

KRUNGTHAI CARD KTC TB

THAILAND / FINANCE & SECURITIES

HOLD

UNCHANGED

TARGET PRICE	THB45.00
CLOSE	THB46.00
UP/DOWNSIDE	-2.2%
PRIOR TP	THB46.00
CHANGE IN TP	-2.2%
TP vs CONSENSUS	-10.6%

New write-off policy to reduce NPLs

- We expect a 1Q24 net profit of THB1.78b (+1.2 q-q, -4.8% y-y) due to lower OPEX, while core business remained dull.
- We expect a sharp drop/rise in the NPL/coverage ratio in 1Q24, leading to a reduction in our 2024-26E loan growth and net profit.
- We maintain a HOLD call on KTC at GGM-based 2024 TP of THB45.

Unfavorable core business in 1Q24

We anticipate a 1Q24 net profit of THB1.78b (+1.2% q-q, -4.8% y-y), representing 24% of our full-year forecast. The projected PPOP of THB3.80b (stable q-q, +3.2% y-y), which should come from a weaker NII, should align with the softer interest spread. For non-NII, we also expect a weaker trend q-q, aligning with the sluggish loan situation. We expect a decline in operating expenses due to the seasonality effect, bringing down the cost-to-income ratio to 36.5% from 39.0% in 4Q23. We expect the loans to dwindle by 4.3 q-q (but up 4.0% y-y) largely from the rising amount of NPL write-offs during the period as KTC adjusted its debt write-off practices.

NPL clean-up to alleviate asset quality deterioration

Starting in 1Q24, KTC has embarked on a strategic re-evaluation of its write-off policy. During 2020-23, the firm only wrote off accounts after six consecutive months with no customer repayments. The shift in the policy is that accounts that are six months past due in stage 3 will be subject to write-off, regardless of their repayment schedules. This proactive approach would affect asset quality-related figures, comprising 1) a sharp decrease in the NPL ratio, 2) an increase in the loan coverage ratio, and 3) an increase in the NPL coverage ratio. We anticipate the NPL ratio to drop to 1.92% in 1Q24 from 2.17% in 4Q23. Since we expect no extra ECLs for its policy change, we expect the 1Q24 credit costs to drop to 5.82%, from 5.93% in 4Q23, and the coverage ratio to finish at 461% in 1Q24 from 400% in 4Q23.

2024-26E downward revision on lower loan growth

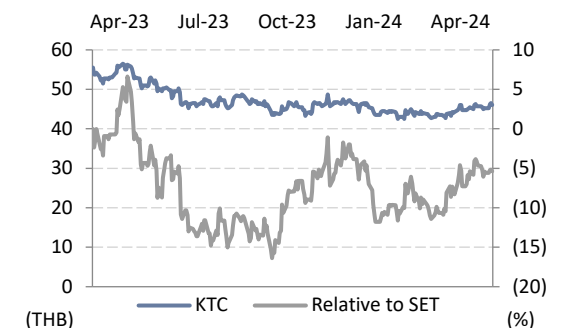
We have lowered our 2024-26E net profit by 2.7-4.4% due mainly to our lesser expectation of loan growth because of the new write-off policy. Also, we expect the trend to lead to a lower NPL ratio of c2.1%, leading to a coverage ratio of 442%/426%/423%, respectively. For 2Q24, we expect write-offs to remain higher y-y but to a lesser degree from 1Q24. Coupled with the influence of the festive season, we expect a moderate q-q rise in loan growth and net profit.

Maintain HOLD on a limited upside and unattractive valuation

We maintain our HOLD call on KTC. Our 2024-26E earnings cut has reduced the GGM-based 2024 TP to THB45 (from THB46), implying a PBV ratio of 2.95x (LT-ROE=18%, COE=8.25%) and a more limited upside to the current share price. Moreover, we expect a challenging year for the unsecured consumer finance industry in parallel with a slowing economy.

KEY STOCK DATA

YE Dec (THB m)	2023	2024E	2025E	2026E
Operating profit	9,068	9,205	10,046	10,956
Net profit	7,295	7,415	8,093	8,825
EPS (THB)	2.83	2.88	3.14	3.42
vs Consensus (%)	-	(3.7)	(3.4)	(1.2)
Recurring net profit	7,295	7,415	8,093	8,825
Core EPS (THB)	2.83	2.88	3.14	3.42
Chg. In EPS est. (%)	-	(2.7)	(4.4)	(3.3)
EPS growth (%)	3.1	1.6	9.1	9.1
Core P/E (x)	16.3	16.0	14.7	13.4
Dividend yield (%)	2.8	2.8	3.1	3.3
Price/book (x)	3.3	3.0	2.7	2.4
ROE (%)	21.8	19.7	19.3	19.0
ROA (%)	6.8	6.5	6.8	7.0



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	2.8	4.0	(17.1)
Relative to country (%)	1.6	4.8	(5.2)
Mkt cap (USD m)	3,242		
3m avg. daily turnover (USD m)	4.0		
Free float (%)	21		
Major shareholder	Krung Thai Bank (49%)		
12m high/low (THB)	57.00/40.50		
Issued shares (m)	2,578		

Sources: Bloomberg consensus; FSSIA estimates



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Investment thesis

We maintain our HOLD recommendation on KTC due to:

- 1) We expect the overall consumer finance industry to experience a certain degree of asset quality pressure and weakening spending power amid the slowing economic backdrop.
- 2) We estimate KTC's NPL ratio to drop in 1Q24 after it has adopted a new write-off practice, while the coverage ratio should spike meaningfully. Going forward, as the amount of NPL write-offs should decline from 1Q24 for the rest of the year, we expect the NPL/Coverage ratios to gradually rise/fall throughout 2024.
- 3) We have lowered our 2024-26E net profit by 2.7-4.4% to reflect mainly our lower loan growth forecasts, aligning with the firm's new write-off policy.
- 4) Our GGM-based 2024 TP of THB45 implies a P/BV ratio of 2.95x and hardly offers any upside relative to the current share price.

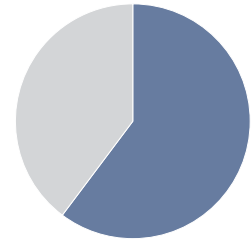
Company profile

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

www.ktc.co.th

Principal activities (revenue, 2023)

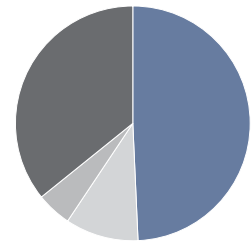
- Net interest income - 60.3 %
- Non-interest income - 39.7 %



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

- 1) Stronger-than-expected momentum of economic recovery and card spending;
- 2) Better-than-estimated loan growth;
- 3) Lower-than-estimated new NPL formation;
- 4) A significant acceleration in the auto title loan segment.

Risks to our call

Downside risks are 1) regulatory actions to curb industry growth; 2) a higher-than-expected policy rate; and 3) a deterioration in asset quality. Upside risks are 1) better-than-estimated economic improvement; 2) stronger-than-estimated improvement in the overall asset quality; and 3) less pressure from the market yield and cost of funds.

Event calendar

Date	Event
19 Apr 2024	1Q24 results announcement
16 May 2024	Analyst meeting

Key assumptions

	2024E	2025E	2026E
Net profit (THB m)	7,415	8,093	8,825
Net profit growth (%)	1.6	9.1	9.1
Loan growth (y-y %)	4.4	6.3	6.4
Fee growth (y-y %)	7.5	10.0	10.0
Non-NII growth (y-y %)	5.5	6.0	8.1
Loan yield (%)	14.97	14.95	14.83
Cost of funds (%)	2.93	3.19	3.29
Interest spread (%)	12.05	11.76	11.55
NIM (%)	12.64	12.55	12.49
Credit cost (bp)	577	548	547
Cost to income (%)	37.25	37.18	36.56

Source: FSSIA estimates

Earnings sensitivity

		2024E		
Loan growth	±1ppt	3.4	4.4	5.4
% change in net profit		(1.5)	-	1.5
Interest spread	±10bp	11.95	12.05	12.15
% change in net profit		(1.2)	-	1.2
Credit cost (bps)	±10bp	5.7	5.8	5.9
% change in net profit		1.2	-	(1.2)

Source: FSSIA estimates

Unfavorable core business in 1Q24

We anticipate a modest 1.2% q-q growth in the 1Q24 net profit despite a 4.8% y-y decline, reaching THB1.78b. This figure represents 24% of our full-year forecast. The projected PPOP of THB3.80b remains relatively stable q-q but shows a 3.2% y-y increase.

The flattening of a q-q PPOP should come from a weaker NII, suppressed by declining loan yields and rising cost of funds, marking a softer interest spread by 44bp to 12.09%. For non-NII, we also expect a weaker trend q-q, aligning with the sluggish loan situation on both credit cards and personal loans. Luckily, an expected decline in operating expenses due to the seasonality effect should bring down the cost-to-income ratio to 36.5%, from 39.0% in 4Q23, which could offset the impact of lower operating income.

In addition, we expect the loans to dwindle by 4.3 q-q (but up 4.0% y-y) due to 1) the normalizing policy of minimum credit card repayment from 5% to 8%, effective since Jan-24 and 2) the rising amount of NPL write-offs during the period as KTC adjusted its debt write-off practices, which should lead to a decline in NPLs.

Meanwhile, the anticipated y-y higher PPOP should come mainly from growing NII and non-NII, which could offset rising OPEX. However, we expect the credit card spending volume to deliver a disappointing growth of 7.9% y-y (against 15% y-y guidance) as the Easy E-receipt stimulus was not as strong as the firm previously hoped.

One of the critical external factors influencing KTC's results should be the Bank of Thailand's persistent debt policy. Based on a worst-case scenario where 100% of its customers participate in the scheme, KTC estimates its revenue impact to be THB18m/month, accounting for a mere 0.9% of our 2024 operating income estimate. Despite having an insignificant number of policy participants, KTC anticipates that this trend will continue based on its observation of customer behavior.

Exhibit 1: KTC – 1Q24E earnings preview

KTC	1Q23 (THB m)	2Q23 (THB m)	3Q23 (THB m)	4Q23 (THB m)	1Q24E (THB m)	Change (q-q%)	Change (y-y%)	% of 24E	2024E (THB m)	Change (y-y %)
Interest income	3,803	3,972	4,096	4,149	4,116	(0.8)	8.2	24	17,195	7.3
Interest expense	390	415	441	456	471	3.3	20.6	24	1,962	15.2
Net interest income	3,413	3,557	3,655	3,693	3,645	(1.3)	6.8	24	15,233	6.4
Non-interest income	3,047	3,091	3,208	3,378	3,185	(5.7)	4.5	24	13,421	5.5
Operating income	5,670	5,837	6,031	6,225	5,985	(3.9)	5.6	24	25,163	5.9
Operating expenses	1,985	2,135	2,252	2,429	2,183	(10.1)	10.0	23	9,372	6.5
PPOP	3,685	3,702	3,780	3,796	3,802	0.2	3.2	24	15,790	5.5
Expected credit loss	1,367	1,438	1,477	1,612	1,590	(1.4)	16.4	24	6,585	11.7
Profit before tax	2,319	2,263	2,303	2,184	2,212	1.3	(4.6)	24	9,205	1.5
Income tax expense	452	463	464	439	442	0.8	(2.2)	24	1,841	1.2
Net profit	1,872	1,806	1,857	1,761	1,782	1.2	(4.8)	24	7,415	1.6
EPS (THB)	0.73	0.70	0.72	0.68	0.69	1.2	(4.8)	24	2.88	1.6
Key balance sheet highlights										
Loan - gross	103,312	105,588	106,700	112,347	107,476	(4.3)	4.0		117,309	4.4
Interest bearing debt	59,547	63,351	63,213	66,918	63,357	(5.3)	6.4		67,140	0.3
Earnings assets	96,194	98,342	100,111	108,082	106,435	(1.5)	10.6		123,271	4.6
Asset quality ratio	(%)	(%)	(%)	(%)	(%)				(%)	
Gross NPLs (THB m)	1,931	2,130	2,481	2,439	2,066	(15.3)	7.0		2,480	1.7
NPL ratio	1.87	2.02	2.33	2.17	1.92				2.11	
Coverage ratio - LLR/ NPLs	463	433	382	400	461				442	
Credit cost (bp)	530	554	560	593	582				577	
LLR/TL	8.65	8.74	8.87	8.69	8.87				9.34	
Profitability ratios	(%)	(%)	(%)	(%)	(%)				(%)	
Cost-to-income ratio	35.01	36.58	37.33	39.03	36.48				37.25	
Yield on loans	14.66	15.21	15.44	15.15	14.98				14.97	
Cost of funds	2.57	2.70	2.79	2.80	2.89				2.93	
Spreads	12.09	12.51	12.65	12.35	12.09				12.05	
Net interest margin (NIM)	12.90	13.38	13.46	12.99	12.47				12.64	
ROE	23.12	22.06	22.29	20.05	19.35				19.67	
ROA	7.39	7.10	7.10	6.42	6.32				6.44	
Loan growth	(%)	(%)	(%)	(%)	(%)				(%)	
q-q	(0.8)	2.2	1.1	5.3	(4.3)					
y-y	14.5	11.1	10.0	7.8	4.0				4.4	
YTD	(0.8)	1.3	2.4	7.8	(4.3)					

Sources: KTC; FSSIA estimates

NPL clean-up to alleviate asset quality deterioration

Starting in 1Q24, KTC has embarked on a strategic re-evaluation of its write-off policy. During 2020-23 (after implementing TFRS9 in 2020), the firm only wrote off accounts after six consecutive months with no customer repayments. The significant shift in the policy is that accounts that are six months past due in stage 3 will be subject to write-off, regardless of their vintage repayment schedules.

This proactive approach would affect critical asset quality-related figures and ratios except for ECL expenses (since the NPL write-off portions were fully reserved), comprising 1) a sharp decrease in NPLs and the NPL ratio and 2) an increase in the loan coverage ratio (LLR/TL) due mainly to decreasing loan outstanding, which outpaces decreasing LLR and 3) an increase in the NPL coverage ratio (LLR/NPL) primarily due to decreasing NPLs which outpaces decreasing LLR.

We anticipate the NPL ratio to drop to 1.92% in 1Q24 from 2.17% in 4Q23. KTC disclosed that personal loans would have a proportionally higher percentage of write-offs than credit card loans, owing to their lower customer quality.

KTC has not disclosed any exact amounts of NPL write-offs but guided that its NPL ratio could fall below 2% before gradual increases, aligning with the 2024 guidance of c2.00%. Our sensitivity analysis under various NPL write-offs to suppress its NPL ratio of 1.80-2.00% demonstrates a limited impact on its 1Q24 net profit.

Since we expect KTC to have no extra ECLs for its policy change in NPL write-offs, we expect the 1Q24 credit costs to drop to 5.82%, from 5.93% in 4Q23 when seasonality took effect but higher than 5.3% in 1Q23. In addition, we expect the NPL coverage ratio to finish at 461% in 1Q24 from 400% in 4Q23.

Exhibit 2: Sensitivity on KTC's loan write-off in 1Q24E

	4Q23	2023		----- 1Q24E -----		
Write-off rate (%)	4.7	4.4	±25ppt	6.6	6.8	7.1
Credit card w/o (THB m)	702	2,559		946	981	1,016
P-loan w/o (THB m)	573	2,144		747	777	808
Leasing w/o (THB m)	44	219		64	66	68
Gross NPL (THB m)	2,439	2,439		2,136	2,066	1,997
NPL ratio (%)	2.2	2.2		2.0	1.9	1.8
Credit cost (bp)	593	548		582	582	583
Coverage ratio (%)	400	400		452	461	471
Net profit (THB m)	1,761	7,295		1,792	1,782	1,772
% change in net profit	-	-		0.6	-	(0.6)
Loan growth (q-q %)	5.3	-		(4.0)	(4.1)	(4.2)
Loan growth (y-y %)	7.8	7.8		4.3	4.2	4.2
LLR	9,763	9,763		9,657	9,534	9,411
TL	112,347	112,347		107,543	107,476	107,409
LLR/TL (%)	8.69%	8.69%		8.98%	8.87%	8.76%

Sources: KTC; FSSIA estimates

Exhibit 3: KTC – staged loans and ECL, 2021-23

	2020	2021	2022	2023	2020	2021	2022	2023
	(THB m)	(THB m)	(THB m)	(THB m)	(%)	(%)	(%)	(%)
Stage loans								
Loans and accrued interest				Stage loans % of total loans				
Stage 1	77,020	76,929	87,743	92,974	86.0	86.6	86.8	85.7
Stage 2	10,989	10,338	11,690	13,585	12.3	11.6	11.6	12.5
Stage 3	1,598	1,581	1,627	1,875	1.8	1.8	1.6	1.7
Total	89,607	88,848	101,060	108,434	100.0	100.0	100.0	100.0
Expected credit loss (ECL)				ECL % of stage loans				
Stage 1	3,865	3,918	4,247	4,332	5.0	5.1	4.8	4.7
Stage 2	2,445	2,365	2,782	3,316	22.2	22.9	23.8	24.4
Stage 3	1,046	1,066	1,139	1,283	65.5	67.4	70.0	68.5
Total	7,356	7,349	8,168	8,931	8.2	8.3	8.1	8.2
	(%)	(%)	(%)	(%)				
NPL / TL	1.8	1.8	1.6	1.7				
LLR / NPL	460	465	502	476				
NPL + S2 / TL	14.0	13.4	13.2	14.3				
LLR / (NPL + S2)	58.4	61.7	61.3	57.8				

Note: Figures in the table do not include contributions from KTB Leasing.

Sources: KTC; FSSIA's compilation

2024-26E downward revision on lower loan growth

We have decreased our 2024-26E net profit by 2.7-4.4% to reflect mainly our lesser expectation of loan growth because of the new write-off policy. Also, we expect the trend to lead to a lower NPL ratio of c2.1%, leading to a coverage ratio of 442%/426%/423%, respectively. For 2Q24, we expect write-offs to remain higher y-y but to a lesser degree from 1Q24. Coupled with the influence of the festive season, we expect a moderate q-q rise in loan growth and net profit.

Exhibit 4: 2024-26E earnings revision

	New			Previous			Change		
	2024E	2025E	2026E	2024E	2025E	2026E	2024E	2025E	2026E
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(%)	(%)	(%)
Net profit	7,415	8,093	8,825	7,623	8,469	9,282	(2.7)	(4.4)	(3.3)
Growth y-y%	1.6	9.1	9.1	4.4	11.1	9.6			
Spending volume	285,287	313,815	345,197	285,287	313,815	345,197	(0.0)	0.0	(1.0)
Growth y-y%	7.5	10.0	10.0	7.5	10.0	10.0			
Gross loan	117,309	124,750	132,672	118,029	127,238	137,178	(0.6)	(2.0)	(1.1)
Growth y-y%	4.4	6.3	6.4	5.1	7.8	7.8			
	(%)	(%)	(%)	(%)	(%)	(%)			
Cost-to-income ratio	37.25	37.18	36.56	36.83	36.60	35.96			
Yield	14.97	14.95	14.83	14.82	14.93	14.85			
Cost of funds	2.93	3.19	3.29	2.96	3.20	3.34			
Spreads	12.05	11.76	11.55	11.86	11.73	11.51			
	(%)	(%)	(%)	(%)	(%)	(%)			
NPL ratio	2.11	2.11	2.11	2.25	2.19	2.16			
Credit cost (bp)	577	548	547	569	537	536			
Coverage ratio	442	426	423	341	352	361			

Source: FSSIA estimates

Maintain HOLD on a limited upside and unattractive valuation

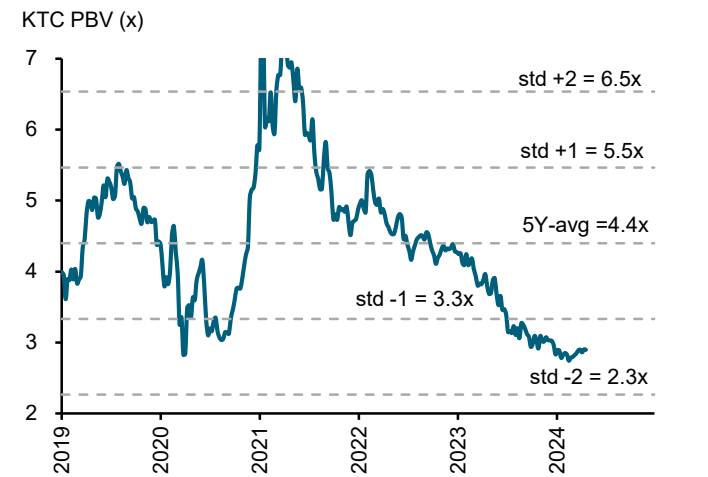
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Exhibit 5: GGM-based 2024 TP

	2024E	
	New	Previous
ROE - sustainable (%)	18.0	18.0
Terminal growth rate (%)	3.3	3.3
Cost of equity	8.3	8.3
Risk-free (%)	3.0	3.0
Expected market return (%)	8.0	8.0
Market risk premium (%)	5.0	5.0
Beta	1.1	1.1
Target PBV (%)	3.0	3.0
BVS (THB)	15.4	15.8
Fair price (THB)	45.0	46.0

Source: FSSIA estimates

Exhibit 7: KTC – one-year prospective PBV band



Sources: Bloomberg; FSSIA estimates

Exhibit 9: Peer comparisons, as of 11 April 2024

Company name	BBG code	Rec	Share price (LCY)	Target price (LCY)	Up side (%)	PE		PBV		ROE		Div yld	
						24E (x)	25E (x)	24E (x)	25E (x)	24E (%)	25E (%)	24E (x)	25E (x)
AEON Thana Sinsap (Thailand)	AEONTS TB	HOLD	164.50	170.00	3	12.7	12.0	1.6	1.5	12.8	12.6	3.3	3.5
Muangthai Capital	MTC TB	HOLD	44.00	43.00	(2)	16.1	12.6	2.5	2.1	16.8	18.3	0.6	0.7
Krungthai Card	KTC TB	HOLD	46.00	45.00	(2)	16.0	14.7	3.0	2.7	19.7	19.3	2.8	3.1
Srisawad Corp	SAWAD TB	HOLD	41.00	40.00	(2)	11.4	10.0	2.0	1.7	18.4	18.2	4.3	1.0
JMT Network services	JMT TB	HOLD	23.00	25.70	12	14.0	11.9	1.3	1.2	9.0	10.5	5.7	6.7
Ngern Tid Lor	TIDLOR TB	BUY	21.40	27.00	26	13.3	11.2	1.9	1.7	15.4	16.2	2.3	2.7
Bangkok Commercial Asset Mgmt.	BAM TB	HOLD	9.90	8.75	(12)	18.0	16.8	0.7	0.7	4.1	4.3	3.8	3.9
Chayo Group	CHAYO TB	BUY	4.86	6.00	23	13.8	11.9	1.4	1.3	11.1	11.3	1.1	1.3
Average						14.4	12.6	1.8	1.6	13.4	13.8	3.0	2.9

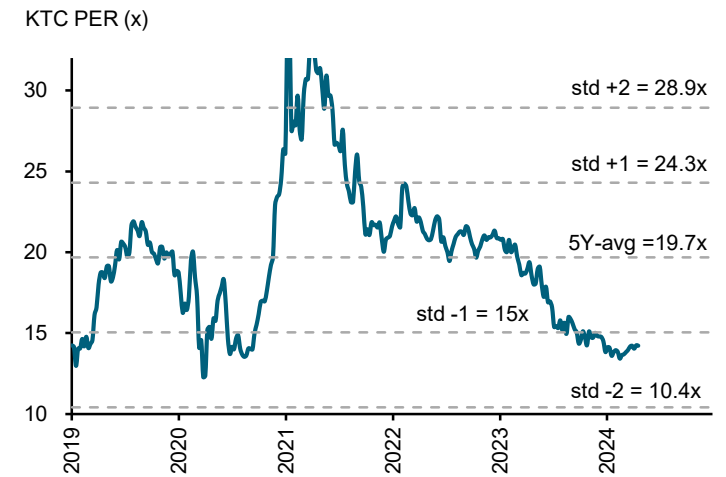
Sources: Bloomberg; FSSIA estimates

Exhibit 6: Share price performance of non-banks under coverage, as of 11 April 2024

	Price performance				
	1M (%)	3M (%)	6M (%)	1Y (%)	YTD (%)
TIDLOR TB	(6.7)	(7.5)	3.0	(11.3)	(7.1)
MTC TB	(9.1)	(1.7)	13.4	14.2	(6.1)
SAWAD TB	1.3	(1.2)	(9.1)	(30.0)	(1.9)
AEONTS TB	10.3	5.6	5.6	(14.8)	0.6
KTC TB	(1.1)	4.1	(4.3)	(22.4)	1.7
JMT TB	(3.5)	(11.6)	(37.6)	(49.4)	(13.7)
BAM TB	2.6	21.1	1.6	(28.8)	19.6
CHAYO TB	(9.0)	(10.7)	(22.3)	(37.8)	(12.3)
SETFIN	(2.8)	(6.4)	(8.9)	(24.7)	(4.2)
SET	(0.4)	(2.8)	(5.3)	(13.7)	(3.0)

Source: Bloomberg

Exhibit 8: KTC – one-year prospective PER band



Sources: Bloomberg; FSSIA estimates

Financial Statements

Krungthai Card

Profit and Loss (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Interest Income	14,381	16,020	17,195	18,091	19,092
Interest expense	(1,392)	(1,703)	(1,962)	(2,166)	(2,293)
Net interest income	12,989	14,317	15,233	15,925	16,799
Net fees & commission	4,974	5,556	5,973	6,570	7,227
Foreign exchange trading income	-	-	-	-	-
Securities trading income	-	-	-	-	-
Dividend income	17	47	35	35	35
Other income	3,876	3,842	3,921	3,946	4,221
Non interest income	8,868	9,445	9,930	10,552	11,484
Total income	21,856	23,763	25,163	26,476	28,282
Staff costs	(7,872)	(8,801)	(9,372)	(9,843)	(10,339)
Other operating costs	(244)	-	-	-	-
Operating costs	(8,117)	(8,801)	(9,372)	(9,843)	(10,339)
Pre provision operating profit	13,740	14,962	15,790	16,634	17,944
Expected credit loss	(4,868)	(5,894)	(6,585)	(6,588)	(6,988)
Other provisions	-	-	-	-	-
Operating profit	8,871	9,068	9,205	10,046	10,956
Recurring non operating income	0	0	0	0	0
Associates	-	-	-	-	-
Goodwill amortization	-	-	-	-	-
Non recurring items	0	0	0	0	0
Profit before tax	8,871	9,068	9,205	10,046	10,956
Tax	(1,818)	(1,819)	(1,841)	(2,009)	(2,191)
Profit after tax	7,054	7,250	7,364	8,037	8,765
Non-controlling interest	(26)	(46)	(51)	(56)	(61)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	7,079	7,295	7,415	8,093	8,825
Non recurring items & goodwill (net)	-	-	0	0	0
Recurring net profit	7,079	7,295	7,415	8,093	8,825
Per share (THB)					
Recurring EPS *	2.75	2.83	2.88	3.14	3.42
Reported EPS	2.75	2.83	2.88	3.14	3.42
DPS	1.15	1.27	1.29	1.41	1.54
Growth					
Net interest income (%)	6.5	10.2	6.4	4.5	5.5
Non interest income (%)	13.1	6.5	5.1	6.3	8.8
Pre provision operating profit (%)	8.1	8.9	5.5	5.3	7.9
Operating profit (%)	22.3	2.2	1.5	9.1	9.1
Reported net profit (%)	20.4	3.1	1.6	9.1	9.1
Recurring EPS (%)	20.4	3.1	1.6	9.1	9.1
Reported EPS (%)	20.4	3.1	1.6	9.1	9.1
Income Breakdown					
Net interest income (%)	59.4	60.3	60.5	60.1	59.4
Net fees & commission (%)	22.8	23.4	23.7	24.8	25.6
Foreign exchange trading income (%)	-	-	-	-	-
Securities trading income (%)	-	-	-	-	-
Dividend income (%)	0.1	0.2	0.1	0.1	0.1
Other income (%)	17.7	16.2	15.6	14.9	14.9
Operating performance					
Gross interest yield (%)	14.61	14.80	14.97	14.95	14.83
Cost of funds (%)	2.39	2.64	2.93	3.19	3.29
Net interest spread (%)	12.23	12.15	12.05	11.76	11.55
Net interest margin (%)	12.88	12.76	12.64	12.55	12.49
Cost/income(%)	37.1	37.0	37.2	37.2	36.6
Cost/assets(%)	8.5	8.2	8.1	8.2	8.1
Effective tax rate (%)	20.5	20.1	20.0	20.0	20.0
Dividend payout on recurring profit (%)	41.9	45.0	45.0	45.0	45.0
ROE (%)	24.3	21.8	19.7	19.3	19.0
ROE - COE (%)	13.5	11.0	8.9	8.5	8.2
ROA (%)	7.4	6.8	6.5	6.8	7.0
RORWA (%)	-	-	-	-	-

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Krungthai Card; FSSIA estimates

Financial Statements

Krungthai Card

Balance Sheet (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Gross customer loans	103,509	111,623	116,542	123,926	131,788
Allowance for expected credit loss	(8,792)	(9,763)	(10,551)	(11,421)	(12,347)
interest in suspense	685	724	767	824	884
Net customer loans	95,402	102,584	106,758	113,329	120,326
Bank loans	-	-	-	-	-
Government securities	-	-	-	-	-
Trading securities	-	-	-	-	-
Investment securities	106	154	162	170	179
Cash & equivalents	2,182	5,344	5,791	5,536	5,676
Other interesting assets	-	-	-	-	-
Tangible fixed assets	348	421	379	341	307
Associates	-	-	-	-	-
Goodwill	-	-	-	-	-
Other intangible assets	-	-	-	-	-
Other assets	3,758	4,311	4,385	4,463	4,546
Total assets	101,796	112,814	117,476	123,840	131,033
Customer deposits	0	0	0	0	0
Bank deposits	-	-	-	-	-
Other interest bearing liabilities	61,972	66,918	67,140	68,767	70,811
Non interest bearing liabilities	8,248	10,051	10,378	10,720	11,077
Hybrid Capital	-	-	-	-	-
Total liabilities	70,220	76,968	77,518	79,487	81,887
Share capital	2,578	2,578	2,578	2,578	2,578
Reserves	28,775	33,103	37,129	41,524	46,317
Total equity	31,353	35,682	39,707	44,102	48,896
Non-controlling interest	223	164	250	250	250
Total liabilities & equity	101,796	112,814	117,476	123,840	131,033
Supplementary items					
Risk weighted assets (RWA)	n/a	n/a	n/a	n/a	n/a
Average interest earning assets	100,823	112,187	120,562	126,867	134,499
Average interest bearing liabilities	58,371	64,445	67,029	67,954	69,789
CET 1 capital	n/a	n/a	n/a	n/a	n/a
Total capital	0	0	0	0	0
Gross non performing loans (NPL)	1,846	2,439	2,480	2,631	2,800
Per share (THB)					
Book value per share	12.16	13.84	15.40	17.11	18.96
Tangible book value per share	12.16	13.84	15.40	17.11	18.96
Growth					
Gross customer loans	12.5	7.8	4.4	6.3	6.3
Average interest earning assets	4.8	11.3	7.5	5.2	6.0
Total asset (%)	13.8	10.8	4.1	5.4	5.8
Risk weighted assets (%)	-	-	-	-	-
Customer deposits (%)	nm	nm	nm	nm	nm
Leverage & capital measures					
Customer loan/deposits (%)	-	-	-	-	-
Equity/assets (%)	30.8	31.6	33.8	35.6	37.3
Tangible equity/assets (%)	30.8	31.6	33.8	35.6	37.3
RWA/assets (%)	-	-	-	-	-
CET 1 CAR (%)	-	-	-	-	-
Total CAR (%)	-	-	-	-	-
Asset Quality (FSSIA's calculation)					
Change in NPL (%)	(44.4)	32.1	1.7	6.1	6.4
NPL/gross loans (%)	1.8	2.2	2.1	2.1	2.1
Allowance for ECL/gross loans (%)	8.5	8.7	9.1	9.2	9.4
Allowance for ECL/NPL (%)	476.3	400.3	425.5	434.0	441.0
Valuation					
Recurring P/E (x) *	16.8	16.3	16.0	14.7	13.4
Recurring P/E @ target price (x) *	16.4	15.9	15.6	14.3	13.1
Reported P/E (x)	16.8	16.3	16.0	14.7	13.4
Dividend yield (%)	2.5	2.8	2.8	3.1	3.3
Price/book (x)	3.8	3.3	3.0	2.7	2.4
Price/tangible book (x)	3.8	3.3	3.0	2.7	2.4
Price/tangible book @ target price (x)	3.7	3.3	2.9	2.6	2.4

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Krungthai Card; FSSIA estimates

Krungthai Card PCL (KTC TB)

FSSIA ESG rating

★★★★

71.80 /100

Exhibit 10: FSSIA ESG score implication

Rating	Score	Implication
★★★★★	>79-100	Leading its industry peers in managing the most significant ESG risks which not only better cost efficiency but also lead to higher profitability.
★★★★	>59-79	A mixed track record of managing the most significant ESG risks and opportunities relative to industry peers.
★★★	>39-59	Relevant ESG materiality matrix has been constructively addressed, well-managed and incorporated into day-to-day operations, in which targets and achievements are evaluated annually.
★★	>19-39	Relevant ESG materiality matrix has been identified with key management in charge for progress to be followed up on and to provide intensive disclosure. Most targets are conventional and achievable.
★	1-19	The company has adopted the United Nations Sustainable Development Goals (UN SDGs), established sustainability management guidelines and fully complies with regulations or ESG suggested guidance from related organizations such as the SET and SEC.

Sources: FSSIA estimates

Exhibit 11: ESG – peer comparison

	FSSIA ESG score	Domestic ratings						Global ratings						Bloomberg	
		DJSI	SET THSI	THSI	CG score	AGM level	Thai CAC	Morningstar ESG risk	ESG Book	MSCI	Moody's	Refinitiv	S&P Global	ESG score	Disclosure score
SET100	69.20	5.34	4.40	4.40	4.76	4.65	3.84	Medium	51.76	BBB	20.87	58.72	63.91	3.72	28.17
Coverage	67.12	5.11	4.15	4.17	4.83	4.71	3.53	Medium	52.04	BB	16.97	56.85	62.09	3.40	31.94
AEONTS	33.86	--	--	--	4.00	3.00	--	Medium	40.10	BBB	--	27.64	17.00	--	--
KTC	71.80	--	Y	Y	5.00	5.00	Certified	Low	57.22	A	--	64.48	59.00	4.96	57.09
SAK	45.28	--	Y	Y	4.00	4.00	Certified	High	40.10	--	--	43.87	--	2.02	36.23
MTC	68.21	--	Y	Y	5.00	5.00	Certified	Low	42.19	AA	--	58.09	42.00	3.31	--
SAWAD	46.52	--	Y	Y	4.00	5.00	--	Medium	43.97	BB	--	20.18	13.00	1.93	40.04
TIDLOR	36.71	--	--	--	4.00	4.00	Certified	Medium	37.03	--	--	23.69	19.00	1.66	--
SAWAD	46.52	--	Y	Y	4.00	5.00	--	Medium	43.97	BB	--	20.18	13.00	1.93	40.04

Sources: SETTRADE.com; FSSIA's compilation

Exhibit 12: ESG score by Bloomberg

FY ending Dec 31	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
ESG financial materiality scores - ESG score	2.10	2.55	3.27	3.49	4.11	5.79	5.74	4.96
BESG environmental pillar score	0.00	2.90	3.74	4.41	3.84	3.95	3.64	3.88
BESG social pillar score	0.92	1.20	2.21	2.32	3.33	6.29	6.49	4.89
BESG governance pillar score	5.97	5.35	5.19	5.47	5.66	5.64	5.31	5.48
ESG disclosure score	35.95	37.11	41.95	49.07	49.92	58.07	56.76	57.09
Environmental disclosure score	0.91	4.38	10.90	27.88	27.88	33.77	29.84	31.80
Social disclosure score	25.70	25.70	33.71	38.12	40.69	59.28	59.28	58.28
Governance disclosure score	81.10	81.10	81.10	81.10	81.10	81.10	81.10	81.10
Environmental								
Emissions reduction initiatives	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Climate change policy	No	No	No	Yes	Yes	Yes	Yes	Yes
Climate change opportunities discussed	No	No	No	No	No	No	No	No
Risks of climate change discussed	No	No	No	No	No	No	No	No
GHG scope 1	—	—	—	1	1	0	0	0
GHG scope 2 location-based	—	2	2	1	1	1	1	1
GHG Scope 3	—	—	0	0	0	0	0	0
Carbon per unit of production	—	—	—	—	—	—	—	—
Biodiversity policy	No	No	No	No	No	No	No	No
Energy efficiency policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Total energy consumption	—	—	—	—	—	—	—	—
Renewable energy use	—	—	—	—	—	—	—	—
Electricity used	—	3	3	2	2	2	2	3
Fuel used - natural gas	—	—	—	—	—	—	—	—

Sources: Bloomberg; FSSIA's compilation

Exhibit 13: ESG score by Bloomberg (cont.)

FY ending Dec 31	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Fuel used - crude oil/diesel	No	No	No	No	No	No	No	No
Waste reduction policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Hazardous waste	—	—	—	—	—	0	—	—
Total waste	—	—	—	—	—	0	—	0
Waste recycled	—	—	—	—	—	0	0	0
Waste sent to landfills	—	—	—	—	—	—	—	—
Environmental supply chain management	No	No	No	Yes	Yes	Yes	Yes	Yes
Water policy	No	No	No	Yes	Yes	Yes	Yes	Yes
Water consumption	—	—	—	—	—	—	—	—
Social								
Human rights policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Policy against child labor	No	No	No	No	No	Yes	Yes	Yes
Quality assurance and recall policy	No	No	No	No	No	No	No	No
Consumer data protection policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Equal opportunity policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Gender pay gap breakout	No	No	No	No	No	No	No	No
Pct women in workforce	63	63	64	65	66	65	66	66
Pct disabled in workforce	—	—	—	—	—	1	1	1
Business ethics policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Anti-bribery ethics policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Health and safety policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Lost time incident rate - employees	—	—	—	0	0	0	0	0
Total recordable incident rate - employees	—	—	—	0	0	0	0	0
Training policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Fair remuneration policy	No	No	No	No	No	Yes	Yes	Yes
Number of employees – CSR	1,489	1,804	1,741	1,763	1,778	1,744	1,705	1,695
Employee turnover pct	—	—	—	—	14	9	10	17
Total hours spent by firm - employee training	47,082	50,425	56,709	39,980	72,732	83,151	99,420	108,744
Social supply chain management	No	No	No	Yes	Yes	Yes	Yes	Yes
Governance								
Board size	8	8	8	8	8	8	8	8
No. of independent directors (ID)	3	4	4	4	4	4	4	5
No. of women on board	4	2	2	2	2	2	2	1
No. of non-executive directors on board	7	7	7	7	7	7	7	7
Company conducts board evaluations	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
No. of board meetings for the year	13	12	12	13	15	16	19	15
Board meeting attendance pct	96	92	96	96	87	95	96	98
Board duration (years)	3	3	3	3	3	3	3	3
Director share ownership guidelines	No	No	No	No	No	No	No	No
Age of the youngest director	33	34	35	43	44	39	40	40
Age of the oldest director	63	64	65	66	65	66	67	68
No. of executives / company managers	15	13	13	14	10	11	13	12
No. of female executives	6	5	5	3	3	3	5	5
Executive share ownership guidelines	No	No	No	No	No	No	No	No
Size of audit committee	3	3	3	3	3	3	3	3
No. of ID on audit committee	3	3	3	3	3	3	3	3
Audit committee meetings	7	6	8	12	11	11	12	13
Audit meeting attendance %	90	89	87	89	88	100	97	85
Size of compensation committee	3	3	3	3	3	3	3	3
No. of ID on compensation committee	1	1	1	1	1	1	1	2
No. of compensation committee meetings	6	7	9	8	10	7	7	8
Compensation meeting attendance %	89	92	100	100	86	100	94	96
Size of nomination committee	3	3	3	3	3	3	3	3
No. of nomination committee meetings	6	7	9	8	10	7	7	8
Nomination meeting attendance %	89	92	100	100	86	100	94	96
Sustainability governance								
Verification type	No	No	No	No	No	No	No	No

Sources: Bloomberg; FSSIA's compilation

Disclaimer for ESG scoring

ESG score	Methodology	Rating										
The Dow Jones Sustainability Indices (DJSI) By S&P Global	The DJSI World applies a transparent, rules-based component selection process based on the companies' Total Sustainability Scores resulting from the annual S&P Global Corporate Sustainability Assessment (CSA). Only the top-ranked companies within each industry are selected for inclusion.	Be a member and invited to the annual S&P Global Corporate Sustainability Assessment (CSA) for DJSI. Companies with an S&P Global ESG Score of less than 45% of the S&P Global ESG Score of the highest scoring company are disqualified. The constituents of the DJSI indices are selected from the Eligible Universe.										
Sustainability Investment List (THSI) by The Stock Exchange of Thailand (SET)	THSI quantifies responsibility in Environmental and Social issues by managing business with transparency in Governance, updated annually. Candidates must pass the preemptive criteria, with two crucial conditions: 1) no irregular trading of the board members and executives; and 2) free float of >150 shareholders, and combined holding must be >15% of paid-up capital. Some key disqualifying criteria include: 1) CG score of below 70%; 2) independent directors and free float violation; 3) executives' wrongdoing related to CG, social & environmental impacts; 4) equity in negative territory; and 5) earnings in red for > 3 years in the last 5 years.	To be eligible for THSI inclusion , verified data must be scored at a minimum of 50% for each indicator, unless the company is a part of DJSI during the assessment year. The scoring will be fairly weighted against the nature of the relevant industry and materiality. SETTHSI Index is extended from the THSI companies whose 1) market capitalization > THB5b (~USD150b); 2) free float >20%; and 3) liquidity >0.5% of paid-up capital for at least 9 out of 12 months. The SETTHSI Index is a market capitalisation-weighted index, cap 5% quarterly weight at maximum, and no cap for number of stocks.										
CG Score by Thai Institute of Directors Association (Thai IOD)	An indicator of CG strength in sustainable development, measured annually by the Thai IOD, with support from the Stock Exchange of Thailand (SET). The results are from the perspective of a third party, not an evaluation of operations.	Scores are rated in six categories: 5 for Excellent (90-100), 4 for Very Good (80-89), 3 for Good (70-79), 2 for Fair (60-69), 1 for Pass (60-69), and not rated for scores below 50. Weightings include: 1) the rights; 2) and equitable treatment of shareholders (weight 25% combined); 3) the role of stakeholders (25%); 4) disclosure & transparency (15%); and 5) board responsibilities (35%).										
AGM level By Thai Investors Association (TIA) with support from the SEC	It quantifies the extent to which shareholders' rights and equitable treatment are incorporated into business operations and information is transparent and sufficiently disclosed. All form important elements of two out of five the CG components to be evaluated annually. The assessment criteria cover AGM procedures before the meeting (45%), at the meeting date (45%), and after the meeting (10%). <i>(The first assesses 1) advance circulation of sufficient information for voting; and 2) facilitating how voting rights can be exercised. The second assesses 1) the ease of attending meetings; 2) transparency and verifiability; and 3) openness for Q&A. The third involves the meeting minutes that should contain discussion issues, resolutions and voting results.)</i>	The scores are classified into four categories: 5 for Excellent (100), 4 for Very Good (90-99), 3 for Fair (80-89), and not rated for scores below 79.										
Thai CAC By Thai Private Sector Collective Action Against Corruption (CAC)	The core elements of the Checklist include corruption risk assessment, establishment of key controls, and the monitoring and developing of policies. The Certification is good for three years. <i>(Companies deciding to become a CAC certified member start by submitting a Declaration of Intent to kick off an 18-month deadline to submit the CAC Checklist for Certification, including risk assessment, in place of policy and control, training of managers and employees, establishment of whistleblowing channels, and communication of policies to all stakeholders.)</i>	The document will be reviewed by a committee of nine professionals. A passed Checklist will move for granting certification by the CAC Council approvals whose members are twelve highly respected individuals in professionalism and ethical achievements.										
Morningstar Sustainalytics	The Sustainalytics' ESG risk rating provides an overall company score based on an assessment of how much of a company's exposure to ESG risk is unmanaged. <i>Sources to be reviewed include corporate publications and regulatory filings, news and other media, NGO reports/websites, multi-sector information, company feedback, ESG controversies, issuer feedback on draft ESG reports, and quality & peer reviews.</i>	A company's ESG risk rating score is the sum of unmanaged risk. The more risk is unmanaged, the higher ESG risk is scored. <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>NEGL</th> <th>Low</th> <th>Medium</th> <th>High</th> <th>Severe</th> </tr> </thead> <tbody> <tr> <td>0-10</td> <td>10-20</td> <td>20-30</td> <td>30-40</td> <td>40+</td> </tr> </tbody> </table>	NEGL	Low	Medium	High	Severe	0-10	10-20	20-30	30-40	40+
NEGL	Low	Medium	High	Severe								
0-10	10-20	20-30	30-40	40+								
ESG Book	The ESG score identifies sustainable companies that are better positioned to outperform over the long term. The methodology considers the principle of financial materiality including information that significantly helps explain future risk-adjusted performance. Materiality is applied by over-weighting features with higher materiality and rebalancing these weights on a rolling quarterly basis.	The total ESG score is calculated as a weighted sum of the features scores using materiality-based weights. The score is scaled between 0 and 100 with higher scores indicating better performance.										
MSCI	MSCI ESG ratings aim to measure a company's management of financially relevant ESG risks and opportunities. It uses a rules-based methodology to identify industry leaders and laggards according to their exposure to ESG risks and how well they manage those risks relative to peers. <table border="0" style="margin-left: 20px;"> <tr> <td style="vertical-align: top;"> AAA 8.571-10.000 AA 7.143-8.570 A 5.714-7.142 BBB 4.286-5.713 BB 2.857-4.285 B 1.429-2.856 CCC 0.000-1.428 </td> <td style="vertical-align: top; padding-left: 10px;"> Leader: leading its industry in managing the most significant ESG risks and opportunities Average: a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers Laggard: lagging its industry based on its high exposure and failure to manage significant ESG risks </td> </tr> </table>	AAA 8.571-10.000 AA 7.143-8.570 A 5.714-7.142 BBB 4.286-5.713 BB 2.857-4.285 B 1.429-2.856 CCC 0.000-1.428	Leader: leading its industry in managing the most significant ESG risks and opportunities Average: a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers Laggard: lagging its industry based on its high exposure and failure to manage significant ESG risks									
AAA 8.571-10.000 AA 7.143-8.570 A 5.714-7.142 BBB 4.286-5.713 BB 2.857-4.285 B 1.429-2.856 CCC 0.000-1.428	Leader: leading its industry in managing the most significant ESG risks and opportunities Average: a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers Laggard: lagging its industry based on its high exposure and failure to manage significant ESG risks											
Moody's ESG solutions	Moody's assesses the degree to which companies take into account ESG objectives in the definition and implementation of their strategy policies. It believes that a company integrating ESG factors into its business model and relatively outperforming its peers is better positioned to mitigate risks and create sustainable value for shareholders over the medium to long term.											
Refinitiv ESG rating	Designed to transparently and objectively measure a company's relative ESG performance, commitment and effectiveness across 10 main themes, based on publicly available and auditable data. The score ranges from 0 to 100 on relative ESG performance and insufficient degree of transparency in reporting material ESG data publicly. <i>(Score ratings are 0 to 25 = poor; >25 to 50 = satisfactory; >50 to 75 = good; and >75 to 100 = excellent.)</i>											
S&P Global	The S&P Global ESG Score is a relative score measuring a company's performance on and management of ESG risks, opportunities, and impacts compared to its peers within the same industry classification. The score ranges from 0 to 100.											
Bloomberg	ESG Score	Bloomberg score evaluating the company's aggregated Environmental, Social and Governance (ESG) performance. The score is based on Bloomberg's view of ESG financial materiality. The score is a weighted generalized mean (power mean) of Pillar Scores, where the weights are determined by the pillar priority ranking. Values range from 0 to 10; 10 is the best.										
Bloomberg	ESG Disclosure Score	Disclosure of a company's ESG used for Bloomberg ESG score. The score ranges from 0 for none to 100 for disclosure of every data point, measuring the amount of ESG data reported publicly, and not the performance on any data point.										

Rating regarding the sustainable development of Thai listed companies, both on the SET and MAI, are publicly available on the website of the Securities and Exchange Commission of Thailand (SEC). Currently, ratings available are 1) "CG Score"; 2) "AGM Level"; 3) "Thai CAC"; and 4) THSI. The ratings are updated on an annual basis. FSSIA does not confirm nor certify the accuracy of such ratings.

Source: FSSIA's compilation

GENERAL DISCLAIMER

ANALYST(S) CERTIFICATION

Usanee Liurut, CISA FSS International Investment Advisory Securities Co., Ltd

The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s) was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed herein.

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Company	Ticker	Price	Rating	Valuation & Risks
Krungthai Card	KTC TB	THB 46.00	HOLD	Downside risks are 1) regulatory actions to curb industry growth; 2) a higher-than-expected policy rate; and 3) a deterioration in asset quality. Upside risks are 1) better-than-estimated economic improvement; 2) stronger-than-estimated improvement in the overall asset quality; and 3) less pressure from the market yield and cost of funds.
Krung Thai Bank	KTB TB	THB 17.10	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 164.50	HOLD	Downside risks are: 1) regulatory actions to curb industry growth; 2) a higher-than-expected policy rate; and 3) deteriorating asset quality. Upside risks are: 1) better-than-estimated economic improvement; 2) stronger-than-estimated improvement in the overall asset quality; and 3) less pressure from the market yield and cost of funds.
Muangthai Capital	MTC TB	THB 44.00	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. Upside risks are 1) a positive development of asset quality which could bring down its credit costs and 2) a decreasing market interest rate which could alleviate its cost of funds burden.
Srisawad Corp	SAWAD TB	THB 41.00	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. Upside risks include 1) a faster-than-expected decline in losses on sales of repossessed cars for SCAP; and 2) an interest rate downtrend could push its interest spread.
JMT Network Services	JMT TB	THB 23.00	HOLD	Downside risks to our P/BV-based TP include 1) lower cash collection from both debt management and debt tracking collection services; and 2) higher-than-expected funding costs and operating expenses. Upside risks includes 1) better-than-expected purchasing power and cash collection 2) lower-than-expected operating and financing expense
Ngern Tid Lor	TIDLOR TB	THB 21.40	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 X); 2) further weakening asset quality could potentially hit both loan yield and credit cost; and 3) tighter supervision from related regulators.
Bangkok Commercial Asset Mngt.	BAM TB	THB 9.90	HOLD	Downside risks to our NAV-based TP include 1) lower cash collection than estimated; 2) lower-than-expected bad debt acquisition; and 3) a slowdown in the property market. Upsides include 1) better-than-expected economic conditions and debt repayment momentum; and 2) an acceleration in the demand for NPAs.
Chayo Group	CHAYO TB	THB 4.86	BUY	Downside risks to our GGM-based TP include 1) lower-than-expected bad debt acquisition; and 2) higher-than-expected operating expenses.

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.

All share prices are as at market close on 11-Apr-2024 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.