BUY (From: HOLD)	**TP: Bt 1.50** (From: Bt 1.30)	**28 APRIL 2022**
Change in Recommendation	**Upside : 16.3%**	

TMBThanachart Bank (TTB TB)

Stronger bottom-up drivers

TTB is now a BUY as we see its share price underperformance YTD as unjustified given stronger earnings recovery and ROE improvement. In light of greater synergistic cost savings and lower provisions, we project a higher three-year EPS CAGR of 17% and lift our TP to Bt1.5.

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Thanachart Securities

Greater synergistic benefits

Pre-entire business transfer (EBT) completion, TTB expected to realize up to Bt20bn in synergy value by 2024. In light of faster digital adoption, limited marketing activities and low interest rates over the past two years, the bank has been able to secure cost and balance sheet synergies ahead of plan. Around 90% of the preliminary estimated synergy value had already been realized up to 1Q22. With ongoing branch optimization, headcount rationalization, and marketing synergies, further cost reductions are underway. TTB closed 274 branches in 2020-21 and it is looking to close another 70-80 branches in 2022.

A balanced-growth approach

Using the synergy value windfall to tackle the COVID impact on asset quality, TTB proactively resolved NPLs and has barely utilized the BoT's loan staging relaxation rules. The bank has continued de-risking its loan portfolio by using corporate loans as a liquidity gap fill and reducing exposure to SMEs significantly. TTB is keen to grow retail loans in the mid-income customer segment. We see its balanced-growth strategy leading to moderate loan growth at an acceptable yield and low-risk costs. TTB is the 2nd and the 4th largest auto-HP and mortgage bank, having loan market shares of 27% and 12% respectively in 2021.

Lifting our earnings by 6% over 2022-24F

In light of TTB's strong 1Q22 results, we raise our earnings by 6% this year, 8% in 2023F and 5% in 2024. The upgrades reflect lower opex and provisioning expenses. We expect a higher three-year EPS CAGR of 17% (from 15% previously) over those years and key growth drivers are 1) retail loans rising by 4-5%, 2) credit costs falling to 1.45/1.3/1.25%, and cost-to-income ratio declining from 47.9% in 2021 to 45.2% in 2022F, 43.7% in 2023F and 42% in 2024F. Due to falling SME loans and a transition of mutual fund sales to more of a recurring advisory service, we expect another 8% decline in net fee income in 2022F.

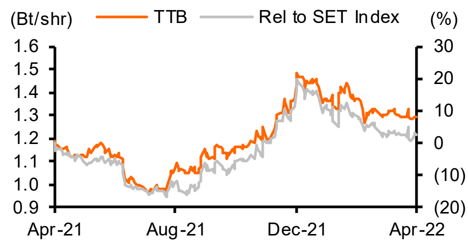
Upgrading to BUY with a higher TP of Bt1.5

TTB's share price is down 12% YTD, underperforming the sector by 5%. Valuation looks undemanding to us, trading at a 15%-plus discount to its five-year average P/BV and PE of 0.8x and 11.7x. We see 16% potential upside to our new TP of Bt1.5 and upgrade TTB to BUY from Hold. 1) Thanks to greater synergistic cost savings and lower provisions, TTB is better equipped with stronger bottom-up drivers and we expect it to post stronger earnings growth of 21% this year and 15% in 2023F. 2) TTB's modified loans have fallen nicely to 13% of the total from 20% in 2020, with 77% on light restructuring terms. This limits future provisioning upside risks. 3) We see growth potential in unsecured lending and the planned spin-off of TTB consumer.

COMPANY VALUATION

Y/E Dec (Bt m)	2021A	2022F	2023F	2024F
Pre Provision Profit	33,972	35,459	36,771	39,221
Net profit	10,474	12,619	14,515	16,579
Consensus NP	—	12,305	14,301	16,307
Diff frm cons (%)	—	*2.6*	*1.5*	*1.7*
Norm profit	10,474	12,619	14,515	16,579
Prev. Norm profit	—	11,963	13,433	15,767
Chg frm prev (%)	—	*5.5*	*8.1*	*5.2*
Norm EPS (Bt)	0.1	0.1	0.2	0.2
Norm EPS grw (%)	3.6	20.5	15.0	14.2
Norm PE (x)	11.9	9.9	8.6	7.5
P/BV (x)	0.6	0.6	0.5	0.5
Div yield (%)	2.9	4.0	4.7	6.7
ROE (%)	5.0	5.9	6.5	7.1
ROA (%)	0.6	0.7	0.8	0.9

PRICE PERFORMANCE



COMPANY INFORMATION

Price: *as of* 28-Apr-22 (Bt)	1.29
Market Cap (US$ m)	3,617
Listed Shares (m shares)	96,622.9
Free Float (%)	34.2
Avg. Daily Turnover (US$ m)	19.9
12M Price H/L (Bt)	1.48/0.96
Sector	BANK
Major Shareholder	ING Bank N.V. 22.97%

Sources: Bloomberg, Company data, Thanachart estimates

Note: Thanachart Capital Public Company Limited (TCAP), TMBThanachart Bank Public Company Limited (TTB), are related companies to Thanachart Securities Public Company Limited (TNS). Thanachart Securities Pcl is a subsidiary of Thanachart Capital Pcl (TCAP) which holds 23% of the shareholding in TMBThanachart Bank Pcl.

Raising our earnings by 6% on average over 2022-24F

We lift our earnings to reflect strong 1Q22 profits

TMBThanachart Bank Pcl's (TTB) 1Q22 profits came in stronger than our expectation. To reflect this, we raise our earnings by 6% this year, 8% in 2023F and 5% in 2024F. The upgrades reflect lower opex and provisioning expenses. Meanwhile, loan growth has been recovering as we had expected. This is particularly the case for retail lending, the segment which TTB is keen to grow. Fee income has been a bit of a letdown as the bank is in the process of adapting its business model to increase recurring fee income sources. Bancassurance fees have come down on lower credit life insurance sales as the bank is reducing its exposure to SME loans. Meanwhile, mutual fund fees have been hit by unfavorable market conditions. Assets under management have come down by 7.5% from Bt254.8bn in 4Q21 to Bt235.8bn in 1Q22. TTB is looking to increase the proportion of advisory fees via growing its TTB Smart Port asset allocation services. Assets under the advice of TTB Smart Port stood at Bt23.6bn as of 1Q22, rising from Bt22.3bn in 4Q21.

Ex 1: Earnings Revisions

	2020	2021	2022F	2023F	2024F
Net profits (Bt bn)					
- New	10.11	10.47	12.62	14.52	16.58
- Old			11.96	13.43	15.77
- Change (%)			*5.48*	*8.06*	*5.15*
Loan growth (%)					
- New	0.05	(1.48)	2.13	3.45	3.46
- Old			2.43	3.15	3.17
- Change (pp)			*(0.30)*	*0.29*	*0.30*
NIM (%)					
- New	2.93	2.86	2.86	2.75	2.74
- Old			2.91	2.86	2.92
- Change (pp)			*(0.04)*	*(0.11)*	*(0.18)*
Non-interest income (Bt bn)					
- New	15.18	14.19	13.64	14.53	15.32
- Old			14.68	15.34	16.03
- Change (%)			*(7.06)*	*(5.28)*	*(4.45)*
Credit costs (%)					
- New	1.78	1.57	1.45	1.30	1.25
- Old			1.50	1.35	1.30
- Change (pp)			*(0.05)*	*(0.05)*	*(0.05)*
Opex (Bt bn)					
- New	32.18	31.22	29.25	28.51	28.47
- Old			31.11	31.78	32.35
- Change (%)			*(5.97)*	*(10.29)*	*(11.98)*

Sources: Company data, Thanachart estimates

Post-upgrades, we raise our three-year EPS CAGR from 15% to 17%. We see the bank's growth trajectory being quite secure as most of its growth drivers are from bottom-up factors and a result of its balanced growth strategy.

Focus is on growing quality retail loans

1) **Higher retail loan growth of 4-5% over 2023-24F.** Prior to the merger, TMB was heavily exposed to SMEs while Thanachart Bank was the leading consumer bank. As SMEs had been undergoing a structural downturn even before the COVID-19 pandemic, TTB has been de-risking its loan portfolio. The bank lowered the proportion of SME loans from 39% in 2018 to 9% in 1Q22. It also sees corporate loans as being a means to fill its liquidity gap. The strategy is to grow retail loans in the mid-income customer segment. As the second- and fourth-largest auto-HP and mortgage bank, having loan market shares of 27% and 12% respectively in 2021, secured retail loans made up 52% of total loans. With improving car sales, auto HP loans have turned around since 4Q21. Growth in auto-HP loans and mortgage loans stood at over 1% q-q in 1Q22 and we bake in retail loan growth of 5% in 2022F and 4% in 2023-24F.

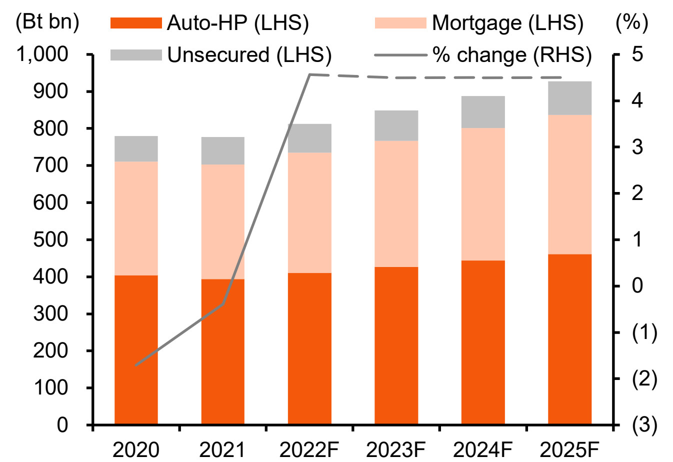
Larger synergy cost savings and still room for more

2) **Greater synergistic benefits.** Pre-entire business transfer (EBT) completion, TTB expected to realize up to Bt20bn in synergy value by 2024. In light of faster digital adoption, limited marketing activities and the low interest rate environment over the past two years, the bank has been able to capture cost and balance sheet synergies faster than planned. Around 90% of the preliminary estimated synergy value had already been realized up to 1Q22 and with ongoing branch optimization, headcount rationalization, and marketing synergies, further cost reductions are underway. The bank closed 274 branches in 2020-21 and it is looking to shut a further 70-80 branches out of a current 624 in 2022. With larger cost reductions, revenue synergies may come in below its expectation. But net-net it should still be accretive as we expect the cost-to-income ratio to drop from 47.9% in 2021 to 45.2% in 2022F, 43.7% in 2023F and 42% in 2024F.

Small portion of modified loans along with balanced growth strategy to limit provisioning upside risks

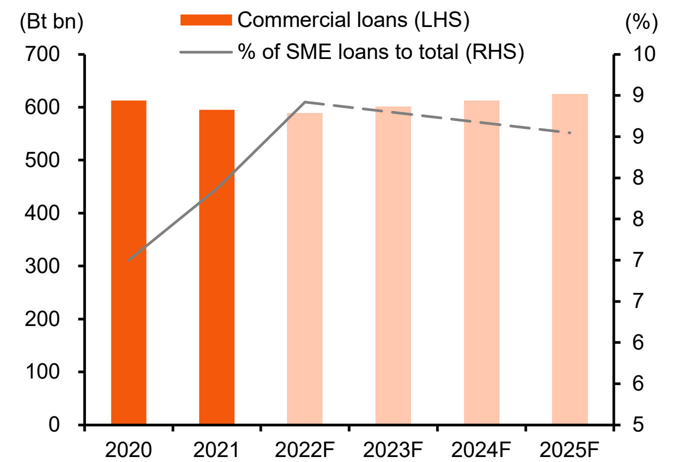
3) **Lower credit costs.** Undeniably, falling provisions are an industry trend. That said, we see TTB's path to normalized credit costs of below 1.2% as being quite firm and achievable by 2025. This is because the bank has utilized its synergy value windfall to tackle the COVID impact on asset quality. TTB has proactively resolved NPLs and has barely utilized the Bank of Thailand's (BoT) loan staging relaxation rules. The bank's modified loans have come down nicely to 13% of the total from 20% in 2020, with 77% on light restructuring terms. This should limit provisioning upside risk in the future. In addition, we see TTB's balanced-growth strategy leading to moderate loan growth with acceptable yield and low-risk costs.

Ex 2: Growing Retail Loans



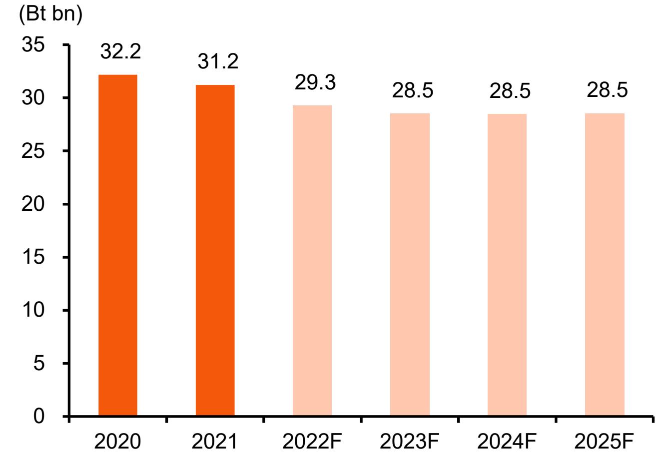
Sources: Company data; Thanachart estimates

Ex 3: Lower Exposure To Commercial Loans



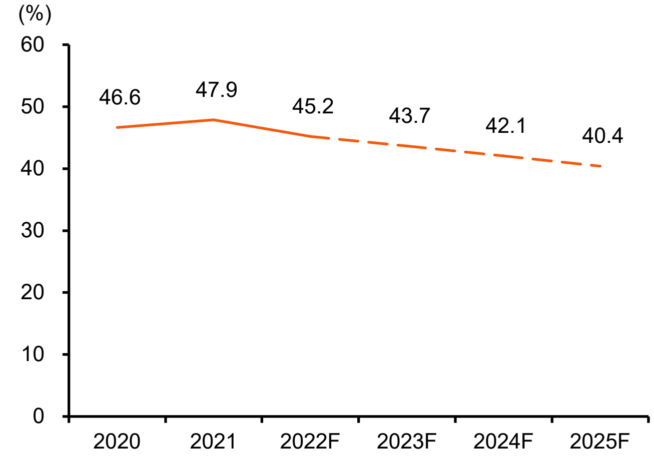
Sources: Company data; Thanachart estimates

Ex 4: Lower OPEX…



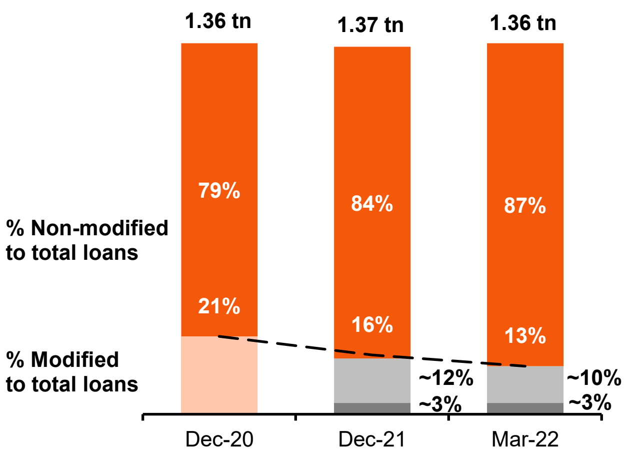
Sources: Company data; Thanachart estimates

Ex 5: …And Cost To Income Ratio



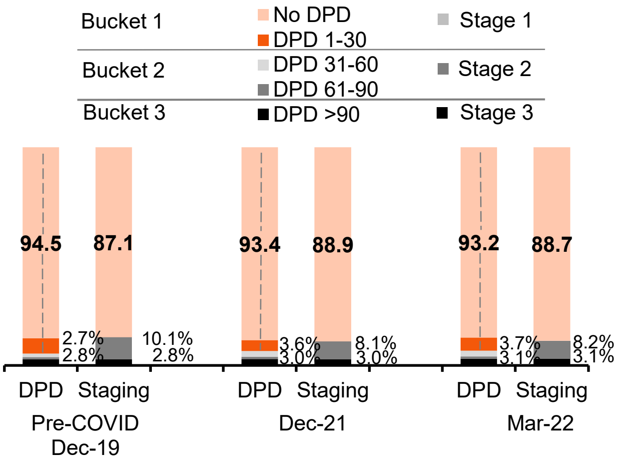
Sources: Company data; Thanachart estimates

Ex 6: Lower Portion Of Modified Loans



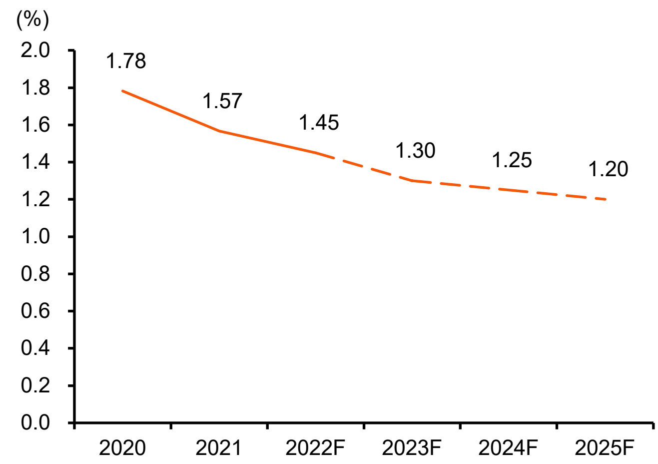
Sources: Company data; Thanachart estimates

Ex 7: Prudent Loan Staging



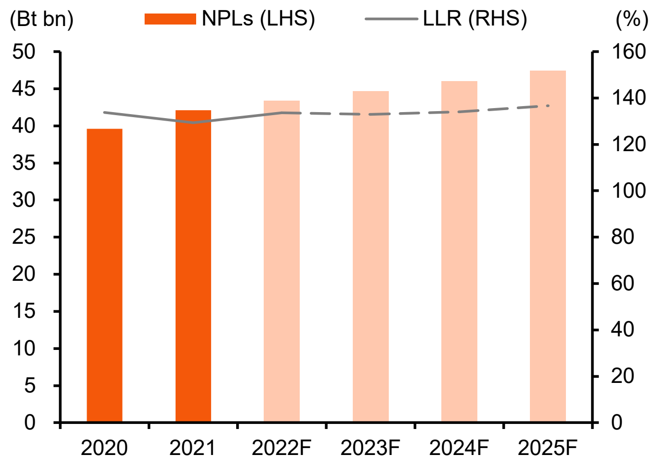
Sources: Company data; Thanachart estimates

Ex 8: Lower Credit Costs



Sources: Company data; Thanachart estimates

Ex 9: Manageable NPLs With Decent LLR



Sources: Company data; Thanachart estimates

Upgrading to BUY with a higher TP of Bt1.5

On the back of our earnings upgrades, we raise our DDM-based 12-month TP, using a 2022F base year, to Bt1.5 from Bt1.3 previously.

Ex 10: 12-month DDM-based TP Calculation, Using A Base Year Of 2022F

(Bt m)	2022F	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	Terminal Value
Dividend of common shares	3,672	5,047	5,806	8,289	11,381	15,690	19,698	21,545	29,728	32,356	35,159	35,159
Dividend of preferred shares	—	—	—	—	—	—	—	—	—	—	—	—
Dividend payment	3,672	5,047	5,806	8,289	11,381	15,690	19,698	21,545	29,728	32,356	35,159	301,364

Risk-free rate (%)	2.5
Market risk premium (%)	8.0
Beta	1.3
WACC (%)	12.9
Cost of equity (%)	12.9
Terminal growth (%)	2.0
Equity value	144,846
No. of shares (m)	96,623
Equity value / share (Bt)	**1.50**

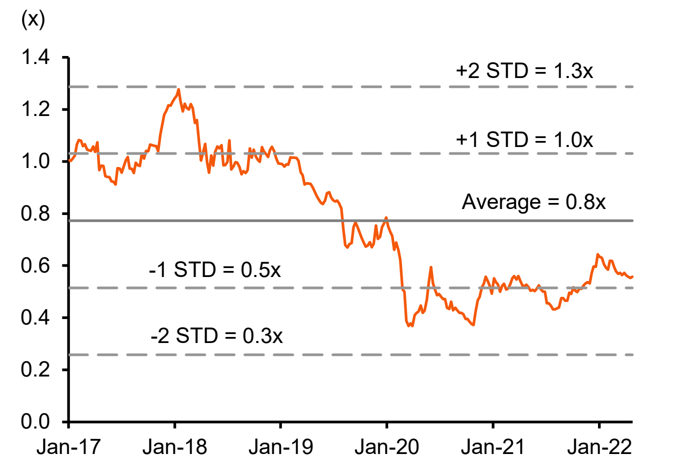
Sources: Company data, Thanachart estimates

We upgrade TTB to BUY from Hold as we see potential 16% share price upside from the following factors:

Undemanding valuation, in our view

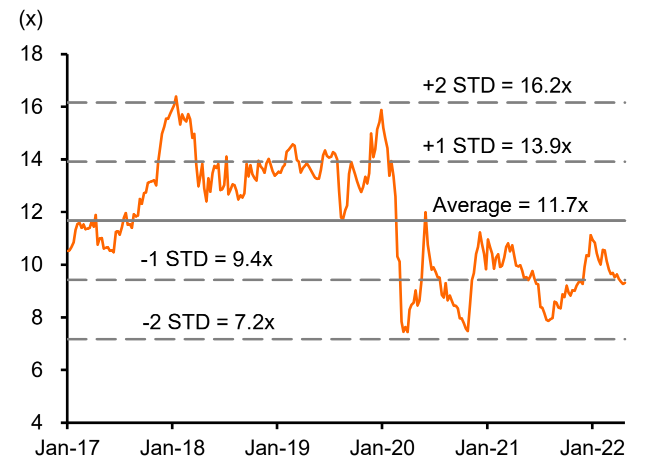
First, TTB's share price has fallen by 12% and underperformed the banking sector by 5% YTD. TTB's valuation looks undemanding to us, trading at a 15%-plus discount to its past-five-year average P/BV and PE of 0.8x and 11.7x, respectively.

Ex 11: STD – P/BV



Sources: Bloomberg, Thanachart estimates

Ex 12: STD – PE

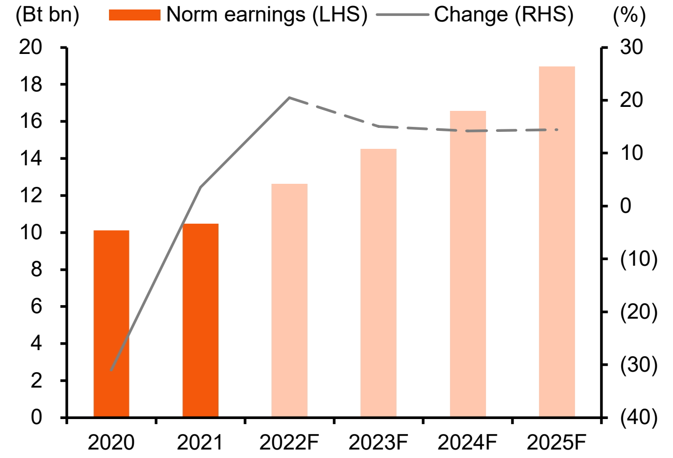


Sources: Bloomberg, Thanachart estimates

Stronger bottom-up drivers

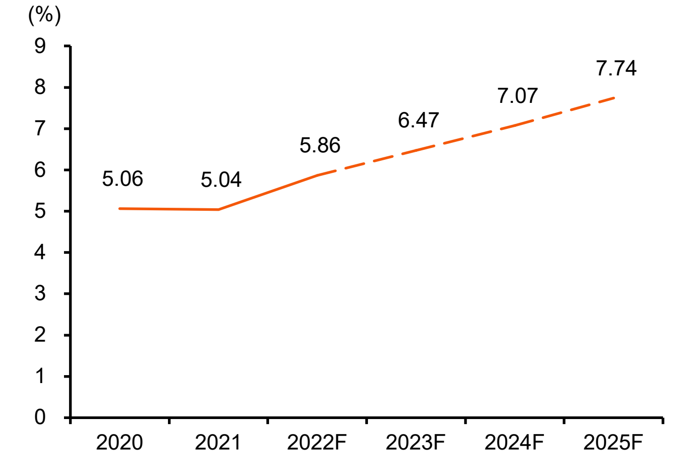
Second, thanks to greater synergistic cost savings and lower provisions, TTB is better equipped with stronger bottom-up drivers and we expect it to post stronger earnings growth of 21% this year and 15% in 2023F. With proactive NPLs resolution, limited utilization of the BoT's loan staging relaxation rules and its balanced growth strategy, we foresee limited provisioning upside risks. We also expect the bank's ROE to improve from 5% in 2021 to 5.9% in 2022F, 6.5% in 2023F and 7% in 2024F. Our new TP of Bt1.5 implies a PBV of 0.66x in 2022F.

Ex 13: Better Earnings Growth



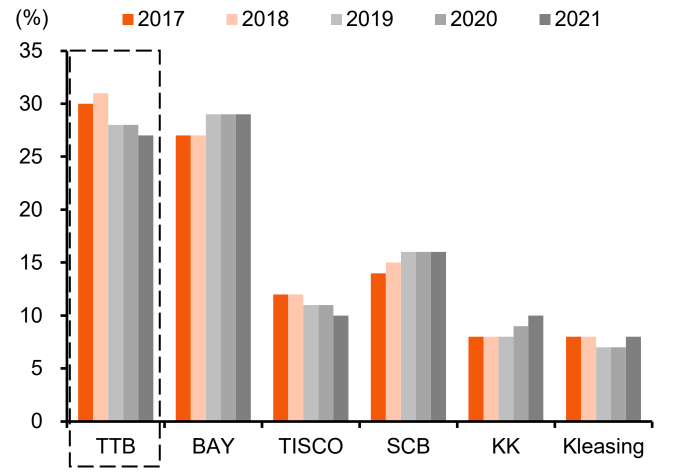
Sources: Company data; Thanachart estimates

Ex 14: Improving ROE



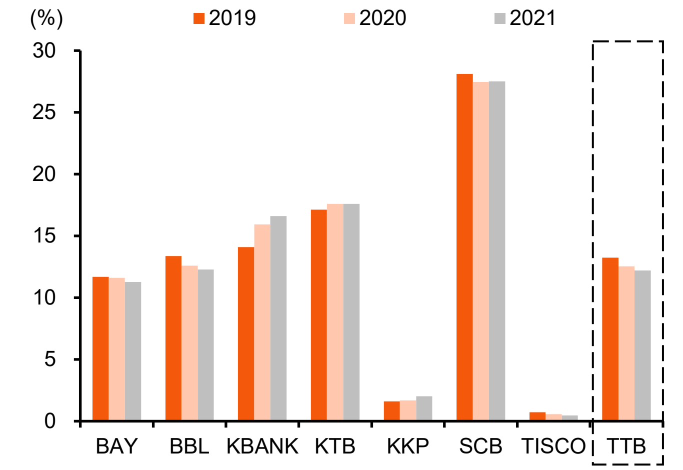
Sources: Company data; Thanachart estimates

Ex 15: Share Of Auto-HP Loans…



Sources: Company data; Thanachart estimates

Ex 16: …And Housing Loans



Sources: Company data; Thanachart estimates

Good growth potential of unsecured loans

Third, we see growth potential in unsecured and upside risk from the planned spin-off of TTB consumer in the future. Having gained a decent market share in secured retail loans, TTB is looking to gain its fair share of unsecured lending. The bank completed the set-up of TTB consumer in March 2022. TTB consumer's products are credit cards, cash cards and cash2go. The plan is for it to act as the bank's consumer lending arm with greater agility and a flexible business structure, growth strategy and direction. Some 80 employees have already been transferred to this new consumer lending company and it intends to increase this number to 800 in the future. TTB's credit card loans stood at Bt74bn as of last year. It is hoping to raise its share in unsecured lending from 7% in 2021 to be in the top 4 and spin off TTB consumer via an IPO in 2025.

TTB has been aggressive in promoting its credit card business. The bank offers credit cards with different features to capture a wide range of consumers. At the highest end, TTB Reserve is gaining decent traction with its rewards and promotions for the high-net-worth customer group. Looking to capture a turnaround in the travel spending category, TTB is launching TTB Absolute, which has no 2.5% FX rate charge and offers 2x reward points for online shopping.

Valuation Comparison

Ex 17: Valuation Comparison With Regional Peers

Name	BBG Code	Country	EPS growth 22F (%)	EPS growth 23F (%)	PE 22F (x)	PE 23F (x)	P/BV 22F (x)	P/BV 23F (x)	ROE 22F (%)	ROE 23F (%)	Div. Yield 22F (%)	Div. Yield 23F (%)
BOC Hong Kong Holdings	2388 HK	Hong Kong	15.9	28.7	11.5	8.9	1.0	0.9	8.6	10.6	4.5	5.7
Bank of East Asia	23 HK	Hong Kong	(12.0)	23.4	7.4	6.0	0.3	0.3	4.1	4.9	6.7	7.9
China Citic Bank Corp	998 HK	Hong Kong	6.2	9.5	3.5	3.2	0.3	0.3	10.4	10.5	7.7	8.4
Hang Seng Bank	11 HK	Hong Kong	12.1	32.2	17.2	13.0	1.5	1.4	9.1	11.4	4.1	5.1
Industrial & Commercial Bk	1398 HK	Hong Kong	5.1	7.0	4.8	4.4	0.5	0.5	11.5	11.3	6.4	6.9
Axis Bank	AXSB IN	India	60.8	41.9	20.0	14.1	na	na	11.8	14.7	1.4	2.0
ICICI Bank	ICICIBC IN	India	(12.2)	23.9	23.4	18.9	na	na	na	na	0.7	0.8
State Bank of India	SBIN IN	India	56.9	29.4	12.9	9.9	1.6	1.4	14.2	15.2	1.2	1.5
Bank Central Asia	BBCA IJ	Indonesia	15.4	13.6	27.6	24.3	4.5	4.1	16.8	17.4	1.8	2.1
Bank Danamon	BDMN IJ	Indonesia	65.9	15.9	9.2	7.9	0.5	0.5	6.0	6.7	2.8	na
Bank Internasional	BNII IJ	Indonesia	na	na	na	na	na	na	na	na	na	na
Bank Mandiri	BMRI IJ	Indonesia	20.6	14.4	12.3	10.8	1.9	1.7	15.5	16.2	4.5	5.2
Bank Pan	PNBN IJ	Indonesia	na	na	na	na	na	na	na	na	na	na
Bank Rakyat	BBRI IJ	Indonesia	20.7	18.1	17.0	14.4	2.3	2.2	14.1	15.5	3.7	4.4
Bank Negara	BBNI IJ	Indonesia	41.5	24.3	11.1	9.0	1.3	1.1	11.9	13.3	2.1	2.9
CIMB Group Holdings	CIMB MK	Malaysia	12.9	22.5	10.7	8.8	0.9	0.8	8.0	9.4	4.7	5.7
Hong Leong Bank	HLBK MK	Malaysia	8.5	17.5	13.9	11.8	1.4	1.3	10.4	11.3	2.7	3.1
Malayan Banking	MAY MK	Malaysia	2.9	17.3	12.6	10.7	1.2	1.2	9.5	10.9	6.2	7.1
Public Bank	PBKF MK	Malaysia	2.6	18.7	na	na	na	na	11.6	13.0	na	na
Industrial Bank of Korea	024110 KS	S Korea	8.8	4.3	3.6	3.4	0.3	0.3	9.0	8.8	7.0	7.5
DBS Group Holdings	DBS SP	Singapore	8.6	16.4	11.4	9.8	1.4	1.3	12.7	13.9	4.3	4.9
Oversea-Chinese Banking	OCBC SP	Singapore	10.7	15.9	10.1	8.7	1.0	0.9	10.0	11.0	4.8	5.5
United Overseas Bank	UOB SP	Singapore	11.9	19.9	11.3	9.4	1.2	1.1	10.5	11.9	4.4	5.1
Bank of Ayudhya	BAY TB*	Thailand	0.9	2.8	9.9	9.6	0.8	0.7	7.9	7.6	2.0	2.1
Bangkok Bank	BBL TB*	Thailand	14.1	10.5	8.3	7.5	0.5	0.5	6.0	6.3	3.6	4.0
KASIKORNBANK	KBANK TB*	Thailand	13.9	12.0	8.5	7.6	0.7	0.7	8.8	9.1	2.4	2.6
Kiatnakin Bank	KKP TB*	Thailand	9.2	16.8	8.9	7.6	1.1	1.0	13.0	13.9	4.5	5.3
Krung Thai Bank	KTB TB*	Thailand	26.7	11.6	7.8	7.0	0.6	0.5	7.4	7.8	3.1	3.4
SCB X	SCB TB*	Thailand	(2.9)	8.3	11.1	10.2	0.8	0.8	7.7	7.9	3.6	3.9
Tisco Financial Group	TISCO TB*	Thailand	5.1	1.3	11.2	11.0	1.9	1.8	17.1	16.8	7.6	7.7
TMBThanachart Bank	TTB TB*	Thailand	20.5	15.0	9.9	8.6	0.6	0.5	5.9	6.5	4.0	4.7
Average			**15.6**	**17.0**	**11.7**	**9.9**	**1.2**	**1.1**	**10.3**	**11.2**	**4.0**	**4.6**

Source: Bloomberg

Note: * Thanachart estimates , using Thanachart normalized EPS

Based on 28 Apr 2022 closing prices

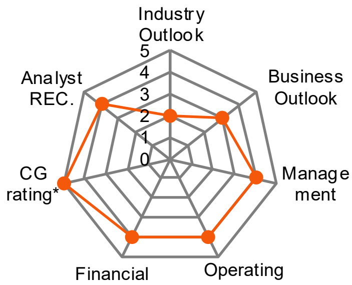
Note: Thanachart Capital Public Company Limited (TCAP), TMBThanachart Bank Public Company Limited (TTB), are related companies to Thanachart Securities Public Company Limited (TNS). Thanachart Securities Pcl is a subsidiary of Thanachart Capital Pcl (TCAP) which holds 23% of the shareholding in TMBThanachart Bank Pcl.

COMPANY DESCRIPTION

Founded in 1957. TMB Bank Public Company Limited (TMB) was one of the leading mid-sized commercial bank in Thailand. TMB merged with Thanachart Bank, and became the sixth-largest bank in Thailand in 2019. The merged bank TMBThanachart Bank (TTB) was launched after the Entire Business Transfer completed in 2020. Having successfully completed its integration mission on 5 July last year as planned. TTB became one of the Domestically Systemically Important Banks (D-SIBs) in Thailand in 2021.

Source: Thanachart

COMPANY RATING



Rating Scale	
Excellent	**5**
Good	**4**
Fair	**3**
Weak	**2**
Very Weak	**1**
None	**0**

Source: Thanachart; *CG Rating

THANACHART'S SWOT ANALYSIS

S — Strength

- Complete banking platform
- Product innovation.
- Know-how from its foreign partner ING.

W — Weakness

- With its largest exposure to auto-HP, loan growth heavily relies on domestic car sales and demand/supply dynamic and the automotive industry.

O — Opportunity

- Unsecured lending
- Ability to cross-sell and upsell income.
- Room to increase fee income.

T — Threat

- Global economic recession.
- New accounting standards and regulations.

CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	1.46	1.50	3%
Net profit 22F (Bt m)	12,305	12,619	3%
Net profit 23F (Bt m)	14,301	14,515	2%
Consensus REC	**BUY: 11**	**HOLD: 9**	**SELL: 5**

HOW ARE WE DIFFERENT FROM THE STREET?

- Our earnings and TP are higher than the Bloomberg consensus numbers, which we attribute to us being ahead of the Street in factoring in lower opex and credit costs.

Sources: Bloomberg consensus, Thanachart estimates

RISKS TO OUR INVESTMENT CASE

- Downside risk to our numbers and TP would materialize if the economy does not recover in line with our expectation.
- If TTB fails to execute its balanced growth model, this would lead to potential upside to our credit cost assumptions and hence, represent a secondary downside risk to our earnings.

Source: Thanachart

Cost optimization-driven growth

Moderate asset growth

INCOME STATEMENT

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
Interest and Dividend Income	72,321	64,239	64,099	67,309	69,893
Interest Expenses	18,515	13,240	13,031	16,559	17,522
Net Interest Income	**53,805**	**51,000**	**51,068**	**50,751**	**52,371**
% of total income	78.0%	78.2%	78.9%	77.7%	77.4%
Gain on Investment	678	182	200	200	200
Fee Income	11,348	11,248	10,341	10,991	11,682
Gain on Exchange	1,726	1,480	1,800	2,000	2,060
Others	1,426	1,281	1,300	1,339	1,379
Non-interest Income	**15,178**	**14,191**	**13,641**	**14,530**	**15,321**
% of total income	22.0%	21.8%	21.1%	22.3%	22.6%
Total Income	**68,983**	**65,191**	**64,709**	**65,281**	**67,693**
Operating Expenses	32,177	31,219	29,250	28,510	28,471
Pre-provisioning Profit	**36,806**	**33,972**	**35,459**	**36,771**	**39,221**
Provisions	24,831	21,514	20,321	18,847	18,750
Pre-tax Profit	**11,975**	**12,458**	**15,138**	**17,924**	**20,472**
Income Tax	2,223	2,327	2,876	3,406	3,890
After Tax Profit	9,752	10,131	12,262	14,518	16,582
Equity Income	363	346	360	0	0
Minority Interest	(3)	(3)	(3)	(3)	(3)
Extraordinary Items	0	0	0	0	0
NET PROFIT	**10,112**	**10,474**	**12,619**	**14,515**	**16,579**
Normalized Profit	**10,112**	**10,474**	**12,619**	**14,515**	**16,579**
EPS (Bt)	0.1	0.1	0.1	0.2	0.2
Normalized EPS (Bt)	0.1	0.1	0.1	0.2	0.2

BALANCE SHEET

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
ASSETS:					
Liquid Items	**233,128**	**174,884**	**201,000**	**219,000**	**230,000**
cash & cash equivalents	21,943	16,011	14,000	12,000	10,000
interbank & money market	211,185	158,873	187,000	207,000	220,000
Securities under resale agreeme	0	0	0	0	0
Investments	134,351	180,229	174,822	180,066	185,468
Net loans	**1,348,480**	**1,325,212**	**1,350,505**	**1,397,601**	**1,445,803**
Gross and accrued interest	1,401,458	1,379,684	1,408,481	1,457,026	1,507,479
Provisions for doubtful	52,978	54,472	57,976	59,425	61,675
Fixed assets - net	30,076	30,252	29,248	28,132	26,549
Other assets	62,297	48,604	52,000	53,560	55,167
Total assets	**1,808,332**	**1,759,181**	**1,807,574**	**1,878,359**	**1,942,988**
LIABILITIES:					
Liquid Items	**1,453,211**	**1,429,486**	**1,471,662**	**1,532,846**	**1,585,971**
Deposit	1,373,408	1,339,195	1,372,599	1,424,325	1,467,055
Interbank & money market	75,909	84,966	93,463	102,809	113,090
Liability payable on demand	3,895	5,325	5,600	5,712	5,826
Borrowings	88,965	68,398	68,127	67,776	68,019
Other liabilities	61,406	50,460	48,000	48,480	48,965
Total liabilities	**1,603,582**	**1,548,345**	**1,587,789**	**1,649,102**	**1,702,955**
Minority interest	37	1	4	7	10
Shareholders' equity	**204,713**	**210,835**	**219,782**	**229,249**	**240,022**
Preferred capital	-	-	-	-	-
Paid-in capital	91,589	91,792	91,792	91,792	91,792
Share premium	43,322	43,345	43,345	43,345	43,345
Surplus/ Others	5,798	5,172	5,172	5,172	5,172
Retained earnings	64,004	70,526	79,473	88,941	99,713
Liabilities & equity	**1,808,332**	**1,759,181**	**1,807,574**	**1,878,359**	**1,942,988**

Sources: Company data, Thanachart estimates

Undemanding valuation, in our view

VALUATION

FY ending Dec	2020A	2021A	2022F	2023F	2024F
Normlized PE (x)	12.3	11.9	9.9	8.6	7.5
Normalized PE - at target price (x)	14.3	13.8	11.5	10.0	8.7
PE (x)	12.3	11.9	9.9	8.6	7.5
PE - at target price (x)	14.3	13.8	11.5	10.0	8.7
P/PPP (x)	3.4	3.7	3.5	3.4	3.2
P/PPP - at target price (x)	3.9	4.3	4.1	3.9	3.7
P/BV (x)	0.6	0.6	0.6	0.5	0.5
P/BV - at target price (x)	0.7	0.7	0.7	0.6	0.6
Dividend yield (%)	3.5	2.9	4.0	4.7	6.7
Market cap / net loans (x)	0.1	0.1	0.1	0.1	0.1
Market cap / deposit (x)	0.1	0.1	0.1	0.1	0.1
(Bt)					
Normalized EPS	0.1	0.1	0.1	0.2	0.2
EPS	0.1	0.1	0.1	0.2	0.2
DPS	0.0	0.0	0.1	0.1	0.1
PPP/Share	0.4	0.4	0.4	0.4	0.4
BV/Share	2.1	2.2	2.3	2.4	2.5

Lower opex and credit costs

FINANCIAL RATIOS

FY ending Dec	2020A	2021A	2022F	2023F	2024F
Growth Rate (%)					
Net interest income (NII)	100.3	(5.2)	0.1	(0.6)	3.2
Non-interest income (Non-II)	20.2	(6.5)	(3.9)	6.5	5.4
Operating expenses	55.6	(3.0)	(6.3)	(2.5)	(0.1)
Pre-provisioning profit (PPP)	95.5	(7.7)	4.4	3.7	6.7
Net profit	40.0	3.6	20.5	15.0	14.2
Normalized profit growth	40.0	3.6	20.5	15.0	14.2
EPS	(31.0)	3.6	20.5	15.0	14.2
Normalized EPS	(31.0)	3.6	20.5	15.0	14.2
Dividend payout ratio	42.9	35.1	40.0	40.0	50.0
Loan - gross	0.1	(1.5)	2.1	3.4	3.5
Loan - net	(0.0)	(1.7)	1.9	3.5	3.4
Deposit	(1.8)	(2.5)	2.5	3.8	3.0
NPLs	4.9	6.4	3.0	3.0	3.0
Total assets	(2.7)	(2.7)	2.8	3.9	3.4
Total equity	5.1	3.0	4.2	4.3	4.7
Operating Ratios (%)					
Net interest margin (NIM)	2.9	2.9	2.9	2.8	2.7
Net interest spread	4.1	3.9	3.9	4.0	4.0
Yield on earnings assets	4.1	3.7	3.7	3.7	3.7
Avg cost of fund	1.2	0.9	0.9	1.1	1.1
NII / operating income	78.0	78.2	78.9	77.7	77.4
Non-II / operating income	22.0	21.8	21.1	22.3	22.6
Fee income / operating income	16.4	17.3	16.0	16.8	17.3
Normalized net margin	14.7	16.1	19.5	22.2	24.5
Cost-to-income	46.6	47.9	45.2	43.7	42.1
Credit cost - provision exp / loans	1.8	1.6	1.5	1.3	1.3
PPP / total assets	2.0	1.9	2.0	2.0	2.1
PPP / total equity	18.4	16.4	16.5	16.4	16.7
ROA	0.6	0.6	0.7	0.8	0.9
ROE	5.1	5.0	5.9	6.5	7.1

Sources: Company data, Thanachart estimates

Manageable NPLs with decent provisions cushion

FINANCIAL RATIOS

FY ending Dec	2020A	2021A	2022F	2023F	2024F
Liquidity and Quality Ratio (%)					
Loan-to-deposit	101.4	102.5	102.1	101.8	102.2
Loan-to-deposit & S-T borrow ing	101.4	102.5	102.1	101.8	102.2
Net loan / assets	74.6	75.3	74.7	74.4	74.4
Net loan / equity	658.7	628.6	614.5	609.6	602.4
Investment / assets	7.4	10.2	9.7	9.6	9.5
Deposit / liabilities	85.6	86.5	86.4	86.4	86.1
Liabilities / equity	783.3	734.4	722.4	719.3	709.5
Net interbank lender (Bt m)	135,276	73,907	93,537	104,191	106,910
Tier 1 CAR	15.5	15.3	14.6	14.8	15.1
Tier 2 CAR	4.1	4.0	3.9	3.7	3.6
Total CAR	19.6	19.3	18.5	18.5	18.7
NPLs (Bt m)	39,594	42,121	43,385	44,686	46,027
NPLs / Total loans (NPL Ratio)	2.8	3.1	3.1	3.1	3.1
Loan-Loss-Coverage	133.8	129.3	133.6	133.0	134.0

Sources: Company data, Thanachart estimates

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