect a rise in its NII following a slight increase in its NIM to 13.5% from 13.1% in 1Q22 and a rise in loan growth of 3% q-q, driven by credit card lending following the resumption of business activity. Meanwhile, its auto title loans are still below its target. Next, we expect a rise in its non-NII due to an increase in bad debt recovery and a higher fee income from strong credit card spending. Third, we think its NPLs will increase only minimally q-q, implying an NPL ratio of 3.5%. Thus, its credit cost should remain at a low level of 480 bps.

Minimal impact from potential rate hikes

At the Monetary Policy Committee (MPC)'s recent meeting, they shifted their view to gradually increase the policy rate. We expect KTC to be the diversified financial company whose cost of funds (COF) is the least impacted by the potential rate hikes in Thailand. KTC normally issues long-term debentures (tenor 5-10 years). Hence, when the policy rate increases, it can tactically issue shorter duration debentures, e.g. 3-5 years, for certain periods. We believe its COF will increase at a lesser rate than its peers at 2.67%/2.75%/2.81% in 2022-24 vs 2.48% in 2021.

Moderate impact from high inflation but sufficient provisions

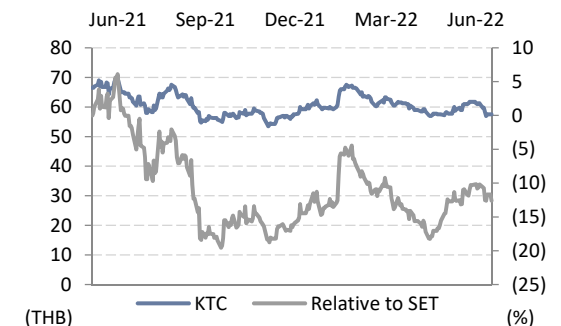
The high inflation trend should persist until 3Q22, we think. This situation should reduce the debt repayment ability of KTC's clients. Most of KTC's clients are low to mid salary earners; the segment which should be moderately impacted by the high inflation, in our view. Thus, we expect that its asset quality should gradually deteriorate, with a projected increase in NPLs by 7%/6%/10% y-y in 2022-24. However, as KTC set provisions conservatively in 2020-21, we expect its credit cost in 2022-24 to remain at a low level of 513/545/545 bps from 544 bps in 2021.

Roll forward to 2023 TP of THB60 from THB52

We slightly trim our EPS forecasts for 2023-24 by 2%/3% to reflect the potential rate hikes and high inflation. However, these negative impacts should be minimised by the lower credit cost due to its sufficient provisions. We roll forward our valuation to 2023 and derive a new TP of THB60. We upgrade KTC to HOLD as we think it should have a limited impact from the potential rate hikes and high inflation. Also, we expect it to deliver stronger earnings momentum in the coming quarters.

KEY STOCK DATA

YE Dec (THB m)	2021	2022E	2023E	2024E
Operating profit	7,627	8,787	9,436	10,530
Net profit	5,879	6,952	7,466	8,331
EPS (THB)	2.28	2.70	2.90	3.23
vs Consensus (%)	-	2.5	(1.1)	0.2
Core net profit	6,251	6,952	7,466	8,331
Core EPS (THB)	2.42	2.70	2.90	3.23
Chg. In EPS est. (%)	-	0.0	(1.9)	(3.2)
EPS growth (%)	17.2	11.2	7.4	11.6
Core P/E (x)	23.7	21.3	19.9	17.8
Dividend yield (%)	1.6	1.9	2.1	2.3
Price/book (x)	5.5	4.8	4.2	3.7
ROE (%)	25.2	24.1	22.5	22.0
ROA (%)	6.8	7.5	7.3	7.4



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(3.0)	(8.0)	(14.2)
Relative to country (%)	0.0	(2.2)	(12.7)
Mkt cap (USD m)			4,195
3m avg. daily turnover (USD m)			10.1
Free float (%)			21
Major shareholder		Krung Thai Bank (49%)	
12m high/low (THB)		70.00/52.75	
Issued shares (m)		2,578	

Sources: Bloomberg consensus; FSSIA estimates


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Investment thesis

KTC is one of the market leaders in the credit card and personal loan business, and it always receives strong support from its major shareholder, Krung Thai Bank (KTB TB, BUY, TP THB16.4).

We slightly trim our EPS forecasts for 2023-24 by 2%/3% to reflect the potential rate hikes and high inflation. However, these negative impacts should be minimised by the lower credit cost due to its sufficient provisions. We roll forward our valuation to 2023 and derive a new TP of THB60. We upgrade KTC to HOLD as we think it should have a limited impact from the potential rate hikes and high inflation. Also, we expect it to deliver stronger earnings momentum in the coming quarters.

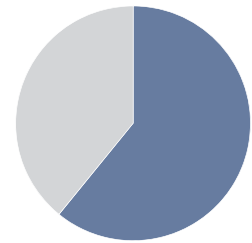
Company profile

The company provides consumer financial products in Thailand, including credit cards, personal loans and auto-title loans.

www.ktc.co.th

Principal activities (revenue, 2021)

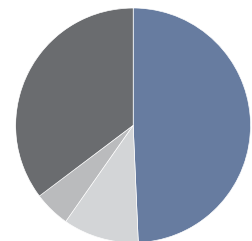
- Net interest income - 60.9 %
- Non-interest income - 39.1 %



Source: Krungthai Card

Major shareholders

- Krung Thai Bank - 49.3 %
- Mongkol Prakitchaiwatthana - 10.5 %
- Chantana Jirattiphath - 5.0 %
- Others - 35.3 %



Source: Krungthai Card

Catalysts

Potential share price catalysts for KTC include:

- 1) The higher profitability of Infinitas by Krungthai, its 25%-associated company;
- 2) The strong ramp-up of its auto title loan portfolio.

Risks to our call

Upside risks to our GGM-derived TP include: 1) stronger-than-expected cost of funds controlling; and 2) better-than-expected bad debt recovery. Downside risks are: 1) regulatory actions to curb industry growth; and 2) deteriorating asset quality.

Event calendar

Date	Event
21 July 2022	2Q22 results announcement

Key assumptions

Year to Dec	2022E	2023E	2024E
	(%)	(%)	(%)
Net profit (THB m)	6,952	7,466	8,331
Net profit growth	18.3	7.4	11.6
NIM	13.57	13.88	14.09
Loan growth	8.4	8.8	8.7
Fee growth	5.0	5.0	5.0
Non-NII growth*	4.2	4.2	4.6
Credit cost (bp)	513	545	545
Cost to income*	35.3	34.2	32.8

*Including share of profits from associates

Source: FSSIA estimates

Earnings sensitivity

Year to Dec		----- 2022E -----		
Loan growth	±2ppt	6.4	8.4	10.4
	% change in net profit	(1.8)	-	1.8
NIM (%)	±5bp	13.52	13.57	13.62
	% change in net profit	(0.5)	-	0.5
Credit cost (bps)	±10bp	503	513	523
	% change in net profit	(1.1)	-	1.1

Source: FSSIA estimates

Expect a stronger performance in 2Q22

We expect KTC to report a mild recovery in its 2Q22 net profit at THB1,796b (+7% y-y, +3% q-q). We anticipate three improvements in 2Q22. First, we expect a rise in its NII following a slight increase in its NIM to 13.5% from 13.1% in 1Q22 and a rise in loan growth of 3% q-q, driven mainly by credit card lending following the resumption of business activity. Meanwhile, its auto title loans are still below its target. Next, we expect a rise in its non-NII due to an increase in bad debt recovery and a higher fee income following a recovery in credit card spending. Third, we think KTC has been able to control its asset quality effectively, with an expected minimal rise q-q in its non-performing loans (NPLs) – implying an NPL ratio of 3.5%. Thus, its credit cost should remain at a low level of 480 bps.

Exhibit 28: KTC – 2Q22E results preview

Year-end Dec 31	2Q21 (THB m)	1Q22 (THB m)	2Q22E (THB m)	---- Change ----		1H22E (THB m)	Change	% of	2022E	Change	Comments
				(y-y %)	(q-q %)		(y-y %)	22E	(THB m)	(y-y %)	
Net interest income	3,071	2,979	3,075	0	3	6,054	(1)	46	13,022	7	
Non-interest income	1,978	2,045	2,088	6	2	4,133	4	51	8,164	4	Increase in bad debt recovery and fee income
Operating income*	5,049	5,023	5,164	2	3	10,187	1	48	21,186	6	
Operating expenses	1,775	1,798	1,804	2	0	3,602	1	48	7,480	2	
PPOP before tax*	3,274	3,225	3,360	3	4	6,585	1	48	13,706	8	
Expected credit loss	1,144	1,045	1,091	(5)	4	2,137	(8)	43	4,919	(3)	
Income tax	428	436	454	6	4	890	6	51	1,757	20	
Minority interest	23	(3)	18	(20)	(738)	15			77		
Normalised profit	1,680	1,747	1,796	7	3	3,544	7	51	6,952	11	
Extraordinary items	0	0	0			0			0		
Net profit	1,680	1,747	1,796	7	3	3,544	7	51	6,952	18	
EPS (THB)	0.65	0.68	0.70	7	3	1.37	7	51	2.70	18	
Asset quality ratio	(%)	(%)	(%)						(%)		
NPLs (THB m)	3,879	3,205	3,269	(16)	2				3,549	7	
NPLs / Loans	4.36	3.58	3.54						3.56		
Loan loss reserve/NPLs	251	304	300						257		
Credit cost (bps)	522	460	480						513		
Profitability ratio	(%)	(%)	(%)						(%)		
Cost to income ratio	35.2	35.8	34.9						35.3		
Average yield	15.6	14.6	15.0						14.9		
Cost of fund	2.7	2.6	2.6						2.7		
Net interest margin (NIM)	14.0	13.1	13.5						13.6		
Non-int income/total income	39.2	40.7	40.4						38.5		
Loan growth	(%)	(%)	(%)						(%)		
y-y	7.2	3.8	3.8						8.4		
q-q	3.0	(2.6)	3.0								Driven by credit card lending

*Excluding share of profits from associates

Sources: KTC; FSSIA estimates

Minimal impact from potential rate hikes

At their recent meeting on 8 Jun-22, the MPC stated that the very accommodative monetary policy will be less required going forward and they are considering gradually increasing the policy rate at the appropriate time. The Bloomberg consensus expects at least one rate hike in 2022 and at least two more rate hikes in 2023.

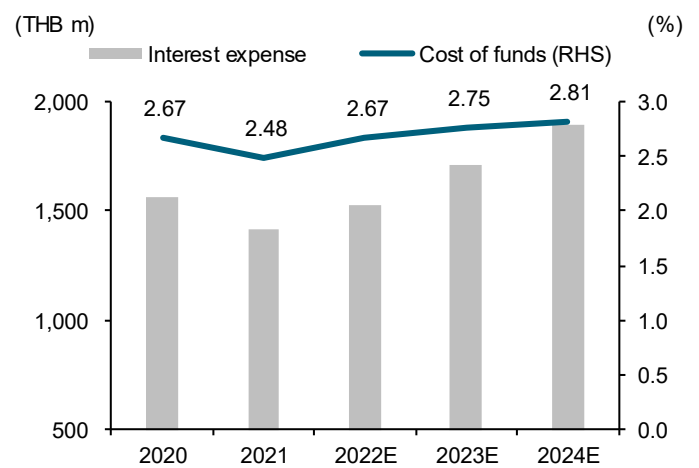
We expect KTC to be the diversified financial company whose COF is least impacted by the potential rate hikes in Thailand. KTC normally issues long-term debentures, with a tenor of 5-10 years. Accordingly, when the policy rate increases, the company can tactically issue shorter duration debentures, e.g. 3-5 years, for certain periods. We believe its COF will increase at a lesser rate than its peers at 2.67%/2.75%/2.81% in 2022-24 from 2.48% in 2021.

Exhibit 29: KTC's funding structure as of 1Q22

Source of funds	----- Debenture -----	
	(THB m)	(%)
Borrowing	4,080	8
- Short-term *	4,080	8
- Long-term	-	-
Debenture	46,287	92
- Short-term *	10,698	21
- Long-term	35,589	71

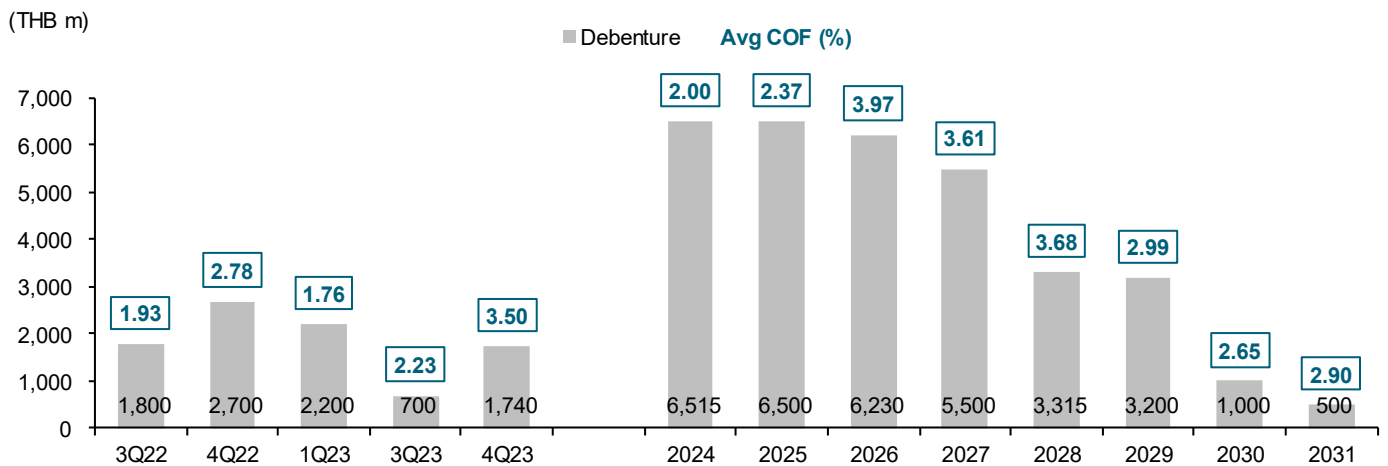
*Including current portion of long-term obligations
Sources: KTC; FSSIA estimates

Exhibit 30: KTC's cost of funds



Sources: KTC; FSSIA estimates

Exhibit 31: KTC's debentures as of 1Q22



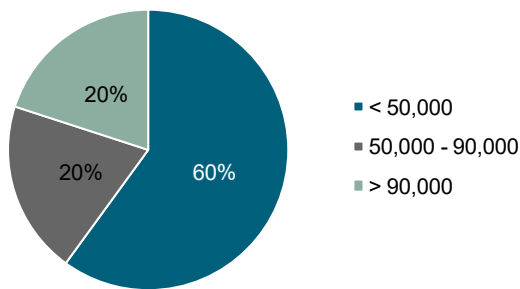
Sources: KTC; FSSIA estimates

Moderate impact from high inflation but sufficient provisions

Thailand’s headline inflation increased 7.1% y-y, a 13-year high, in May-22. The high inflation trend should persist until 3Q22, we think. This situation should reduce the debt repayment ability of KTC’s clients. Most of KTC’s clients are low to mid salary earners; the segment which should be moderately impacted by the high inflation, in our view. Accordingly, we expect that its asset quality should gradually deteriorate, with a projected increase in NPLs by 7%/6%/10% y-y in 2022-24.

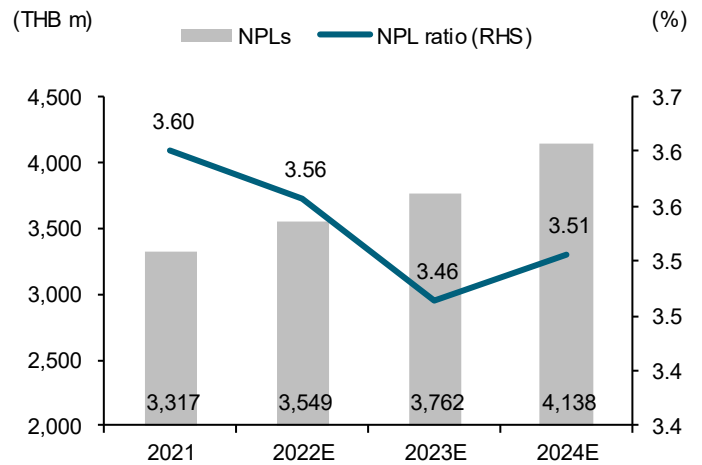
However, as KTC set provisions conservatively in 2020-21, we expect its credit cost in 2022-24 to remain at a low level of 513/545/545 bps from 544 bps in 2021.

Exhibit 32: Client profile by salary range (THB/month)



Sources: KTC; FSSIA estimates

Exhibit 33: NPLs and NPL ratio



Sources: KTC; FSSIA estimates

EPS and target price revisions

We maintain our 2022E EPS while fine-tuning some assumptions. We slightly trim our EPS forecasts for 2023-24 by 2%/3% to reflect the impact from the potential rate hikes and high inflation environment, which would result in higher COF and slower loan growth. These negative impacts, however, should be minimised by the lower expected credit loss due to its sufficient provisions. Details as below:

- 4) We increase our COF estimates for 2023-24 to 2.75%/2.81% from 2.65%/2.7% to reflect the potential rate hikes in Thailand;
- 5) We lower our 2023-24 loan growth assumptions to 8.8%/8.7% from 9.6%/10.2% as we think KTC will lend less aggressively due to the high inflation;
- 6) We decrease our 2023-24 credit cost assumptions to 545/545 bps from 583/582 bps due to the sufficient provisions from its conservative provisioning setup in 2020-21.

Exhibit 34: Changes in key assumptions

Year end - Dec	2021	2022E			2023E			2024E		
	Actual (THB m)	Old (THB m)	New (THB m)	Change (%)	Old (THB m)	New (THB m)	Change (%)	Old (THB m)	New (THB m)	Change (%)
Net interest income	12,198	13,133	13,022	(0.8)	14,755	14,460	(2.0)	16,578	15,972	(3.7)
Non-interest income*	7,838	8,522	8,164	(4.2)	8,847	8,505	(3.9)	9,186	8,895	(3.2)
Operating income*	20,036	21,655	21,186	(2.2)	23,601	22,965	(2.7)	25,764	24,867	(3.5)
Operating expenses	7,326	7,480	7,480	0.0	7,849	7,849	0.0	8,160	8,160	0.0
PPOP before tax*	12,711	14,175	13,706	(3.3)	15,752	15,116	(4.0)	17,603	16,707	(5.1)
Expected credit loss	5,084	5,388	4,919	(8.7)	6,129	5,679	(7.3)	6,730	6,177	(8.2)
Tax expenses	1,467	1,757	1,757	0.0	1,925	1,887	(1.9)	2,175	2,106	(3.2)
Minority interest	(90)	77	77	0.0	85	83	(1.9)	96	93	(3.2)
Normalised profit	6,251	6,952	6,952	0.0	7,614	7,466	(1.9)	8,603	8,331	(3.2)
Extraordinary items	(372)	0	-		0	-		0.0	-	
Net profit	5,879	6,952	6,952	0.0	7,614	7,466	(1.9)	8,603	8,331	(3.2)
EPS (THB)	2.28	2.70	2.70	0.0	3.0	2.90	(1.9)	3.3	3.23	(3.2)
Asset quality ratio										
Gross NPLs (%)	3,317	3,516	3,549	0.9	3,692	3,762	1.9	4,061	4,138	1.9
Gross NPLs / Loans (%)	3.60	3.50	3.56		3.35	3.46		3.35	3.51	
Loan loss reserve/NPLs (%)	292	229	257		190	235		219	248	
Credit cost (bps)	544	560	513		583	545		582	545	
Profitability ratio										
Cost to income ratio* (%)	36.56	34.54	35.31		33.26	34.18		31.67	32.82	
Average yield (%)	14.49	14.94	14.92		15.17	15.11		15.05	15.01	
Cost of funds (%)	2.48	2.59	2.67		2.65	2.75		2.70	2.81	
Net interest margin (NIM) (%)	13.06	13.65	13.57		14.02	13.88		14.34	14.09	
% growth										
Loan growth (y-y %)	(2.80)	9.06	8.43		9.63	8.82		10.17	8.70	

*Including share of profits from associates

Sources: KTC; FSSIA estimates

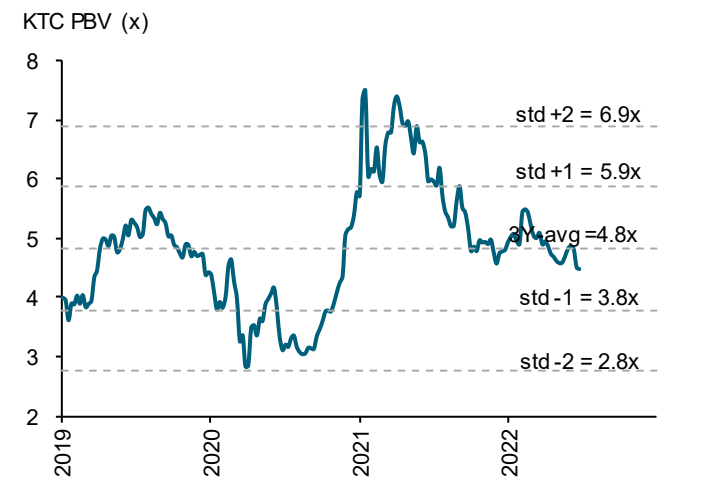
Although we minimally reduce our EPS forecasts, we roll forward to use 2023 BVPS. Accordingly, our 2023 TP increases to THB60 from our previous 2022 TP of THB52.

Exhibit 35: KTC – GGM-derived target price

Target price (THB)	60.0 (from 52.0)
Recommendation	HOLD (from REDUCE)
Risk-free rate (%)	3.0 (unchanged)
Market risk premium (%)	8.0 (unchanged)
Cost to equity (%)	9.3 (unchanged)
Terminal growth (%)	5.1 (unchanged)
ROE target (%)	23.2 (from 24.0)

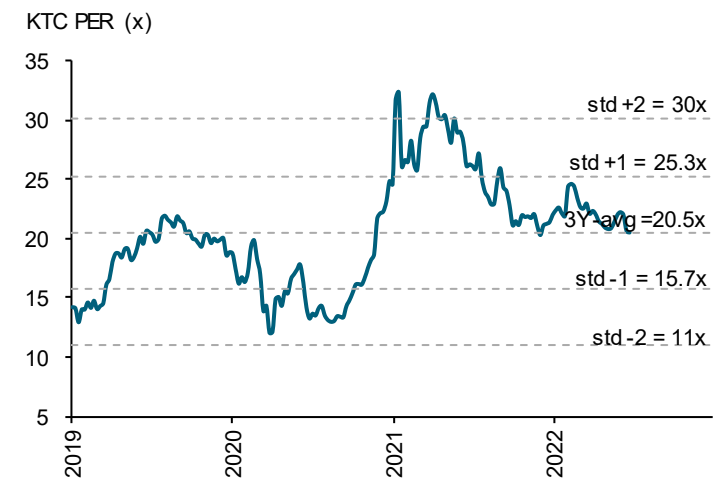
Source: FSSIA estimates

Exhibit 36: KTC – one-year prospective P/BV



Sources: Bloomberg; FSSIA estimates

Exhibit 37: KTC – one-year prospective P/E



Sources: Bloomberg; FSSIA estimates

Exhibit 38: Key valuations of companies under our coverage

	BBG code	Rec	--- Share price ---		Up side (%)	Market Cap (USD m)	EPS growth		---- P/E ----		--- ROE ---		--- PBV ---	
			Current (THB)	Target (THB)			22E (%)	23E (%)	22E (x)	23E (x)	22E (%)	23E (%)	22E (x)	23E (x)
Diversified financials						20,871	16.2	21.0	22.2	17.9	16.2	16.8	3.2	2.8
Unsecured loan lenders						5,419	13.0	7.3	18.8	17.5	23.1	21.6	4.1	3.6
Aeon Thana Sinsap (Thailand)*	AEONTS TB	HOLD	173.00	188.00	9	1,224	19.0	7.0	10.2	9.6	19.8	18.5	1.9	1.7
Krungthai Card	KTC TB	HOLD	57.50	60.00	4	4,195	11.2	7.4	21.3	19.9	24.1	22.5	4.8	4.2
Auto-title lenders						7,054	11.6	22.6	16.8	13.7	18.3	19.5	2.8	2.5
Muangthai Capital	MTC TB	BUY	43.00	55.00	28	2,580	9.3	25.5	16.9	13.4	19.9	21.0	3.1	2.6
Srisawad Corp	SAWAD TB	BUY	48.75	68.00	39	1,894	10.0	20.5	13.2	11.0	19.3	21.1	2.4	2.2
Saksiam Leasing	SAK TB	BUY	7.75	12.00	55	460	38.5	25.9	19.3	15.3	16.2	18.1	3.0	2.6
Ngern Tid Lor	TIDLOR TB	BUY	30.00	43.00	43	2,120	10.1	20.3	19.3	16.1	15.9	16.5	2.8	2.5
Truck lenders						1,937	12.0	27.1	24.4	18.7	11.2	13.0	2.3	2.2
Micro Leasing	MICRO TB	BUY	5.90	10.70	81	156	45.1	26.8	20.3	16.0	13.2	15.0	2.6	2.3
Singer Thailand	SINGER TB	BUY	48.50	74.00	53	1,121	7.7	35.1	32.2	23.8	8.1	10.5	2.5	2.4
Ratchthani Leasing	THANI TB	BUY	4.12	4.80	17	660	11.5	13.6	12.2	10.8	15.9	16.7	1.9	1.7
Asset management						5,182	30.7	34.2	35.8	26.3	10.1	11.6	3.5	3.0
Bangkok Commercial AM	BAM TB	BUY	17.70	25.50	44	1,619	23.2	26.6	17.9	14.1	7.5	8.6	1.3	1.1
Chayo Group	CHAYO TB	BUY	11.60	16.60	43	350	96.6	(14.9)	25.9	30.5	15.5	8.9	3.2	2.4
JMT Network Services	JMT TB	BUY	74.75	80.00	7	3,086	28.3	43.1	45.2	31.6	11.0	13.6	4.6	4.0
Knight Club Capital AM	KCC TB	BUY	7.25	5.10	(30)	127	3.0	51.5	61.7	40.7	7.9	8.6	3.8	3.2
Other						1,135	4.1	8.5	7.3	6.7	8.0	8.2	0.6	0.5
Thanachart Capital	TCAP TB	HOLD	38.25	42.00	10	1,135	4.1	8.5	7.3	6.7	8.0	8.2	0.6	0.5
Hire purchase motorcycle						143	(9.5)	(4.0)	17.9	18.7	10.1	7.6	1.5	1.3
Next Capital	NCAP TB	HOLD	5.60	7.60	36	143	(9.5)	(4.0)	17.9	18.7	10.1	7.6	1.5	1.3

Share prices as of 21 Jun 2022; *22E fiscal year ending 28 Feb 2023, **Target prices of SINGER and KTC are for 2023, while the rest are 2022 target prices
Source: FSSIA estimates

Financial Statements

Krungthai Card

Profit and Loss (THB m) Year Ending Feb	2020	2021	2022E	2023E	2024E
Interest Income	14,302	13,614	14,545	16,173	17,862
Interest expense	(1,560)	(1,416)	(1,523)	(1,713)	(1,890)
Net interest income	12,742	12,198	13,022	14,460	15,972
Net fees & commission	4,616	4,293	4,508	4,733	4,970
Foreign exchange trading income	-	-	-	-	-
Securities trading income	-	-	-	-	-
Dividend income	1	11	11	11	11
Other income	3,533	3,534	3,646	3,761	3,914
Non interest income	8,150	7,838	8,164	8,505	8,895
Total income	20,892	20,036	21,186	22,965	24,867
Staff costs	(7,283)	(7,064)	(7,205)	(7,566)	(7,869)
Other operating costs	(240)	(262)	(275)	(283)	(291)
Operating costs	(7,523)	(7,326)	(7,480)	(7,849)	(8,160)
Pre provision operating profit	13,369	12,711	13,706	15,116	16,707
Provision for bad and doubtful debt	(6,489)	(5,084)	(4,919)	(5,679)	(6,177)
Other provisions	-	-	-	-	-
Operating profit	6,880	7,627	8,787	9,436	10,530
Recurring non operating income	0	0	0	0	0
Associates	-	-	-	-	-
Goodwill amortization	-	-	-	-	-
Non recurring items	0	(372)	0	0	0
Profit before tax	6,880	7,255	8,787	9,436	10,530
Tax	(1,372)	(1,467)	(1,757)	(1,887)	(2,106)
Profit after tax	5,508	5,789	7,030	7,549	8,424
Minority interests	(175)	90	(77)	(83)	(93)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	5,333	5,879	6,952	7,466	8,331
Non recurring items & goodwill (net)	-	-	0	0	0
Recurring net profit	5,333	6,251	6,952	7,466	8,331
Per share (THB)					
Recurring EPS *	2.07	2.42	2.70	2.90	3.23
Reported EPS	2.07	2.28	2.70	2.90	3.23
DPS	0.88	0.93	1.11	1.19	1.32
Growth					
Net interest income (%)	5.8	(4.3)	6.8	11.0	10.5
Non interest income (%)	(9.6)	(3.8)	4.2	4.2	4.6
Pre provision operating profit (%)	0.2	(4.9)	7.8	10.3	10.5
Operating profit (%)	(0.3)	10.9	15.2	7.4	11.6
Reported net profit (%)	(3.5)	10.2	18.3	7.4	11.6
Recurring EPS (%)	(3.5)	17.2	11.2	7.4	11.6
Reported EPS (%)	(3.5)	10.2	18.3	7.4	11.6
Income Breakdown					
Net interest income (%)	61.0	60.9	61.5	63.0	64.2
Net fees & commission (%)	22.1	21.4	21.3	20.6	20.0
Foreign exchange trading income (%)	-	-	-	-	-
Securities trading income (%)	-	-	-	-	-
Dividend income (%)	0.0	0.1	0.1	0.0	0.0
Other income (%)	16.9	17.6	17.2	16.4	15.7
Operating performance					
Gross interest yield (%)	15.84	14.57	15.16	15.52	15.76
Cost of funds (%)	2.67	2.48	2.67	2.75	2.81
Net interest spread (%)	13.17	12.09	12.49	12.77	12.95
Net interest margin (%)	14.1	13.1	13.6	13.9	14.1
Cost/income(%)	36.0	36.6	35.3	34.2	32.8
Cost/assets(%)	8.6	8.1	7.9	7.5	7.1
Effective tax rate (%)	19.9	20.2	20.0	20.0	20.0
Dividend payout on recurring profit (%)	42.5	38.6	41.0	41.0	41.0
ROE (%)	25.1	25.2	24.1	22.5	22.0
ROE - COE (%)	14.3	14.4	13.3	11.7	11.2
ROA (%)	6.2	6.8	7.5	7.3	7.4
RORWA (%)	-	-	-	-	-

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Krungthai Card; FSSIA estimates

Financial Statements

Krungthai Card

Balance Sheet (THB m) Year Ending Feb	2020	2021	2022E	2023E	2024E
Gross customer loans	94,697	92,047	99,807	108,614	118,062
Total provisions	(9,961)	(9,692)	(7,625)	(6,244)	(7,699)
interest in suspense	211	588	599	652	708
Net customer loans	84,947	82,943	92,781	103,022	111,072
Bank loans	-	-	-	-	-
Government securities	-	-	-	-	-
Trading securities	-	-	-	-	-
Investment securities	73	83	0	0	0
Cash & equivalents	2,197	2,363	2,244	1,725	4,132
Other interesting assets	-	-	-	-	-
Tangible fixed assets	496	415	347	290	242
Associates	-	-	-	-	-
Goodwill	-	-	-	-	-
Other intangible assets	-	-	-	-	-
Other assets	3,881	3,666	3,768	3,842	4,142
Total assets	91,594	89,470	99,140	108,879	119,589
Customer deposits	0	0	0	0	0
Bank deposits	-	-	-	-	-
Other interest bearing liabilities	59,482	54,555	59,725	64,643	70,000
Non interest bearing liabilities	8,000	7,832	8,224	8,635	9,067
Hybrid Capital	-	-	-	-	-
Total liabilities	67,482	62,387	67,949	73,278	79,067
Share capital	2,578	2,578	2,578	2,578	2,578
Reserves	20,221	24,258	28,360	32,765	37,680
Total equity	22,799	26,836	30,938	35,343	40,259
Minority interests	1,313	248	253	258	263
Total liabilities & equity	91,594	89,471	99,140	108,879	119,589
Supplementary items					
Risk weighted assets (RWA)	n/a	n/a	n/a	n/a	n/a
Average interest earning assets	90,304	93,450	95,969	104,211	113,338
Average interest bearing liabilities	58,511	57,018	57,140	62,184	67,322
Tier 1 capital	n/a	n/a	n/a	n/a	n/a
Total capital	0	0	0	0	0
Gross non performing loans (NPL)	1,598	3,317	3,549	3,762	4,138
Per share (THB)					
Book value per share	8.84	10.41	12.00	13.71	15.61
Tangible book value per share	8.84	10.41	12.00	13.71	15.61
Growth					
Gross customer loans	10.3	(2.8)	8.4	8.8	8.7
Average interest earning assets	10.1	3.5	2.7	8.6	8.8
Total asset (%)	8.7	(2.3)	10.8	9.8	9.8
Risk weighted assets (%)	-	-	-	-	-
Customer deposits (%)	nm	nm	nm	nm	nm
Leverage & capital measures					
Customer loan/deposits (%)	-	-	-	-	-
Equity/assets (%)	24.9	30.0	31.2	32.5	33.7
Tangible equity/assets (%)	24.9	30.0	31.2	32.5	33.7
RWA/assets (%)	-	-	-	-	-
Tier 1 CAR (%)	-	-	-	-	-
Total CAR (%)	-	-	-	-	-
Asset Quality					
Change in NPL (%)	75.6	107.6	7.0	6.0	10.0
NPL/gross loans (%)	1.7	3.6	3.6	3.5	3.5
Total provisions/gross loans (%)	10.5	10.5	7.6	5.3	6.5
Total provisions/NPL (%)	623.3	292.2	214.8	166.0	186.0
Valuation					
Recurring P/E (x) *	27.8	23.7	21.3	19.9	17.8
Recurring P/E @ target price (x) *	29.0	24.7	22.3	20.7	18.6
Reported P/E (x)	27.8	25.2	21.3	19.9	17.8
Dividend yield (%)	1.5	1.6	1.9	2.1	2.3
Price/book (x)	6.5	5.5	4.8	4.2	3.7
Price/tangible book (x)	6.5	5.5	4.8	4.2	3.7
Price/tangible book @ target price (x)	6.8	5.8	5.0	4.4	3.8

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Krungthai Card; FSSIA estimates

Corporate Governance report of Thai listed companies 2021

EXCELLENT LEVEL – Score range 90-100										
AAV	BCPG	CPALL	GCAP	K	MSC	PLANET	SAMART	SPI	THRE	TVD
ADVANC	BDMS	CPF	GFPT	KBANK	MST	PLAT	SAMTEL	SPRC	THREL	TVI
AF	BEM	CPI	GGC	KCE	MTC	PORT	SAT	SPVI	TIPCO	TVO
AH	BGC	CPN	GLAND	KKP	MVP	PPS	SC	SSSC	TISCO	TWPC
AIRA	BGRIM	CRC	GLOBAL	KSL	NCL	PR9	SCB	SST	TK	U
AKP	BIZ	CSS	GPI	KTB	NEP	PREB	SCC	STA	TKT	UAC
AKR	BKI	DDD	GPSC	KTC	NER	PRG	SCCC	STEC	TMT	UBIS
ALT	BOL	DELTA	GRAMMY	LALIN	NKI	PRM	SCG	STI	TNDT	UV
AMA	BPP	DEMCO	GULF	LANNA	NOBLE	PROUD	SCGP	SUN	TNITY	VGI
AMATA	BRR	DRT	GUNKUL	LH	NSI	DRS	SCM	SUSCO	TOA	VIH
AMATAV	BTS	DTAC	HANA	LHFG	NVD	PSL	SDC	SUTHA	TOP	WACOAL
ANAN	BTW	DUSIT	HARN	LIT	NWR	PTG	SEAFCCO	SVI	TPBI	WAVE
AOT	BWG	EA	HMPRO	LPN	NYT	PTT	SEAOIL	SYMC	TQM	WHA
AP	CENTEL	EASTW	ICC	MACO	OISHI	PTTEP	SE-ED	SYNTEC	TRC	WHAUP
ARIP	CFRESH	ECF	ICHI	MAJOR	OR	PTTGC	SELIC	TACC	TRU	WICE
ARROW	CHEWA	ECL	III	MAKRO	ORI	PYLON	SENA	TASCO	TRUE	WINNER
ASP	CHO	EE	ILINK	MALEE	OSP	Q-CON	SHR	TCAP	TSC	ZEN
AUCT	CIMBT	EGCO	ILM	MBK	OTO	QH	SIRI	TEAMG	TSR	
AWC	CK	EPG	INTUCH	MC	PAP	QTC	SIS	TFMAMA	TSTE	
AYUD	CKP	ETC	IP	MCOT	PCSGH	RATCH	SITHAI	TGH	TSTH	
BAFS	CM	FPI	IRPC	METCO	PDG	RS	SMK	THANA	TTA	
BANPU	CNT	FPT	ITEL	MFEC	PDJ	S	SMPC	THANI	TTB	
BAY	COM7	FSMART	IVL	MINT	PG	S & J	SNC	THCOM	TTCL	
BBL	COMAN	GBX	JSP	MONO	PHOL	SAAM	SONIC	THG	TTW	
BCP	COTTO	GC	JWD	MOONG	PLANB	SABINA	SPALI	THIP	TU	
VERY GOOD LEVEL – Score range 80-89										
2S	ASIMAR	CHOW	FLOYD	IT	LOXLEY	OCC	RPC	SKY	TCC	TVT
7UP	ASK	CI	FN	ITD	LRH	OGC	RT	SLP	TCMC	TWP
ABICO	ASN	CIG	FNS	J	LST	PATO	RWI	SMIT	TEAM	UEC
ABM	ATP30	CMC	FORTH	JAS	M	PB	S11	SMT	TFG	UMI
ACE	B	COLOR	FSS	JCK	MATCH	PICO	SA	SNP	TFI	UOBKH
ACG	BA	CPL	FTE	JCKH	MBAX	PIMO	SAK	SO	TIGER	UP
ADB	BAM	CPW	FVC	JMART	MEGA	PJW	SALEE	SORKON	TITLE	UPF
AEONTS	BC	CRD	GEL	JMT	META	PL	SAMCO	SPA	TKN	UPOIC
AGE	BCH	CSC	GENCO	KBS	MFC	PM	SANKO	SPC	TKS	UTP
AHC	BEC	CSP	GJS	KCAR	MGT	PMTA	SAPPE	SPCG	TM	VCOM
AIT	BEYOND	CWT	GYT	KEX	MICRO	PPP	SAWAD	SR	TMC	VL
ALL	BFIT	DCC	HEMP	KGI	MILL	PPP	SCI	SRICHA	TMD	VPO
ALLA	BJC	DCON	HPT	KIAT	MITSIB	PRIME	SCN	SSC	TMI	VRANDA
ALUCON	BJCHI	DHOUSE	HTC	KISS	MK	PRIN	SCP	SSF	TMILL	WGE
AMANAH	BLA	DOD	HYDRO	KOOL	MODERN	PRINC	SE	STANLY	TNL	WIK
AMARIN	BR	DOHOME	ICN	KTIS	MTI	PSG	SFLEX	STGT	TNP	WP
APCO	BROOK	DV8	IFS	KUMWEL	NBC	PSTC	SFP	STOWER	TOG	XO
APCS	CBG	EASON	IMH	KUN	NCAP	PT	SFT	STPI	TPA	XPG
APURE	CEN	EFORL	IND	KWC	NCH	QLT	SGF	SUC	TPAC	YUASA
AQUA	CGH	ERW	INET	KWM	NETBAY	RBF	SIAM	SWC	TPCS	
ASAP	CHARAN	ESSO	INSET	L&E	NEX	RCL	SINGER	SYNEX	TPS	
ASEFA	CHAYO	ESTAR	INSURE	LDC	NINE	RICHY	SKE	TAE	TRITN	
ASIA	CHG	ETE	IRC	LEO	NRF	RML	SKN	TAKUNI	TRT	
ASIAN	CHOTI	FE	IRCP	LHK	NTV	ROJNA	SKR	TBSP	TSE	
GOOD LEVEL – Score range 70-79										
A	BGT	CITY	GIFT	JTS	MDX	PK	SGP	SUPER	TQR	YGG
AI	BH	CMAN	GLOCON	JUBILE	MJD	PLE	SICT	SVOA	TTI	ZIGA
AIE	BIG	CMO	GREEN	KASET	MORE	PPM	SIMAT	TC	TYCN	
AJ	BLAND	CMR	GSC	KCM	MUD	PRAKIT	SISB	TCCC	UKEM	
ALPHAX	BM	CPT	GTB	KK	NC	PRAPAT	SK	THMUI	UMS	
AMC	BROCK	CRANE	HTECH	KKC	NDR	PRECHA	SMART	TNH	UNIQ	
APP	BSBM	CSR	HUMAN	KWI	NFC	PTL	SOLAR	TNR	UPA	
AQ	BSM	D	IHL	KYE	NNCL	RJH	SPACK	TOPP	UREKA	
ARIN	BTNC	EKH	IIG	LEE	NOVA	RP	SPG	TPCH	VIBHA	
AS	BYD	EMC	INGRS	LPH	NPK	RPH	SQ	TPIPL	W	
AU	CAZ	EP	INOX	MATI	NUSA	RSP	SSP	TIPIP	WIN	
B52	CCP	F&D	JAK	M-CHAI	PAF	SABUY	STARK	TPLAS	WORK	
BEAUTY	CGD	FMT	JR	MCS	PF	SF	STC	TPOLY	WPH	

Disclaimer:

The disclosure of the survey results of the Thai Institute of Directors Association ("IOD") regarding corporate governance is made pursuant to the policy of the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of a company listed on the Stock Exchange of Thailand and the Market for Alternative Investment disclosed to the public and able to be accessed by a general public investor. The result, therefore, is from the perspective of a third party. It is not an evaluation of operation and is not based on inside information.

The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey results may be changed after that date. FSS International Investment Advisory Company Limited does not confirm nor certify the accuracy of such survey results.

* CGR scoring should be considered with news regarding wrong doing of the company or director or executive of the company such unfair practice on securities trading, fraud, and corruption SEC imposed a civil sanction against insider trading of director and executive

Sources: Thai Institute of Directors Association (IOD); FSSIA's compilation; data as of 26 October 2021

Anti-corruption Progress Indicator

CERTIFIED										
2S	BCH	CPALL	GC	K	MFC	PE	QLT	SNP	THCOM	TU
7UP	BCP	CPF	GCAP	KASET	MFEC	PG	QTC	SORKON	THIP	TVD
ADVANC	BCPG	CPI	GEL	KBANK	MILL	PHOL	RATCH	SPACK	THRE	TVI
AF	BE8	CPN	GFPT	KBS	MINT	PK	RML	SPALI	THREL	TVO
AI	BEYOND	CSC	GGC	KCAR	MONO	PL	RWI	SPC	TIDLOR	TWPC
AIE	BGC	DCC	GJS	KCE	MOONG	PLANB	S & J	SPI	TIPCO	U
AIRA	BGRIM	DELTA	GPI	KGI	MSC	PLANET	SAAM	SPRC	TISCO	UBE
AKP	BJCHI	DEMCO	GPSC	KKP	MST	PLAT	SABINA	SRICHA	TKS	UBIS
ALPHAX	BKI	DIMET	GSTEEL	KSL	MTC	PM	SAPPE	SSF	TKT	UEC
AMA	BLA	DRT	GUNKUL	KTB	MTI	PPP	SAT	SSP	TMD	UKEM
AMANAHA	BPP	DTAC	HANA	KTC	NBC	PPPM	SC	SSSC	TMILL	UOBKH
AMATA	BROOK	DUSIT	HARN	KWC	NEP	PPS	SCB	SST	TMT	UPF
AMATAV	BRR	EA	HEMP	KWI	NINE	PR9	SCC	STA	TNITY	UV
AP	BSBM	EASTW	HENG	L&E	NKI	PREB	SCCC	STOWER	TNL	VGI
APCS	BTS	ECL	HMPRO	LANNA	NMG	PRG	SCG	SUSCO	TNP	VIH
AQUA	BWG	EGCO	HTC	LH	NNCL	PRINC	SCN	SVI	TNR	WACOAL
ARROW	CEN	EP	ICC	LHFG	NOBLE	PRM	SEAOIL	SYMC	TOG	WHA
AS	CENTEL	EPG	ICHI	LHK	NOK	PROS	SE-ED	SYNTEC	TOP	WHAUP
ASIAN	CFRESH	ERW	IFEC	LPN	NSI	PSH	SELIC	TAE	TOPP	WICE
ASK	CGH	ESTAR	IFS	LRH	NWR	PSL	SENA	TAKUNI	TPA	WIJK
ASP	CHEWA	ETE	ILINK	M	OCC	PSTC	SGP	TASCO	TPP	XO
AWC	CHOTI	FE	INET	MAKRO	OGC	PT	SINGER	TBSP	TRU	ZEN
AYUD	CHOW	FNS	INSURE	MALEE	ORI	PTG	SIRI	TCAP	TRUE	
B	CIG	FPI	INTUCH	MATCH	PAP	PTT	SITHAI	TCMC	TSC	
BAFS	CIMBT	FPT	IRC	MBAX	PATO	PTTEP	SKR	TFG	TSTE	
BAM	CM	FSMART	IRPC	MBK	PB	PTTGC	SMIT	TFI	TSTH	
BANPU	CMC	FSS	ITEL	MC	PCSGH	PYLON	SMK	TFMAMA	TTA	
BAY	COM7	FTE	IVL	MCOT	PDG	Q-CON	SMPC	TGH	TTB	
BBL	COTTO	GBX	JKN	META	PDJ	QH	SNC	THANI	TTCL	
DECLARED										
AJ	CHG	DDD	ETC	JR	MAJOR	NUSA	RS	SSS	TQM	YUASA
ALT	CPL	DHOUSE	FLOYD	JTS	NCAP	NYT	SAK	STECH	TSI	ZIGA
APCO	CPR	DOHOME	GULF	KEX	NCL	OR	SCGP	STGT	VARO	
B52	CPW	ECF	III	KUMWEL	NOVA	PIMO	SCM	TKN	VCOM	
BEC	CRC	EKH	INOX	LDC	NRF	PLE	SIS	TMI	VIBHA	

Level	
Certified	This level indicates practical participation with thoroughly examination in relation to the recommended procedures from the audit committee or the SEC's certified auditor, being a certified member of Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) or already passed examination to ensure independence from external parties.
Declared	This level indicates determination to participate in the Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC)

Disclaimer:

The disclosure of the Anti-Corruption Progress Indicators of a listed company on the Stock Exchange of Thailand, which is assessed by Thaipat Institute, is made in order to comply with the policy and sustainable development plan for the listed companies of the Office of the Securities and Exchange Commission. Thaipat Institute made this assessment based on the information received from the listed company, as stipulated in the form for the assessment of Anti-corruption which refers to the Annual Registration Statement (Form 56-1), Annual Report (Form 56-2), or other relevant documents or reports of such listed company. The assessment result is therefore made from the perspective of Thaipat Institute that is a third party. It is not an assessment of operation and is not based on any inside information. Since this assessment is only the assessment result as of the date appearing in the assessment result, it may be changed after that date or when there is any change to the relevant information. Nevertheless, FSS International Investment Advisory Company Limited does not confirm, verify, or certify the accuracy and completeness of the assessment results.

Note: Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of 26 October 2021) are categorised into: 1) companies that have declared their intention to join CAC, and; 2) companies certified by CAC.

Sources: The Securities and Exchange Commission, Thailand; * FSSIA's compilation

GENERAL DISCLAIMER

ANALYST(S) CERTIFICATION

Yuvanart Suwanumphai FSS International Investment Advisory Securities Co., Ltd

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Company	Ticker	Price	Rating	Valuation & Risks
Aeon Thana Sinsap (Thailand)	AEONTS TB	THB 173.00	HOLD	Downside risks to our GGM-derived TP include 1) intense competition; 2) regulatory actions to curb industry growth; and 3) deteriorating asset quality. The upside risk is stronger-than-expected asset quality.
Krungthai Card	KTC TB	THB 57.50	HOLD	Upside risks to our GGM-derived TP include: 1) stronger-than-expected cost of funds controlling; and 2) better-than-expected bad debt recovery. Downside risks are: 1) regulatory actions to curb industry growth; and 2) deteriorating asset quality.
Muangthai Capital	MTC TB	THB 43.00	BUY	Downside risks to our GGM-based TP include 1) a further weakening of asset quality that could potentially hit both loan yield and credit cost; and 2) changes in financial regulations by the Bank of Thailand and the Office of Consumer Protection Board.
Srisawad Corp	SAWAD TB	THB 48.75	BUY	Downside risks to our GGM-based TP include 1) a further weakening of asset quality that could potentially hit both loan yield and credit cost; and 2) changes in financial regulations by the Bank of Thailand and the Office of Consumer Protection Board.
Saksiam Leasing	SAK TB	THB 7.75	BUY	Downside risks to our GGM-derived TP include 1) competition from existing and new players; 2) regulatory changes by the Bank of Thailand (BoT); and 3) a slower-than-expected reduction in its cost of funds due to a shift toward more long-term loans.
Ngern Tid Lor	TIDLOR TB	THB 30.00	BUY	Downside risks to our GGM-based TP include 1) the expansion into auto-title loans by the Government Savings Bank and Auto X (subsidiary of SCB); 2) further weakening asset quality could potentially hit both loan yield and credit cost; and 3) tighter supervision from related regulators.
Micro Leasing	MICRO TB	THB 5.90	BUY	Downside risks to our GGM-derived TP include 1) an economic slowdown, especially for logistics activities and private investment; 2) deteriorating asset quality; and 3) a slower-than-expected reduction in the cost of funds due to a shift toward more long-term loans.
Singer Thailand	SINGER TB	THB 48.50	BUY	Downside risks to our GGM-derived TP include 1) an economic slowdown leading to slower loan growth and lower sales of electrical products and home appliances; and 2) deteriorating asset quality.
Ratchthani Leasing	THANI TB	THB 4.12	BUY	Downside risks to our GGM-derived TP include 1) an economic slowdown, especially for logistics activities and private investment; 2) deteriorating asset quality; and 3) changes in financial regulations from the Bank of Thailand.
Bangkok Commercial Asset Mngt.	BAM TB	THB 17.70	BUY	Downside risks to our GGM-based TP include 1) lower cash collection from its fully amortised portfolio; 2) lower-than-expected bad debt acquisition; and 3) the prolonged slowdown of the property market.
Chayo Group	CHAYO TB	THB 11.60	BUY	Downside risks to our GGM-based TP include 1) lower-than-expected bad debt acquisition; and 2) higher-than-expected operating expenses.
JMT Network Services	JMT TB	THB 74.75	BUY	Downside risks to our GGM-based TP include 1) lower cash collection from its fully amortised portfolio; and 2) the lower-than-expected acquisition of new bad debt.
Knight Club Capital Asset Management	KCC TB	THB 7.25	BUY	Downside risks to our GGM-based TP include 1) lower cash collection due to the slow economic recovery; and 2) lower-than-expected bad debt acquisition.
Thanachart Capital	TCAP TB	THB 38.25	HOLD	Upside risks to our GGM-based target price are the faster-than-expected net profit contribution from Thanachart Plus. Downside risks are impacts from a prolonged weak macro outlook on loan growth and asset quality which could lead to higher provisions for both TTB and THANI.
Next Capital	NCAP TB	THB 5.60	HOLD	Downside risks to our GGM-derived TP include 1) an economic slowdown; 2) deteriorating asset quality; and 3) tighter competition from new players. Upside risks to our TP include 1) strong demand for motorcycles; and 2) a higher rate cap than our base-case assumption of 28% p.a.

Source: FSSIA estimates

Additional Disclosures

Target price history, stock price charts, valuation and risk details, and equity rating histories applicable to each company rated in this report is available in our most recently published reports. You can contact the analyst named on the front of this note or your representative at Finansia Syrus Securities Public Company Limited

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All share prices are as at market close on 21-Jun-2022 unless otherwise stated.

RECOMMENDATION STRUCTURE**Stock ratings**

Stock ratings are based on absolute upside or downside, which we define as $(\text{target price}^* - \text{current price}) / \text{current price}$.

BUY (B). The upside is 10% or more.

HOLD (H). The upside or downside is less than 10%.

REDUCE (R). The downside is 10% or more.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause a temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.

* In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

Industry Recommendations

Overweight. The analyst expects the fundamental conditions of the sector to be positive over the next 12 months.

Neutral. The analyst expects the fundamental conditions of the sector to be maintained over the next 12 months.

Underweight. The analyst expects the fundamental conditions of the sector to be negative over the next 12 months.

Country (Strategy) Recommendations

Overweight (O). Over the next 12 months, the analyst expects the market to score positively on two or more of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Neutral (N). Over the next 12 months, the analyst expects the market to score positively on one of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Underweight (U). Over the next 12 months, the analyst does not expect the market to score positively on any of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.