

## TMBThanachart Bank Pcl (TTB TB) - HOLD, Price Bt1.14, TP Bt1.10 | Results Comment

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## Better-than-expected results

- TTB reported higher-than-expected profits of Bt2.36bn due to lower operating and provisioning expenses. Since the remaining integration costs will be booked in 4Q21, we see marginal upside to our earnings forecast for 2021. Maintain HOLD.
- Loan contractions were from corporate and auto-HP loans. Q-Q recovery was due growth small SME loans. Growing liquidity leveraging with LDR of over 100% is part of TTB's balance sheet optimization plan to sustain margin. NIM held up quite well at 2.88%.
- Fee income fell 14% y-y on lower mutual fund fees. The q-q improvement of 3% was driven across all product segments.
- As corporate and small-SME customers have exited from the forbearance program in a much larger portion than a rise of forbearance retail loans, the bank's total forbearance loans fell to 12% of total from 14%.
- With heavy write-off albeit slower sales, NPLs rose 2% q-q to 2.98% of total loans. But provisions have come down due to lesser impact of lockdown and decent management overlay provisions.

Income Statement (consolidated)						Income Statement 9M as					
Yr-end Dec (Bt m)	3Q20	4Q20	1Q21	2Q21	3Q21	(Bt m)	q-q%	y-y%	% 2021F	2021F	2022F
Interest & dividend income	17,475	17,244	16,350	16,064	15,836	Interest & dividend income	(1)	(9)	75	64,695	65,366
Interest expense	4,248	3,725	3,478	3,281	3,259	Interest expense	(1)	(23)	77	13,058	12,918
<b>Net interest income</b>	<b>13,227</b>	<b>13,519</b>	<b>12,872</b>	<b>12,782</b>	<b>12,577</b>	<b>Net interest income</b>	<b>(2)</b>	<b>(5)</b>	<b>74</b>	<b>51,637</b>	<b>52,448</b>
Non-interest income	2,907	4,231	3,879	3,005	2,990	Non-interest income	(1)	3	73	13,472	14,021
Total income	16,134	17,750	16,751	15,788	15,567	Total income	(1)	(4)	74	65,109	66,469
Operating expense	7,429	8,086	7,928	7,402	7,268	Operating expense	(2)	(2)	73	31,010	29,392
<b>Pre-provisioning profit</b>	<b>8,705</b>	<b>9,663</b>	<b>8,823</b>	<b>8,386</b>	<b>8,299</b>	<b>Pre-provisioning profit</b>	<b>(1)</b>	<b>(5)</b>	<b>75</b>	<b>34,099</b>	<b>37,077</b>
Provision for bad&doubtful debt	6,863	8,237	5,480	5,491	5,527	Provision for bad&doubtful debt	1	(19)	72	22,965	23,645
Profit before tax	1,842	1,427	3,343	2,895	2,773	Profit before tax	(4)	51	81	11,135	13,433
Tax	301	258	653	472	509	Tax	8	69	73	2,227	2,687
Profit after tax	1,542	1,169	2,690	2,423	2,264	Profit after tax	(7)	47	83	8,908	10,746
Equity income	78	66	93	112	96	Equity income	(15)	23	75	400	-
Minority interests	(0)	(1)	(1)	(1)	(1)	Minority interests	neg	neg	65	(4)	(4)
Extra items	-	-	-	-	-	Extra items	neg	neg	-	-	-
<b>Net profit</b>	<b>1,619</b>	<b>1,235</b>	<b>2,782</b>	<b>2,534</b>	<b>2,359</b>	<b>Net profit</b>	<b>(7)</b>	<b>46</b>	<b>82</b>	<b>9,304</b>	<b>10,742</b>
<b>Normalized profit</b>	<b>1,619</b>	<b>1,235</b>	<b>2,782</b>	<b>2,534</b>	<b>2,359</b>	<b>Normalized profit</b>	<b>(7)</b>	<b>46</b>	<b>82</b>	<b>9,304</b>	<b>10,742</b>
PPP/share (Bt)	0.1	0.1	0.1	0.1	0.1	PPP/share (Bt)	(1)	(5)	75	0.4	0.4
EPS (Bt)	0.0	0.0	0.0	0.0	0.0	EPS (Bt)	(7)	46	82	0.1	0.1
Norm EPS (Bt)	0.0	0.0	0.0	0.0	0.0	Norm EPS (Bt)	(7)	46	82	0.1	0.1
BV/share (Bt)	2.1	2.1	2.2	2.1	2.2	BV/share (Bt)	1	2	2	2.2	2.2

Balance Sheet (consolidated)						Financial Ratios (%)					
Yr-end Dec (Bt m)	3Q20	4Q20	1Q21	2Q21	3Q21		3Q20	4Q20	1Q21	2Q21	3Q21
Cash and Interbank	251,460	233,128	231,866	185,736	168,533	Gross loan grow th (YTD)	(2.1)	0.1	(0.9)	(2.5)	(2.4)
Other liquid items	-	-	-	-	-	Gross loan grow th (q-q)	(1.4)	2.2	(0.9)	(1.6)	0.1
Total liquid items	251,460	233,128	231,866	185,736	168,533	Deposit grow th (YTD)	0.6	(1.8)	0.8	(3.6)	(3.5)
Gross loans and accrued interest	1,372,371	1,400,447	1,387,356	1,365,896	1,366,686	Deposit grow th (q-q)	(2.5)	(2.3)	0.8	(4.3)	0.1
Provisions	48,371	51,967	53,800	54,419	53,923	Non-interest income (y-y)	(34.1)	19.9	(4.0)	(12.8)	2.9
Net loans	1,324,000	1,348,480	1,333,555	1,311,477	1,312,762	Non-interest income (q-q)	(15.6)	45.6	(8.3)	(22.5)	(0.5)
Fixed assets	29,856	30,076	29,145	28,446	27,865	Fee income / Operating income	16.3	16.7	18.1	13.9	14.5
Other assets	79,264	62,297	58,713	59,983	80,954	Cost-to-income	46.0	45.6	47.3	46.9	46.7
<b>Total assets</b>	<b>1,840,853</b>	<b>1,808,332</b>	<b>1,794,473</b>	<b>1,748,473</b>	<b>1,750,039</b>	Net interest margin	2.83	2.96	2.86	2.89	2.88
Deposits	1,406,434	1,373,408	1,383,733	1,324,159	1,325,187	Credit cost	2.01	2.37	1.59	1.62	1.63
Interbank	71,961	75,909	65,484	80,730	73,308	ROE	3.2	2.4	5.4	4.9	4.6
Other liquid items	4,354	3,895	5,749	5,564	5,380	Loan-to-deposit	96.9	101.4	99.7	102.6	102.6
Total liquid items	1,482,749	1,453,211	1,454,966	1,410,453	1,403,874	Loan-to-deposit + S-T borrow ing	96.9	101.4	99.7	102.6	102.6
Borrow ings	96,033	88,965	74,354	75,516	82,830	NPLs (Bt m)	36,747	39,594	43,400	43,543	44,411
Other liabilities	59,143	61,406	57,573	56,644	55,445	NPL increase	(2,058)	2,847	3,806	143	868
Minority interest	36	37	38	39	18	NPL ratio	2.33	2.50	2.75	2.89	2.98
<b>Shareholders' equity</b>	<b>202,891</b>	<b>204,713</b>	<b>207,542</b>	<b>205,821</b>	<b>207,872</b>	Loan-loss-coverage ratio	131.6	131.2	124.0	125.0	121.4
<b>Total Liabilities &amp; Equity</b>	<b>1,840,853</b>	<b>1,808,332</b>	<b>1,794,473</b>	<b>1,748,473</b>	<b>1,750,039</b>	CAR - total	19.2	19.6	19.5	19.6	19.7

Sources: Company data, Thanachart estimates

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