

KRUNGTHAI CARD KTC TB

THAILAND / DIVERSIFIED FINANCIALS

BUY

FROM HOLD

TARGET PRICE	THB65.00
CLOSE	THB55.25
UP/DOWNSIDE	+17.6%
PRIOR TP	THB60.00
CHANGE IN TP	+8.3%
TP vs CONSENSUS	+4.1%

A haven in times of insecurity

- Upgrade to BUY due to solid outlook with new TP of THB65.
- Higher loan growth and healthy NPLs should lead to solid 3Q22 NP.
- Manageable impact from rate hikes due to shorter liability duration.

Upgrade to BUY with a new GGM-based TP of THB65

We turn more bullish on KTC due to its better asset quality control than competitors and the resumption of credit card spending in Thailand. These should lead to a strong outlook. We increase our 2022/23/24E net profit by 8%/8%/6% to reflect its efficient asset quality control and the expectation of strong credit card spending. We upgrade KTC to BUY with a new TP of THB65 from THB60, pegged to a 2023E P/BV of 4.7x.

Expect a record high net profit in 3Q22

We expect KTC to report a record high net profit in 3Q22 of THB1,932m (+47% y-y, +2% q-q). We anticipate three improvements in 3Q22. First, we expect higher NII following an increase in its loan growth by 13% y-y and 4% q-q. We expect the strong demand for credit card loans to completely offset the slow auto title loan growth. Next, we expect a rise in its non-NII due to an increase in bad debt recovery and higher fee income following a recovery in credit card spending. Third, we think KTC has been able to control its asset quality effectively, and expect a minimal increase of 2% q-q in its non-performing loans (NPLs) – implying an NPL ratio of 3.4%. Thus, its credit cost should remain low at 450 bps.

Strong (credit card) loan growth and healthy asset quality

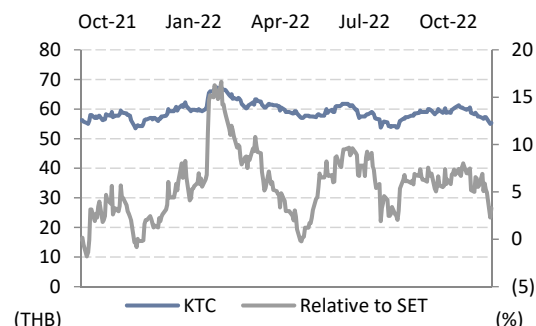
As of 8M22, the sector's credit card spending volume increased 32% y-y, rising above the pre-Covid level. We think the strong card spending should continue in 2H22, driven by high inflation and the country's reopening. Higher card spending should benefit KTC in terms of a rising loan volume and fee income. Therefore, we expect KTC's loan volume to increase by 9.7% in 2022 vs -2.8% in 2021. Its fee income should also resume its growth path at +13% y-y in 2022 vs -7% y-y in 2021. We think KTC should be able to contain its asset quality better than its peers due to its conservative lending during the pandemic and its clients' lower risk profile. This should lead to a lower credit cost level in 2022-24 vs 2021.

Minimal impact from potential rate hikes

In terms of cost of funds, we expect KTC to be one of the least impacted diversified financial companies by the 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 cost of funds will increase at a lesser rate than its peers.

KEY STOCK DATA

YE Dec (THB m)	2021	2022E	2023E	2024E
Operating profit	7,627	9,404	10,199	11,140
Net profit	5,879	7,485	8,094	8,841
EPS (THB)	2.28	2.90	3.14	3.43
vs Consensus (%)	-	6.6	3.6	5.0
Core net profit	6,251	7,485	8,094	8,841
Core EPS (THB)	2.42	2.90	3.14	3.43
Chg. In EPS est. (%)	-	7.7	8.4	6.1
EPS growth (%)	17.2	19.8	8.1	9.2
Core P/E (x)	22.8	19.0	17.6	16.1
Dividend yield (%)	1.7	2.2	2.3	2.5
Price/book (x)	5.3	4.6	4.0	3.5
ROE (%)	25.2	25.8	24.1	22.9
ROA (%)	6.8	8.0	7.8	7.7



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(8.7)	(0.5)	(1.8)
Relative to country (%)	(3.3)	(0.8)	2.7
Mkt cap (USD m)	3,731		
3m avg. daily turnover (USD m)	7.8		
Free float (%)	21		
Major shareholder	Krung Thai Bank (49%)		
12m high/low (THB)	68.00/52.00		
Issued shares (m)	2,578		

Sources: Bloomberg consensus; FSSIA estimates



Rawisara Suwanumchai

rawisara.suw@fssia.com
+66 2611 3554

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 THB20).

We turn more bullish on KTC due to its better asset quality control than competitors and the resumption of credit card spending in Thailand. These should lead to a strong performance in 3Q22, with a record high net profit that continues to grow in the following quarters. We increase our 2022/23/24 net profit assumptions by 8%/8%/6% to reflect KTC's efficient asset quality control and the expectation of strong credit card spending. We upgrade KTC to BUY with a new TP of THB65 from THB60, pegged to a 2023E P/BV of 4.7x.

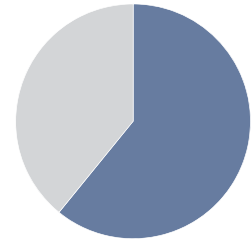
Company profile

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)

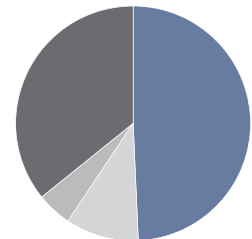
- Net interest income - 60.9 %
- Non-interest income - 39.1 %



Source: Krungthai Card

Major shareholders

- Krung Thai Bank - 49.3 %
- Mongkol Prakitchaiwatthana - 10.1 %
- Chantana Jirattiphat - 4.8 %
- Others - 35.8 %



Source: Krungthai Card

Catalysts

Potential share price catalysts for KTC include:

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

Risks to our call

Downside risks are: 1) regulatory actions to curb industry growth; and 2) deteriorating asset quality.

Event calendar

Date	Event
20 October 2022	3Q22 results announcement

Key assumptions

Year to Dec	2022E	2023E	2024E
	(%)	(%)	(%)
Net profit (THB m)	7,485	8,094	8,841
Net profit growth	27.3	8.1	9.2
NIM	13.48	13.67	13.79
Loan growth	9.7	8.2	8.1
Fee growth	13.0	5.0	5.0
Non-NII growth*	9.4	4.2	4.6
Credit cost (bp)	450	465	470
Cost to income*	36.3	35.3	34.1

*Including share of profits from associates

Source: FSSIA estimates

Earnings sensitivity

Year to Dec		----- 2022E -----		
Loan growth	±2ppt	7.7	9.7	11.7
	<i>% change in net profit</i>	<i>(1.8)</i>	<i>-</i>	<i>1.8</i>
NIM (%)	±5bp	13.43	13.48	13.53
	<i>% change in net profit</i>	<i>(0.5)</i>	<i>-</i>	<i>0.5</i>
Credit cost (bps)	±10bp	440	450	460
	<i>% change in net profit</i>	<i>(1.1)</i>	<i>-</i>	<i>1.1</i>

Source: FSSIA estimates

Expect a record high net profit in 3Q22

We expect KTC to report a record high net profit in 3Q22 of THB1,932m (+47% y-y, +2% q-q). We anticipate three improvements in 3Q22. First, we expect higher NII by 9% y-y and 3% q-q following an increase in its loan growth by 13% y-y and 4% q-q. We expect the strong demand for credit card loans to completely offset the slow auto title loan growth. Next, we expect a rise in its non-NII due to an increase in bad debt recovery and higher fee income following a recovery in credit card spending. Third, we think KTC has been able to control its asset quality effectively, and expect a minimal increase of 2% q-q in its NPLs – implying an NPL ratio of 3.4%. Thus, its credit cost should remain at a low level of 450 bps in 3Q22.

Exhibit 1: KTC – 3Q22 results preview

Year-end Dec 31	3Q21 (THB m)	2Q22 (THB m)	3Q22E (THB m)	----- Change ----- (y-y %) (q-q %)		9M22E (THB m)	Change (y-y %)	% of 22E	2022E (THB m)	Change (y-y %)	Comments
Net interest income	3,046	3,218	3,327	9	3	9,524	4	73	13,007	7	
Non-interest income	1,744	2,187	2,187	25	0	6,418	12	75	8,573	9	Higher bad debt recovery and fee income
Operating income*	4,790	5,405	5,514	15	2	15,942	7	74	21,580	8	
Operating expenses	1,847	1,986	2,022	9	2	5,806	7	74	7,833	7	
PPOP before tax*	2,943	3,419	3,492	19	2	10,136	7	74	13,747	8	
Expected credit loss	1,293	1,039	1,083	(16)	4	3,166	(13)	73	4,344	(15)	
Income tax	337	479	458	36	(4)	1,373	17	73	1,881	28	
Minority interest	(4)	7	20	(568)	185	24	(30)		38		
Normalised profit	1,317	1,894	1,932	47	2	5,573	20	74	7,485	20	
Extraordinary items	0	0	0			0			0		
Net profit	1,317	1,894	1,932	47	2	5,573	20	74	7,485	27	
EPS (THB)	0.51	0.73	0.75	47	2	2.16	20	74	2.90	27	
Asset quality ratio	(%)	(%)	(%)	(ppt)	(ppt)				(%)	(ppt)	
NPLs (THB m)	3,295	3,270	3,335	1	2				3,483	5	
NPLs / Loans	3.81	3.46	3.40						3.45		
Loan loss reserve/NPLs	275	300	293						284		
Credit cost (bps)	589	451	450						450		
Profitability ratio	(%)	(%)	(%)						(%)		
Cost to income ratio	38.6	36.7	36.7						36.3		
Average yield	15.37	15.34	15.34						14.74		
Cost of fund	2.65	2.52	2.55						2.55		
Net interest margin (NIM)	13.89	13.99	13.83						13.48		
Non-int income/total income	36.4	40.5	39.7						39.7		
Loan growth	(%)	(%)	(%)						(%)		
y-y	3.2	6.2	13.3						9.7		
q-q	(2.7)	5.4	3.7								Driven by credit card lending

*Excluding share of profits from associates

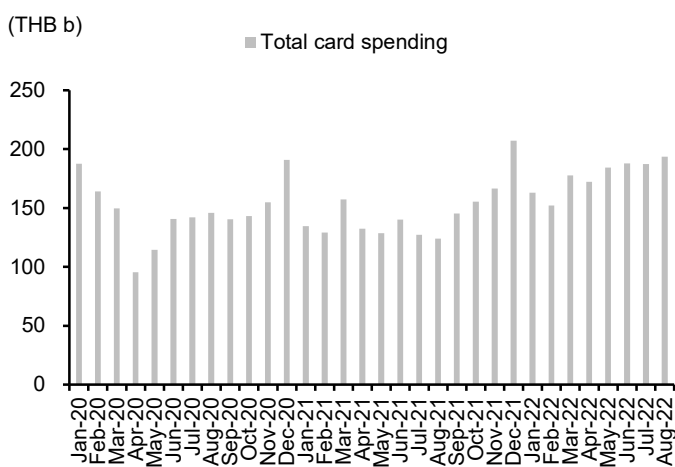
Sources: KTC; FSSIA estimates

Credit card spending above pre-Covid level

Total credit card spending in Thailand decreased for two consecutive years in 2020-21 due to the Covid-19 pandemic and the lockdown measures instituted to mitigate its impact. After the lockdown easing began in Sep-21, credit card spending entered an improving trend due to three reasons. First, Thai people have resumed their out-of-home activities, nearly to the pre-Covid level. Second, the reopening of many countries is leading to higher tourism and restaurant spending. Lastly, the high inflation environment is resulting in a higher spending rate per ticket for clients.

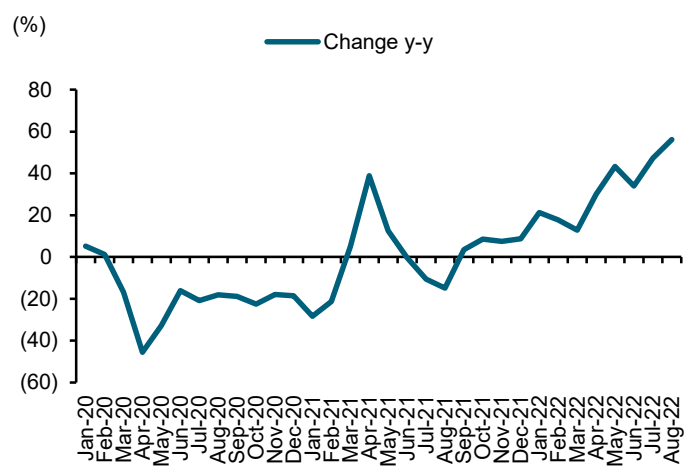
As of 8M22, the credit card spending volume increased 32% y-y, rising above the pre-Covid level. We think the strong card spending should continue in 2H22. The increase in card spending should benefit KTC in terms of a rise in loan volume and fee income. Therefore, we expect KTC's loan volume to increase by 9.7% in 2022 and 8.2% y-y in 2023 vs -2.8% in 2021. Additionally, KTC's fee income should resume its growth path at +13% in 2022 and +5% in 2023.

Exhibit 2: Monthly total credit card spending



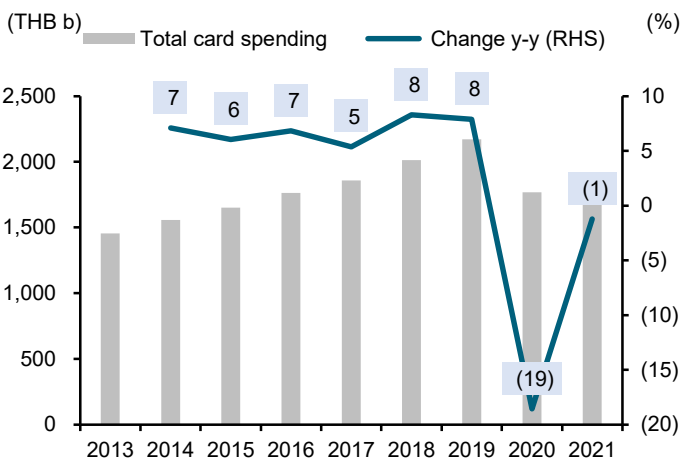
Sources: BoT; FSSIA's compilation

Exhibit 3: Monthly total credit card spending growth (y-y basis)



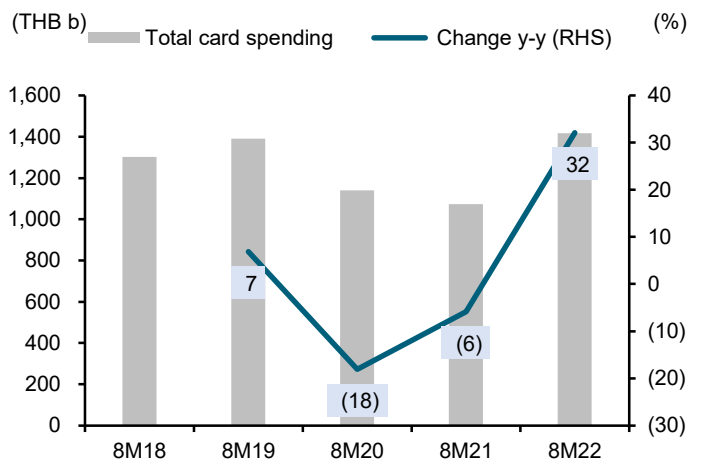
Sources: BoT; FSSIA's compilation

Exhibit 4: Yearly total credit card spending growth



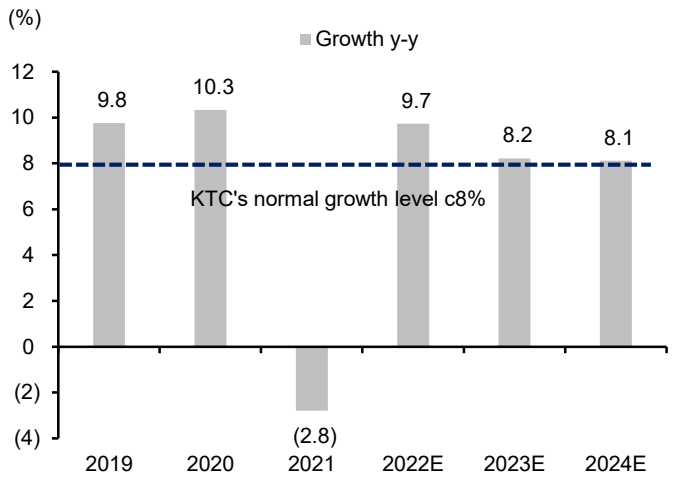
Sources: BoT; FSSIA's compilation

Exhibit 5: Eight-month total credit card spending growth



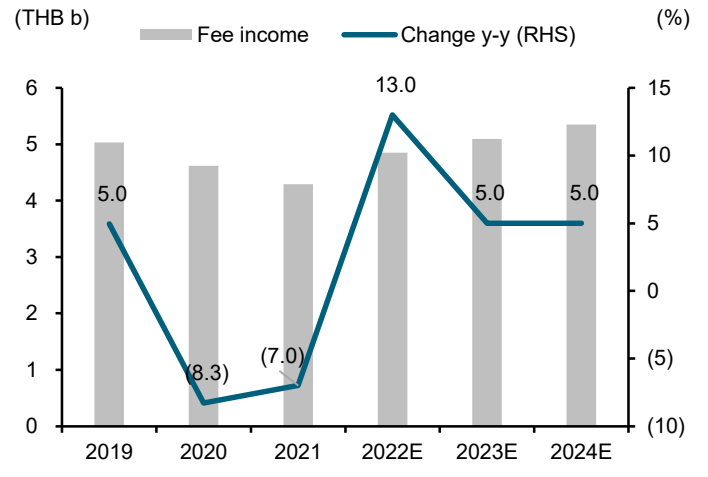
Sources: BoT; FSSIA's compilation

Exhibit 6: Loan growth



Source: FSSIA estimates

Exhibit 7: Fee income growth

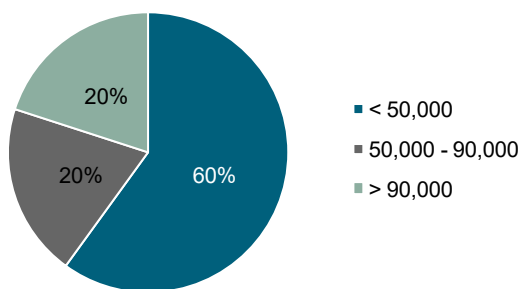


Source: FSSIA estimates

Healthy asset quality

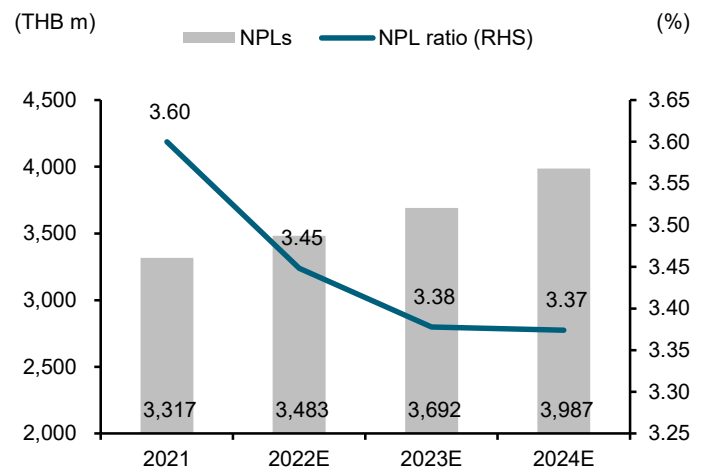
We expect the NPLs of our covered diversified financial companies to increase in 2H22 on the back of 1) high inflation in Thailand, which should diminish clients' debt repayment ability; and 2) the end of the debt forbearance program. However, we think KTC's asset deterioration rate should be lower than its peers due to two reasons. First, KTC lent conservatively during the Covid pandemic in 2020-21. Second, nearly half of KTC's client are middle income salary earners; the segment which should be less impacted by the high inflation vs low-income earners, in our view. Accordingly, we expect that KTC should be able to contain its asset quality better than its peers. This should lead to a lower credit cost level in 2022-24 than in 2021.

Exhibit 8: Client profile by salary range (THB/month)



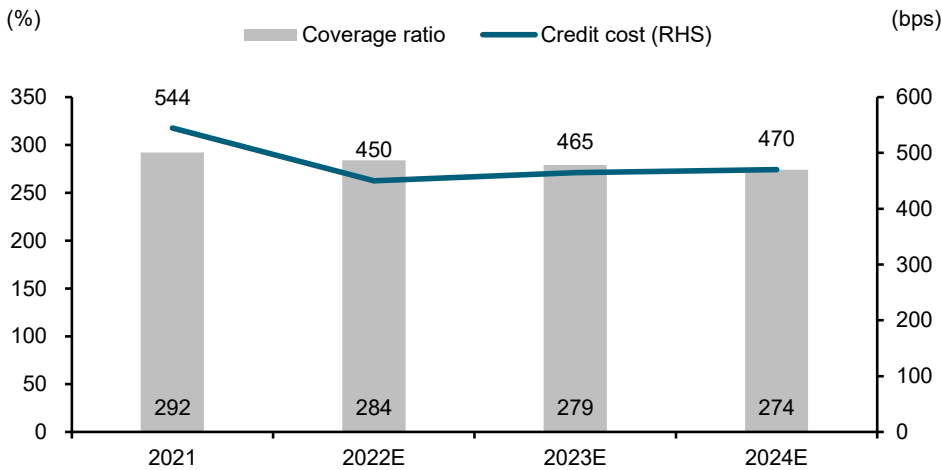
Sources: KTC; FSSIA estimates

Exhibit 9: NPLs and NPL ratio



Sources: KTC; FSSIA estimates

Exhibit 10: Credit cost and coverage ratio



Sources: KTC; FSSIA estimates

Minimal impact from potential rate hikes

The Thai Monetary Policy Committee (MPC) recently increased its policy rate by 50 bps to 1%. FSSIA expects the Thai policy rate to reach 1.5% in 1H23. This would lead to a higher cost of funds for Thai corporates.

In terms of cost of funds, we expect KTC to be one of the least impacted diversified financial companies by the 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 cost of funds will increase at a lesser rate than its peers at 2.55%/2.65%/2.70% in 2022-24 from 2.48% in 2021.

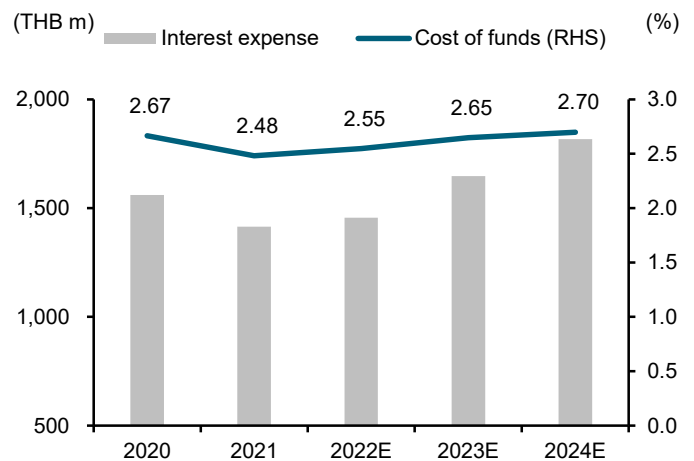
we expect KTC to be by the rate

Exhibit 11: KTC’s funding structure as of 2Q22

Source of funds	Debenture	
	(THB m)	(%)
Borrowing	12,348	22
- Short-term *	12,348	22
- Long-term	-	-
Debentures	43,301	78
- Short-term *	6,698	12
- Long-term	36,603	66
Total	55,649	100

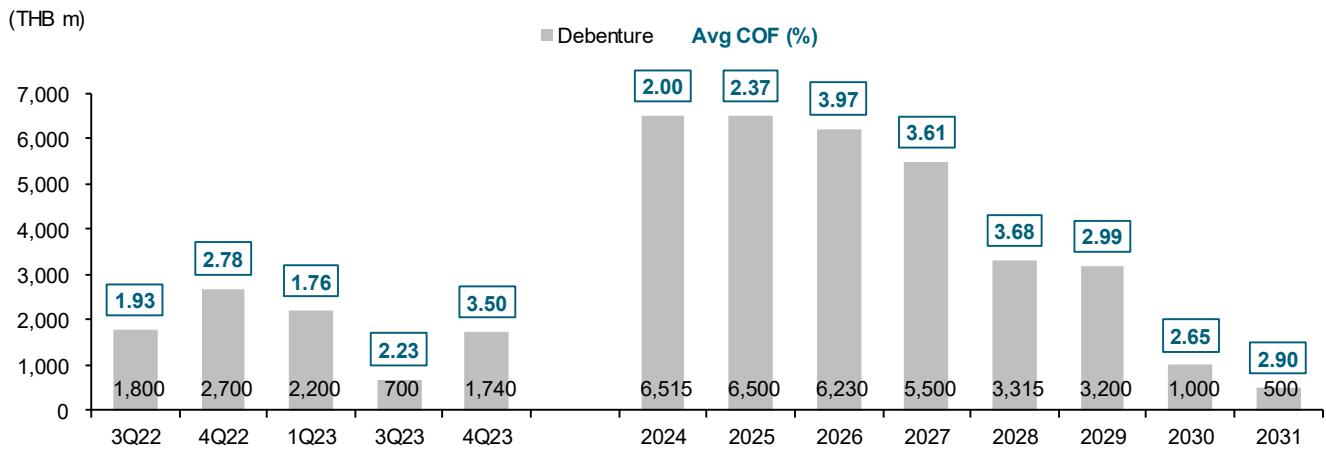
*Including current portion of long-term obligations
Sources: KTC; FSSIA estimates

Exhibit 12: KTC’s cost of funds



Sources: KTC; FSSIA estimates

Exhibit 13: KTC's debentures as of 2Q22



Sources: KTC; FSSIA estimates

EPS and target price revisions

We increase our 2022/23/24 net profit assumptions by 8%/8%/6%, to reflect KTC's efficient asset quality control and the expectation of strong credit card spending. Details as follows:

- 1) We decrease our 2022/23/24 credit cost assumptions to 450/465/470 bps from 513/545/545 bps due to the healthier asset quality and sufficient provisions from its conservative provisioning setup in 2020-21.
- 2) We increase our non-NII assumptions in 2022-24 by 5% each year to reflect the higher expected fee income from strong credit card spending.

Exhibit 14: 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	13,022	13,007	(0.1)	14,460	14,376	(0.6)	15,972	15,688	(1.8)
Non-interest income*	7,838	8,164	8,573	5.0	8,505	8,933	5.0	8,895	9,344	5.0
Operating income*	20,036	21,186	21,580	1.9	22,965	23,308	1.5	24,867	25,032	0.7
Operating expenses	7,326	7,480	7,833	4.7	7,849	8,220	4.7	8,160	8,546	4.7
PPOP before tax*	12,711	13,706	13,747	0.3	15,116	15,088	(0.2)	16,707	16,486	(1.3)
Expected credit loss	5,084	4,919	4,344	(11.7)	5,679	4,890	(13.9)	6,177	5,346	(13.5)
Tax expenses	1,467	1,757	1,881	7.0	1,887	2,040	8.1	2,106	2,228	5.8
Minority interest	(90)	77	38	(51.4)	83	65	(21.4)	93	71	(23.1)
Normalised profit	6,251	6,952	7,485	7.7	7,466	8,094	8.4	8,331	8,841	6.1
Extraordinary items	(372)	0	-		0	-		0	-	
Net profit	5,879	6,952	7,485	7.7	7,466	8,094	8.4	8,331	8,841	6.1
EPS (THB)	2.28	2.70	2.90	7.7	2.9	3.14	8.4	3.2	3.43	6.1
Asset quality ratio										
Gross NPLs (%)	3.317	3.549	3.483	(1.9)	3.762	3.692	(1.9)	4,138.4	3,987	(3.7)
Gross NPLs / Loans (%)	3.60	3.56	3.45		3.46	3.38		3.51	3.37	
Loan loss reserve/NPLs (%)	292	257	284		235	279		248	274	
Credit cost (bps)	544	513	450		545	465		545	470	
Profitability ratio										
Cost to income ratio* (%)	36.56	35.31	36.30		34.18	35.27		32.82	34.14	
Average yield (%)	14.49	14.92	14.74		15.11	14.96		15.01	14.89	
Cost of funds (%)	2.48	2.67	2.55		2.75	2.65		2.81	2.70	
Net interest margin (NIM) (%)	13.06	13.57	13.48		13.88	13.67		14.09	13.79	
% growth										
Loan growth (y-y %)	(2.80)	8.43	9.73		8.82	8.21		8.70	8.12	

*Including share of profits from associates

Sources: KTC; FSSIA estimates

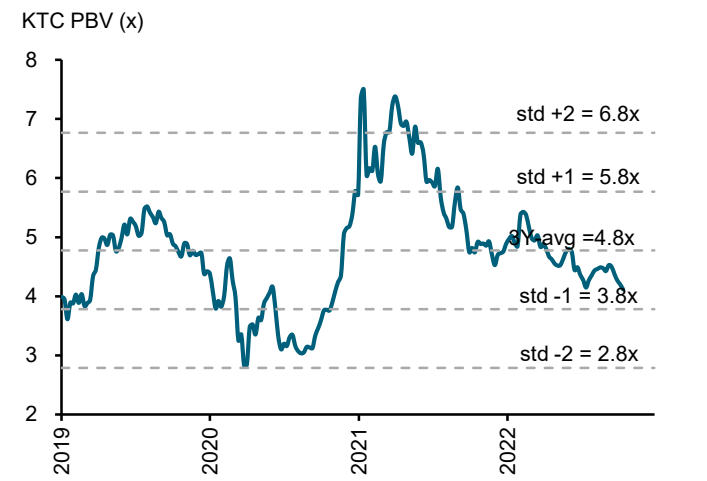
We revise up our 2023 GGM-based TP to THB65 from THB60, as we: 1) increase our EPS forecast, leading to a higher book value; and 2) revise up our target 2023 P/BV from 4.7x from 4.4x, based on our higher average long-term ROE target of 23.7% from 23.2%.

Exhibit 15: KTC – GGM-derived target price

Target price (THB)	65.0 (from 60.0)
Recommendation	BUY (from HOLD)
Risk-free rate (%)	3.0 (unchanged)
Market risk premium (%)	8.0 (unchanged)
Cost to equity (%)	9.3 (unchanged)
Terminal growth (%)	5.4 (from 5.1)
ROE target (%)	23.7 (from 23.2)

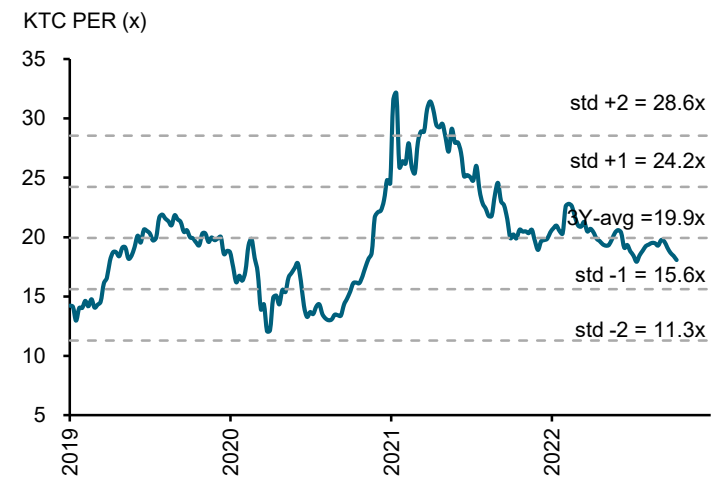
Source: FSSIA estimates

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



Sources: Bloomberg; FSSIA estimates

Exhibit 17: KTC – one-year prospective P/E



Sources: Bloomberg; FSSIA estimates

Exhibit 18: 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						16,807	13.0	20.1	19.6	15.9	16.3	16.7	2.8	2.4
Unsecured loan lenders						4,819	19.6	7.9	17.0	15.7	24.4	22.8	3.9	3.4
Aeon Thana Sinsap (Thailand)	AEONTS TB	HOLD	166.00	188.00	13	1,087	19.0	7.0	9.8	9.2	19.8	18.5	1.8	1.6
Krungthai Card	KTC TB	BUY	55.25	65.00	18	3,731	19.8	8.1	19.0	17.6	25.8	24.1	4.6	4.0
Auto-title lenders						5,308	10.4	20.3	13.8	11.5	17.9	18.9	2.3	2.0
Muangthai Capital	MTC TB	BUY	34.00	60.00	76	1,888	14.3	23.0	12.7	10.4	20.7	21.3	2.4	2.0
Srisawad Corp	SAWAD TB	BUY	40.00	62.00	55	1,439	0.8	19.3	11.9	9.9	17.8	19.4	2.0	1.8
Saksiam Leasing	SAK TB	BUY	6.65	9.70	46	365	23.1	26.3	18.6	14.8	14.5	16.4	2.6	2.3
Ngern Tid Lor	TIDLOR TB	BUY	24.70	37.00	50	1,616	11.4	16.9	15.7	13.4	15.6	16.3	2.3	2.1
Truck lenders						1,527	3.2	25.9	21.5	16.6	10.9	12.4	1.9	1.8
Micro Leasing	MICRO TB	HOLD	4.36	5.50	26	107	0.4	39.0	21.7	15.6	9.3	11.9	2.0	1.8
Singer Thailand	SINGER TB	BUY	38.25	59.00	54	824	(4.1)	35.2	28.5	21.1	7.2	9.4	2.0	1.9
Ratchthani Leasing	THANI TB	BUY	4.02	5.20	29	596	13.8	10.7	11.7	10.6	16.2	16.7	1.8	1.7
Asset management						3,969	16.6	34.5	33.0	24.1	9.0	10.5	2.9	2.5
Bangkok Commercial AM	BAM TB	BUY	14.80	22.00	49	1,253	14.3	23.2	16.1	13.1	6.9	7.9	1.1	1.0
Chayo Group	CHAYO TB	BUY	8.20	14.20	73	229	8.4	32.5	33.2	25.1	8.8	8.1	2.4	1.8
JMT Network Services	JMT TB	BUY	61.25	92.00	50	2,341	16.4	41.5	40.8	28.8	10.0	12.3	3.8	3.3
Knight Club Capital AM	KCC TB	BUY	9.00	7.10	(21)	146	53.1	21.9	51.6	42.3	11.7	10.1	4.7	3.9
Other						1,071	4.1	8.5	7.4	6.8	8.0	8.2	0.6	0.5
Thanachart Capital	TCAP TB	HOLD	39.00	43.00	10	1,071	4.1	8.5	7.4	6.8	8.0	8.2	0.6	0.5
Hire purchase motorcycle						113	(52.9)	56.5	19.7	12.6	5.7	7.6	1.0	0.9
Next Capital	NCAP TB	HOLD	3.20	5.00	56	113	(52.9)	56.5	19.7	12.6	5.7	7.6	1.0	0.9

Share prices as of 11 Oct 2022
Source: FSSIA estimates

Financial Statements

Krungthai Card

Profit and Loss (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Interest Income	14,302	13,614	14,464	16,023	17,506
Interest expense	(1,560)	(1,416)	(1,457)	(1,648)	(1,818)
Net interest income	12,742	12,198	13,007	14,376	15,688
Net fees & commission	4,616	4,293	4,851	5,094	5,349
Foreign exchange trading income	-	-	-	-	-
Securities trading income	-	-	-	-	-
Dividend income	1	11	11	11	11
Other income	3,533	3,534	3,711	3,828	3,984
Non interest income	8,150	7,838	8,573	8,933	9,344
Total income	20,892	20,036	21,580	23,308	25,032
Staff costs	(7,283)	(7,064)	(7,559)	(7,937)	(8,255)
Other operating costs	(240)	(262)	(275)	(283)	(291)
Operating costs	(7,523)	(7,326)	(7,833)	(8,220)	(8,546)
Pre provision operating profit	13,369	12,711	13,747	15,088	16,486
Provision for bad and doubtful debt	(6,489)	(5,084)	(4,344)	(4,890)	(5,346)
Other provisions	-	-	-	-	-
Operating profit	6,880	7,627	9,404	10,199	11,140
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	9,404	10,199	11,140
Tax	(1,372)	(1,467)	(1,881)	(2,040)	(2,228)
Profit after tax	5,508	5,789	7,523	8,159	8,912
Minority interests	(175)	90	(38)	(65)	(71)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	5,333	5,879	7,485	8,094	8,841
Non recurring items & goodwill (net)	-	-	0	0	0
Recurring net profit	5,333	6,251	7,485	8,094	8,841
Per share (THB)					
Recurring EPS *	2.07	2.42	2.90	3.14	3.43
Reported EPS	2.07	2.28	2.90	3.14	3.43
DPS	0.88	0.93	1.19	1.29	1.41
Growth					
Net interest income (%)	5.8	(4.3)	6.6	10.5	9.1
Non interest income (%)	(9.6)	(3.8)	9.4	4.2	4.6
Pre provision operating profit (%)	0.2	(4.9)	8.2	9.8	9.3
Operating profit (%)	(0.3)	10.9	23.3	8.5	9.2
Reported net profit (%)	(3.5)	10.2	27.3	8.1	9.2
Recurring EPS (%)	(3.5)	17.2	19.8	8.1	9.2
Reported EPS (%)	(3.5)	10.2	27.3	8.1	9.2
Income Breakdown					
Net interest income (%)	61.0	60.9	60.3	61.7	62.7
Net fees & commission (%)	22.1	21.4	22.5	21.9	21.4
Foreign exchange trading income (%)	-	-	-	-	-
Securities trading income (%)	-	-	-	-	-
Dividend income (%)	0.0	0.1	0.0	0.0	0.0
Other income (%)	16.9	17.6	17.2	16.4	15.9
Operating performance					
Gross interest yield (%)	15.84	14.57	14.98	15.24	15.39
Cost of funds (%)	2.67	2.48	2.55	2.65	2.70
Net interest spread (%)	13.17	12.09	12.43	12.59	12.69
Net interest margin (%)	14.1	13.1	13.5	13.7	13.8
Cost/income(%)	36.0	36.6	36.3	35.3	34.1
Cost/assets(%)	8.6	8.1	8.3	7.9	7.4
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	25.8	24.1	22.9
ROE - COE (%)	14.3	14.4	15.0	13.3	12.1
ROA (%)	6.2	6.8	8.0	7.8	7.7
RORWA (%)	-	-	-	-	-

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Krungthai Card; FSSIA estimates

Financial Statements

Krungthai Card

Balance Sheet (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Gross customer loans	94,697	92,047	101,006	109,302	118,175
Total provisions	(9,961)	(9,692)	(9,894)	(10,303)	(10,921)
interest in suspense	211	588	606	656	709
Net customer loans	84,947	82,943	91,718	99,655	107,962
Bank loans	-	-	-	-	-
Government securities	-	-	-	-	-
Trading securities	-	-	-	-	-
Investment securities	73	83	0	0	0
Cash & equivalents	2,197	2,363	3,613	5,757	8,199
Other interesting assets	-	-	-	-	-
Tangible fixed assets	496	415	347	290	242
Associates	-	-	-	-	-
Goodwill	-	-	-	-	-
Other intangible assets	-	-	-	-	-
Other assets	3,881	3,666	3,777	3,862	4,170
Total assets	91,594	89,470	99,454	109,564	120,574
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	28,674	33,450	38,666
Total equity	22,799	26,836	31,253	36,028	41,244
Minority interests	1,313	248	253	258	263
Total liabilities & equity	91,594	89,471	99,454	109,564	120,574
Supplementary items					
Risk weighted assets (RWA)	n/a	n/a	n/a	n/a	n/a
Average interest earning assets	90,304	93,450	96,568	105,154	113,738
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	3,483	3,692	3,987
Per share (THB)					
Book value per share	8.84	10.41	12.12	13.97	16.00
Tangible book value per share	8.84	10.41	12.12	13.97	16.00
Growth					
Gross customer loans	10.3	(2.8)	9.7	8.2	8.1
Average interest earning assets	10.1	3.5	3.3	8.9	8.2
Total asset (%)	8.7	(2.3)	11.2	10.2	10.0
Risk weighted assets (%)	-	-	-	-	-
Customer deposits (%)	nm	nm	nm	nm	nm
Leverage & capital measures					
Customer loan/deposits (%)	-	-	-	-	-
Equity/assets (%)	24.9	30.0	31.4	32.9	34.2
Tangible equity/assets (%)	24.9	30.0	31.4	32.9	34.2
RWA/assets (%)	-	-	-	-	-
Tier 1 CAR (%)	-	-	-	-	-
Total CAR (%)	-	-	-	-	-
Asset Quality					
Change in NPL (%)	75.6	107.6	5.0	6.0	8.0
NPL/gross loans (%)	1.7	3.6	3.4	3.4	3.4
Total provisions/gross loans (%)	10.5	10.5	9.8	8.7	9.2
Total provisions/NPL (%)	623.3	292.2	284.1	279.1	273.9
Valuation					
Recurring P/E (x) *	26.7	22.8	19.0	17.6	16.1
Recurring P/E @ target price (x) *	31.4	26.8	22.4	20.7	19.0
Reported P/E (x)	26.7	24.2	19.0	17.6	16.1
Dividend yield (%)	1.6	1.7	2.2	2.3	2.5
Price/book (x)	6.2	5.3	4.6	4.0	3.5
Price/tangible book (x)	6.2	5.3	4.6	4.0	3.5
Price/tangible book @ target price (x)	7.4	6.2	5.4	4.7	4.1

* 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	SEAFECO	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	WIJK
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:

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* 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	WIIK
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)

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

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Rawisara Suwanumphai FSS International Investment Advisory Securities Co., Ltd

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Company	Ticker	Price	Rating	Valuation & Risks
Krungthai Card	KTC TB	THB 55.25	BUY	Downside risks are: 1) regulatory actions to curb industry growth; and 2) deteriorating asset quality.
Krung Thai Bank	KTB TB	THB 16.70	BUY	Downside risks to our GGM-based TP are 1) prolonged economic sluggishness affecting loan growth and asset quality; and 2) the impact of new regulations from the Bank of Thailand.
Aeon Thana Sinsap (Thailand)	AEONTS TB	THB 166.00	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.
Muangthai Capital	MTC TB	THB 34.00	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 40.00	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.
Saksiam Leasing	SAK TB	THB 6.65	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 24.70	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 4.36	HOLD	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) higher-than-expected policy rate hikes. Upside risks include 1) efficient asset quality control; and 2) the faster ramping up of its new businesses, including new motorcycle hire purchase loans, truck title loans, and insurance brokerage
Singer Thailand	SINGER TB	THB 38.25	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 4.02	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 14.80	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 8.20	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 61.25	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 Mngt.	KCC TB	THB 9.00	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 39.00	HOLD	An upside risk to our GGM-based target price is a 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 3.20	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

FSSIA may incorporate the recommendations and target prices of companies currently covered by FSS Research into equity research reports, denoted by an 'FSS' before the recommendation. FSS Research is part of Finansia Syrus Securities Public Company Limited, which is the parent company of FSSIA.

All share prices are as at market close on 11-Oct-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.