TMBThanachart Bank Pcl (TTB TB) - BUY, Price Bt1.14, TP Bt1.50

Results Comment

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Strong results, in line

- TTB reported strong profits of Bt3.44bn, up 36% y-y and 8% q-q. 1H22 profits made up 53% of our full-year forecast. We maintain our forecast and re-iterate BUY.
- Key drivers were higher fees and lower provisions. Driven by banca and loans related fees, net fee grew 9% y-y and 8% q-q.
- Non-NII was still growing despite the bank realized one-time FX loss for Laos branch closure.
- Loans grew across all retail lending, led by mortgage, auto HP and unsecured.
- NIM contracted as the bank has expanded deposits to build long term funding base over rising interest rate trend and has parked excess liquidity in low-yield assets.
- In light of write off, NPL fell to 2.63% of total loans. Credit costs were down to 1.26% from 1.4% in 1Q22.
- Loan loss coverage ratio improved slight to 133% from 131% in 1Q22.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	**2Q21**	**3Q21**	**4Q21**	**1Q22**	**2Q22**
Interest & dividend income	16,064	15,836	15,990	15,677	15,885
Interest expense	3,281	3,259	3,221	3,268	3,471
Net interest income	**12,782**	**12,577**	**12,769**	**12,409**	**12,414**
Non-interest income	3,196	3,142	3,695	3,273	3,413
Total income	15,979	15,718	16,463	15,682	15,826
Operating expense	7,593	7,419	7,999	6,987	7,262
Pre-provisioning profit	**8,386**	**8,299**	**8,464**	**8,695**	**8,565**
Provision for bad&doubtful debt	5,491	5,527	5,017	4,808	4,382
Profit before tax	2,895	2,773	3,448	3,887	4,183
Tax	472	509	693	784	807
Profit after tax	2,423	2,264	2,755	3,103	3,376
Equity income	112	96	45	92	62
Minority interests	(1)	(1)	(0)	0	-
Extra items	-	-	-	-	-
Net profit	**2,534**	**2,359**	**2,799**	**3,195**	**3,438**
Normalized profit	**2,534**	**2,359**	**2,799**	**3,195**	**3,438**
PPP/share (Bt)	0.1	0.1	0.1	0.1	0.1
EPS (Bt)	0.0	0.0	0.0	0.0	0.0
Norm EPS (Bt)	0.0	0.0	0.0	0.0	0.0
BV/share (Bt)	2.1	2.2	2.2	2.2	2.2

Income Statement			6M as		
(Bt m)	**q-q%**	**y-y%**	**% 2022F**	**2022F**	**2023F**
Interest & dividend income	1	(1)	49	64,099	67,309
Interest expense	6	6	52	13,031	16,559
Net interest income	**0**	**(3)**	**49**	**51,068**	**50,751**
Non-interest income	4	7	49	13,641	14,530
Total income	1	(1)	49	64,709	65,281
Operating expense	4	(4)	49	29,250	28,510
Pre-provisioning profit	**(2)**	**2**	**49**	**35,459**	**36,771**
Provision for bad&doubtful debt	(9)	(20)	45	20,321	18,847
Profit before tax	8	44	53	15,138	17,924
Tax	3	71	55	2,876	3,406
Profit after tax	9	39	53	12,262	14,518
Equity income	(32)	(44)	43	360	-
Minority interests	neg	neg	(0)	(3)	(3)
Extra items	neg	neg		-	-
Net profit	**8**	**36**	**53**	**12,619**	**14,515**
Normalized profit	**8**	**36**	**53**	**12,619**	**14,515**
PPP/share (Bt)	(2)	2	49	0.4	0.4
EPS (Bt)	8	35	53	0.1	0.2
Norm EPS (Bt)	8	35	53	0.1	0.2
BV/share (Bt)	(0)	3	2	2.3	2.4

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	**2Q21**	**3Q21**	**4Q21**	**1Q22**	**2Q22**
Cash and Interbank	185,736	168,533	174,884	213,611	212,897
Other liquid items	17,005	29,779	8,334	11,400	13,738
Total liquid items	202,741	198,312	183,218	225,011	226,635
Gross loans and accrued interest	1,365,896	1,366,686	1,378,673	1,373,140	1,399,959
Provisions	54,419	53,923	54,472	55,476	55,022
Net loans	1,311,477	1,312,762	1,324,201	1,317,664	1,344,937
Fixed assets	28,446	27,865	30,252	31,392	31,639
Other assets	42,978	51,175	40,270	40,411	44,236
Total assets	**1,748,473**	**1,750,039**	**1,758,170**	**1,789,198**	**1,821,963**
Deposits	1,324,159	1,325,187	1,339,195	1,360,213	1,394,947
Interbank	80,730	73,308	84,966	92,968	84,806
Other liquid items	5,564	5,380	5,325	7,203	6,515
Total liquid items	1,410,453	1,403,874	1,429,486	1,460,384	1,486,269
Borrowings	75,516	82,830	68,398	67,885	68,948
Other liabilities	56,644	55,445	49,449	47,706	53,882
Minority interest	39	18	1	1	1
Shareholders' equity	**205,821**	**207,872**	**210,835**	**213,221**	**212,862**
Total Liabilities & Equity	**1,748,473**	**1,750,039**	**1,758,170**	**1,789,198**	**1,821,963**

Financial Ratios					
(%)	**2Q21**	**3Q21**	**4Q21**	**1Q22**	**2Q22**
Gross loan growth (YTD)	(2.5)	(2.4)	(1.6)	(0.4)	1.6
Gross loan growth (q-q)	(1.6)	0.1	0.9	(0.4)	1.9
Deposit growth (YTD)	(3.6)	(3.5)	(2.5)	1.6	4.2
Deposit growth (q-q)	(4.3)	0.1	1.1	1.6	2.6
Non-interest income (y-y)	(11.0)	4.6	(16.4)	(21.3)	6.8
Non-interest income (q-q)	(23.1)	(1.7)	17.6	(11.4)	4.3
Fee income / Operating income	15.3	15.6	18.2	15.7	16.7
Cost-to-income	47.5	47.2	48.6	44.6	45.9
Net interest margin	2.89	2.88	2.91	2.80	2.75
Credit cost	1.62	1.63	1.46	1.41	1.26
ROE	4.9	4.6	5.3	6.0	6.5
Loan-to-deposit	102.6	102.6	102.4	100.4	99.8
Loan-to-deposit + S-T borrowing	102.6	102.6	102.4	100.4	99.8
NPLs (Bt m)	43,543	44,411	42,121	42,144	41,331
NPL increase	143	868	(2,290)	23	(813)
NPL ratio	2.89	2.98	2.81	2.73	2.63
Loan-loss-coverage ratio	125.0	121.4	129.3	131.6	133.1
CAR - total	19.6	19.7	19.3	19.5	19.9

Sources: 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.

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