

HOLD (From: BUY)

Change in Recommendation

TP: Bt 48.00

Upside : 9.1%

(From: Bt 56.00)

19 AUGUST 2022

Muangthai Capital Pcl (MTC TB)

In transition

We downgrade MTC to HOLD with a lower TP of Bt48. We cut our 2022-24F earnings by an average of 8% as benefits from its enlarged customer and lending bases are being diluted by higher provisions and NPLs. We recommend revisiting the stock again in 1Q23 when we foresee provisions peaking.

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Cutting to HOLD with a lower Bt48 TP

Note that this report includes our ESG comments. MTC's 2Q22 profits came in lower than we'd expected on higher provisions as NPLs surged 29% q-q with credit costs soaring to 1.8% from just 0.6% in 1Q22. We did anticipate a rise in NPLs but it overshot our estimate. Meanwhile, it may take at least four quarters for MTC to successfully beef up debt collection and lower its NPL ratio. We cut our 2022-24F earnings by an average of 8% and lower our DDM-based TP to Bt48 from Bt56. We now rate MTC a HOLD (from Buy) as benefits from its enlarged customer and lending bases are being diluted by higher provisions and NPLs. With weakening balance sheet quality, we expect MTC to underperform the finance sector and the SET over the next six months.

Bigger loan base

MTC has successfully enlarged its customer and loan bases via a competitive pricing strategy, aggressive branch expansions and offering two new products, i.e., motorcycle HP and point-of-sale financing loans. This led to very robust loan growth of 34% y-y in 2Q22 with strong momentum likely carrying on into 2H22F as well as 2023F. MTC hopes to double its loan book to Bt200bn within three to four years. MTC admits that the two new products have a higher risk profile than its original title loans but they are profitable products and MTC is still keen on growing these segments with an acceptable risk-reward for the underwriting model.

Higher NPL and provision bases

As it is beefing up its debt collection procedure from early August, MTC said that NPLs have been rising at a slower pace than in 2Q22. We expect NPLs to increase by 38% h-h to 2.35% of total loans in 2022F and by 36% y-y to 2.45% in 2023F. In light of its much larger loan base and a growing proportion of higher-risk motorcycle HP and point-of-sale financing loans in the future, we see MTC transitioning to higher credit costs and a larger NPL base. For it to keep its loan-loss-coverage ratio at above 90%, we lift our credit cost assumptions from 1-1.5% to 1.9-2% in 2022-24F. Post-2023F when its NPL ratio should start to fall, we factor in average credit costs of 1.7%.

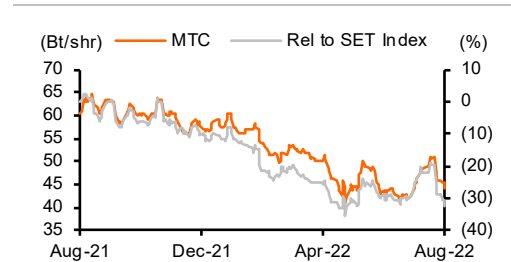
Manageable funding costs

Despite rising bond yield, MTC contained funding costs at below 1Q22's level in 2Q22 due to a higher proportion of bank loans and leftover refinancing benefits. Inflation appears to be nearing a peak, so policy rate hikes look set to be carried out step-by-step while bond yield has fallen. We are not so worried about the rate hike impact on profit margin. We foresee higher funding costs but don't expect too steep an increase. We bake in average funding costs of 3.6% this year, 3.9% in 2023F and 4.1% in 2024F.

COMPANY VALUATION

| Y/E Dec (Bt m) | 2021A | 2022F | 2023F | 2024F |
|----------------------|-------|-------|--------|--------|
| Pre Provision Profit | 6,930 | 8,762 | 11,382 | 13,888 |
| Net profit | 4,945 | 5,368 | 6,828 | 8,277 |
| Consensus NP | — | 5,542 | 6,962 | 8,412 |
| Diff frm cons (%) | — | (3.1) | (1.9) | (1.6) |
| Norm profit | 4,945 | 5,368 | 6,828 | 8,277 |
| Prev. Norm profit | — | 5,760 | 7,278 | 9,156 |
| Chg frm prev (%) | — | (6.8) | (6.2) | (9.6) |
| Norm EPS (Bt) | 2.3 | 2.5 | 3.2 | 3.9 |
| Norm EPS grw (%) | (5.2) | 8.6 | 27.2 | 21.2 |
| Norm PE (x) | 18.9 | 17.4 | 13.7 | 11.3 |
| P/BV (x) | 3.8 | 3.2 | 2.7 | 2.2 |
| Div yield (%) | 0.8 | 0.9 | 1.2 | 1.4 |
| ROE (%) | 21.7 | 19.8 | 21.2 | 21.4 |
| ROA (%) | 5.6 | 4.7 | 4.6 | 4.5 |

PRICE PERFORMANCE

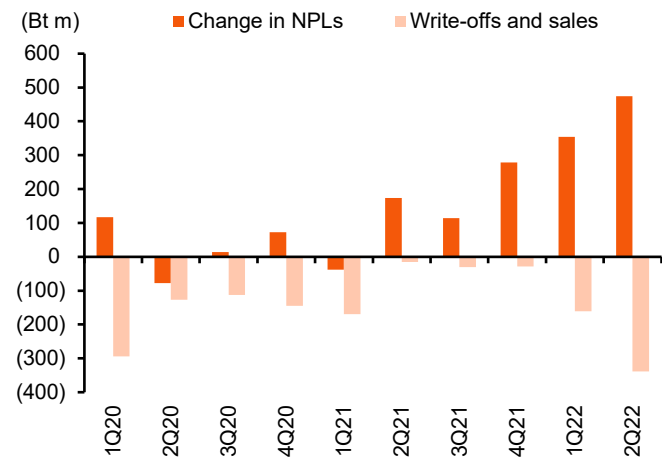


COMPANY INFORMATION

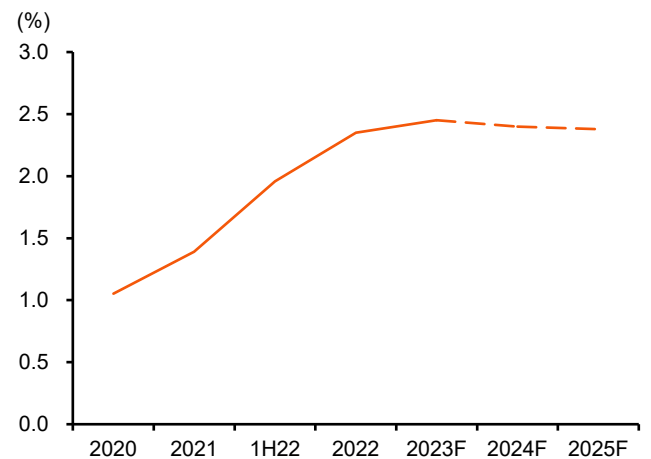
| | |
|-----------------------------|-------------------------|
| Price as of 19-Aug-22 (Bt) | 44.00 |
| Market Cap (US\$ m) | 2,613.1 |
| Listed Shares (m shares) | 2,120.0 |
| Free Float (%) | 32.1 |
| Avg Daily Turnover (US\$ m) | 12.7 |
| 12M Price H/L (Bt) | 64.75/40.50 |
| Sector | Finance |
| Major Shareholder | Petaumpai Family 67.45% |

Sources: Bloomberg, Company data, Thanachart estimates

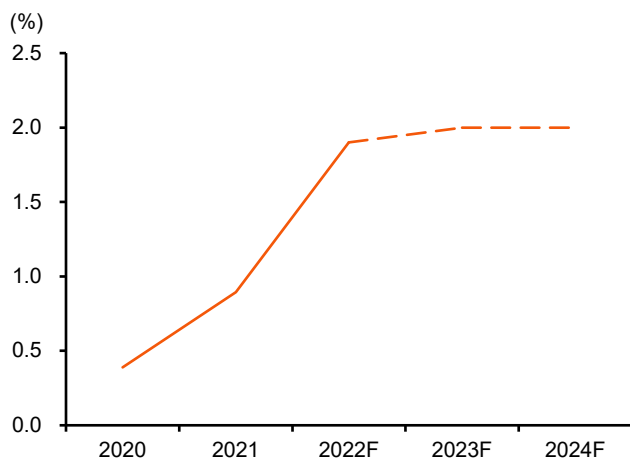


Ex 1: Change In NPLs

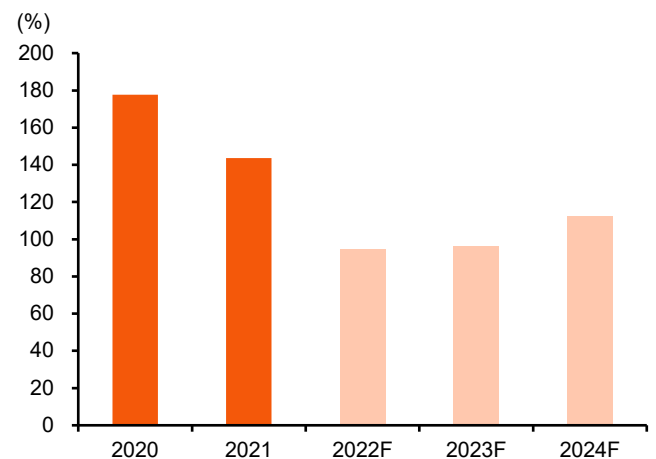
Source: Company data

Ex 2: NPL Ratio

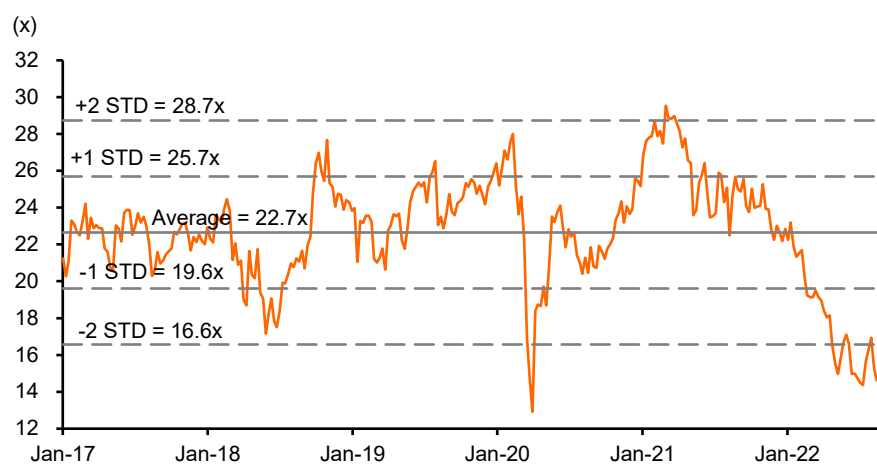
Sources: Company data, Thanachart estimates

Ex 3: Credit Costs

Sources: Company data, Thanachart estimates

Ex 4: Loan Loss Coverage Ratio

Sources: Company data, Thanachart estimates

Ex 5: STD PE

Sources: Bloomberg, Thanachart estimates

Ex 6: Earnings Revisions

| | 2020 | 2021 | 2022F | 2023F | 2024F |
|----------------------------------|-------|-------|--------|--------|--------|
| Net profits (Bt bn) | | | | | |
| - New | 5.21 | 4.94 | 5.37 | 6.83 | 8.28 |
| - Old | | | 5.76 | 7.28 | 9.16 |
| - Change (%) | | | (6.81) | (6.17) | (9.60) |
| Loan growth (%) | | | | | |
| - New | 17.96 | 31.65 | 33.94 | 30.14 | 20.02 |
| - Old | | | 27.42 | 31.26 | 25.27 |
| - Change (%) | | | 6.52 | (1.12) | (5.26) |
| Average funding costs (%) | | | | | |
| - New | 3.60 | 3.56 | 3.94 | 4.13 | 4.12 |
| - Old | | | 4.15 | 4.43 | 4.42 |
| - Change (%) | | | (0.21) | (0.30) | (0.30) |
| Credit costs (%) | | | | | |
| - New | 0.39 | 0.90 | 1.90 | 2.00 | 2.00 |
| - Old | | | 1.00 | 1.30 | 1.40 |
| - Change (%) | | | 0.90 | 0.70 | 0.60 |

Sources: Company data, Thanachart estimates

Ex 7: 12-month DDM-based Valuation Using A Base Year Of 2023F

| (Bt m) | 2023F | 2024F | 2025F | 2026F | 2027F | 2028F | 2029F | 2030F | 2031F | 2032F | 2033F | Terminal value |
|----------------------------------|--------------|-------|-------|-------|-------|-------|-------|--------|--------|--------|--------|----------------|
| Dividend of common shares | 1,093 | 1,324 | 1,583 | 2,302 | 5,371 | 7,450 | 8,163 | 10,756 | 11,835 | 15,236 | 20,004 | 20,004 |
| Dividend payment | 1,093 | 1,324 | 1,583 | 2,302 | 5,371 | 7,450 | 8,163 | 10,756 | 11,835 | 15,236 | 20,004 | 214,782 |
| PV of dividend | 1,093 | 1,084 | 1,158 | 1,516 | 3,187 | 3,981 | 3,930 | 4,665 | 4,440 | 5,126 | 6,035 | 64,802 |
| Risk-free rate (%) | 2.5 | | | | | | | | | | | |
| Market risk premium (%) | 8.0 | | | | | | | | | | | |
| Beta | 1.0 | | | | | | | | | | | |
| WACC (%) | 10.5 | | | | | | | | | | | |
| Cost of equity | 10.5 | | | | | | | | | | | |
| Terminal growth (%) | 2.0 | | | | | | | | | | | |
| Equity value | 101,015 | | | | | | | | | | | |
| No. of shares (m) | 2,120 | | | | | | | | | | | |
| Equity value / share (Bt) | 48.00 | | | | | | | | | | | |

Sources: Company data, Thanachart estimates

Valuation Comparison

Ex 8: Valuation Comparison With Regional Peers

| Name | BBG code | Country | EPS growth | | PE | | P/BV | | ROE | | Div. yield | |
|-------------------------------|-----------|-----------|-------------|-------------|-------------|-------------|------------|------------|-------------|-------------|------------|------------|
| | | | 22F | 23F | 22F | 23F | 22F | 23F | 22F | 23F | 22F | 23F |
| Afterpay Ltd | APT AU | Australia | na | na | na | na | na | na | (0.4) | 6.6 | na | na |
| Finvolution Group | FINV US | China | 346.2 | 11.5 | 0.6 | 0.5 | 0.1 | 0.1 | 19.9 | 18.1 | 17.2 | 33.0 |
| Mahindra & Mahindra Fin Secs | MMFS IN | India | (28.5) | 280.5 | 29.5 | 7.8 | 1.5 | 1.3 | 5.7 | 10.1 | 0.7 | 1.9 |
| Bajaj Finance Ltd | BAF IN | India | (0.5) | 53.8 | 63.0 | 41.0 | 10.3 | 8.3 | 17.4 | 22.3 | 0.2 | 0.3 |
| Manappuram Finance Ltd | MGFL IN | India | 1.2 | 4.8 | 6.5 | 6.2 | 1.1 | 0.9 | 17.2 | 15.8 | 2.8 | 2.8 |
| GMO Payment Gateway Inc. | 3769 JP | Japan | 141.5 | (38.0) | 39.3 | 63.4 | 11.6 | 10.7 | 28.5 | 17.3 | 0.6 | 0.8 |
| Infomart Corp. | 2492 JP | Japan | (41.9) | 153.9 | 322.9 | 127.2 | 8.9 | 8.4 | 2.9 | 7.0 | 0.1 | 0.4 |
| Ally Financial Inc | ALLY US | US | (13.7) | (4.7) | 5.0 | 5.2 | 0.9 | 0.8 | 16.6 | 15.8 | 3.3 | 3.6 |
| World Acceptance Corp | WRLD US | US | 30.8 | na | 11.9 | 41.7 | 2.0 | 2.2 | 17.3 | 7.1 | na | na |
| Navient Corp | NAVI US | US | (19.4) | (12.1) | 5.0 | 5.7 | 0.8 | 0.7 | 17.6 | 12.8 | 3.7 | 3.7 |
| SLM Corp | SLM US | US | (28.2) | 6.0 | 6.1 | 5.7 | 2.4 | 2.3 | 40.5 | 39.5 | 2.8 | 3.0 |
| Amanah Leasing | AMANA TH | Thailand | 7.7 | 20.7 | 13.3 | 11.0 | 2.4 | 2.1 | 18.7 | 20.3 | 3.7 | 4.5 |
| Asia Sermkij Leasing * | ASK TH | Thailand | 18.3 | 36.7 | 12.8 | 9.4 | 2.0 | 1.8 | 16.3 | 20.3 | 3.9 | 5.3 |
| Bangkok Commercial Asset Mgt. | BAM TH | Thailand | 25.3 | 17.6 | 18.4 | 15.7 | 1.4 | 1.3 | 7.5 | 8.6 | 3.8 | 4.5 |
| Chayo Group | CHAYO TH | Thailand | 77.7 | 4.5 | 26.8 | 25.6 | 2.9 | 2.3 | 13.2 | 11.0 | 0.9 | 1.1 |
| JMT Network Services * | JMT TH | Thailand | 24.6 | 49.6 | 52.7 | 35.2 | 4.5 | 4.4 | 9.6 | 12.6 | 1.5 | 2.3 |
| Krungthai Card * | KTC TH | Thailand | 7.2 | 16.0 | 24.3 | 21.0 | 5.0 | 4.4 | 22.0 | 22.3 | 1.8 | 2.1 |
| Muangthai Capital * | MTC TH | Thailand | 8.6 | 27.2 | 17.4 | 13.7 | 3.2 | 2.7 | 19.8 | 21.2 | 0.9 | 1.2 |
| Saksiam Leasing * | SAK TH | Thailand | 36.1 | 35.5 | 18.4 | 13.6 | 2.8 | 2.5 | 16.1 | 19.5 | 2.2 | 2.9 |
| Srisawad Corporation * | SAWAD TH | Thailand | 16.1 | 28.0 | 12.9 | 10.1 | 2.5 | 2.2 | 20.3 | 23.1 | 3.9 | 5.0 |
| Ratchthani Leasing * | THANI TH | Thailand | 15.8 | 13.4 | 12.2 | 10.7 | 2.0 | 1.8 | 16.6 | 17.5 | 4.9 | 5.6 |
| Ngern Tid Lor * | TIDLOR TH | Thailand | 15.9 | 27.4 | 19.9 | 15.6 | 2.9 | 2.6 | 15.8 | 17.6 | 1.0 | 1.3 |
| Average | | | 30.5 | 36.6 | 34.2 | 23.1 | 3.4 | 3.0 | 16.3 | 16.6 | 3.0 | 4.3 |

Source: Bloomberg

Note: * Thanachart estimates using normalized EPS growth

Based on 19 Aug 2022 closing price

Our major shareholder TCAP (Thanachart Capital Pcl) holds 50.96% of Thanachart Securities. TCAP also holds 100% of Thanachart SPV1 Co. Ltd. TCAP and Thanachart SPV1 Co. Ltd holds 60% stake in THANI and is the major shareholder of THANI.

COMPANY DESCRIPTION

Muangthai Capital Pcl (MTC), originally D.S. Leasing, was founded by Mr. Chuchart Petampai and Mrs. Daonapa Petampai in 1992. MTC started off as a motorcycle hire-purchase company in northern Thailand, and later expanded into the micro-financing business as a supplementary service to its customers. By 1998, MTC had shifted its focus to be a pure micro-financing firm. It operates as a commercial lending bank, offering collateral-backed auto loans and personal unsecured loan services, with the focus being motorcycle title loans.

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

- Scale benefits.
- Well-recognized brand.
- Expertise and substantial experience in running its business.

O — Opportunity

- New lending products.
- Expanding into neighbouring countries.

W — Weakness

- Reliant on external funding.

T — Threat

- Changes in regulations.
- Increasing penetration by commercial banks.

CONSENSUS COMPARISON

| | Consensus | Thanachart | Diff |
|------------------------------|----------------|----------------|----------------|
| Target price (Bt) | 55.79 | 48.00 | -14% |
| Net profit 22F (Bt m) | 5,542 | 5,368 | -3% |
| Net profit 23F (Bt m) | 6,962 | 6,828 | -2% |
| Consensus REC | BUY: 11 | HOLD: 7 | SELL: 2 |

HOW ARE WE DIFFERENT FROM THE STREET?

- MTC will likely continue to set aside higher provisions so we don't expect strong loan volume growth to fully translate to the bottom line. We believe this is why our earnings and TP are lower than the Bloomberg consensus numbers.

RISKS TO OUR INVESTMENT CASE

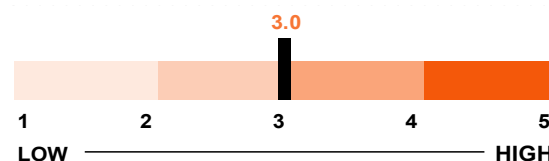
- If MTC is able to sustain its robust loan growth while asset quality does not deteriorate as we had assumed, this represents the key upside risk to our earnings forecasts and HOLD recommendation.
- Increases in MTC's cost-to-income ratio and funding costs would present further downside risks to our earnings forecasts and TP.
- Another downside risk would emerge if MTC fails to grow its loan book by a large enough extent to offset higher provisions.

Sources: Bloomberg consensus, Thanachart estimates

Source: Thanachart

MTC is the largest microfinance play in Thailand with loans outstanding of over Bt100bn. With 6,475 branches and more than 11k employees, MTC does impact the environment via greenhouse gas (GHG) emissions and waste generation. Given its clear targets to reduce its environmental impact, we assign an ESG score of 3.04 for MTC.

Thanachart ESG Rating



| | SETTHSI Index | THSI Index | DJSI Index | MSCI (CCC-AAA) | Arabesque S-Ray (0-100) | Refinitiv (0-100) | S&P Global (0-100) | Moody's (0-100) | CG Rating (0-5) |
|-----|---------------|------------|------------|----------------|-------------------------|-------------------|--------------------|-----------------|-----------------|
| MTC | YES | YES | - | A | 44.64 | 58.81 | 42.82 | - | 5.0 |

Sources: SETTRADE, SETTHSI Index, Thailand Sustainability Investment (THSI), The Dow Jones Industrial Average (DJSI), MSCI ESG Research LLC, Arabesque S-Ray®, Refinitiv ESG Information, S&P Global Market Intelligence, Moody's ESG Solutions, Thai IOD (CG rating)

Note: Please see third party on "terms of use" toward the back of this report.

Factors

Our Comments

ENVIRONMENT

- Environmental Policies & Guidelines
- Energy Management
- Carbon Management
- Water Management
- Waste Management

- MTC has set a target to reduce its total GHG emissions including Scope 1, 2, and 3 by 10% in 2023 from its base year of 2020. It changed the format of annual townhall meetings to video conferences from 2020. This was to reduce oil consumption and it was able to cut its carbon footprint equivalent to 517 trees absorbing CO2 per year.
- MTC encourages all departments in its organization to cooperate in reducing paper usage by printing and using paper on both sides. It introduced electronic receipts (e-receipts) in October 2020, helping to cut the weight of 11,544.44kg of bills or reduce its carbon footprint of 7.71 tonCO2e. The scope of the e-receipt program was extended to cover all branch offices nationwide from April 2021.

SOCIAL

- Human Rights
- Staff Management
- Health & Safety
- Product Safety & Quality
- Social Responsibility

- MTC places importance on taking care of its employees so they can perform their work happily, and it offers appropriate compensation and benefits to attract and retain personnel to drive the organization and grow with the organization over the long term.
- Women comprise 39% of total employees of whom 18% are in management positions, including junior, middle and top management.
- MTC has set up "MTC University" to encourage staff to develop skills and knowledge.
- Under the "Responsible Lending" concept, MTC conducted the "Muangthai Mai Ting Kan" project to support the community via education, public health, religion and culture.
- As a family-run company, MTC has identified successors for the positions of managing director, top executives and heads of core functions/departments, based on the performance, potential and readiness of each individual.

GOVERNANCE &
SUSTAINABILITY

- Board
- Ethics & Transparency
- Business Sustainability
- Risk Management
- Innovation

- There are seven directors, 42% of whom are non-executive and independent directors.
- MTC's board also formulates sustainability goals to cover all three ESG dimensions.
- The company has a risk management and legal department to manage risks. The board of directors in 2019 approved the establishment of a compliance department, which is responsible for supervising and monitoring operations to comply with the framework of relevant rules, regulations and laws. The risk management and legal department, supervisory department, and internal audit department must work independently and report to management, the risk management committee, and audit committee regularly.
- A whistle-blowing channel has been created as a means to prevent and detect cyberattacks in a timely manner to prevent crimes.

Source: Thanachart

INCOME STATEMENT

Higher provisions after
COVID-relief plans end
and raising penetration of
higher-risk segment

| FY ending Dec (Bt m) | 2020A | 2021A | 2022F | 2023F | 2024F |
|--------------------------------|---------------|---------------|---------------|---------------|---------------|
| Interest Income | 13,962 | 15,195 | 19,161 | 25,327 | 31,205 |
| Interest Expenses | 1,817 | 2,127 | 2,884 | 4,322 | 5,654 |
| Net Interest Income | 12,145 | 13,068 | 16,276 | 21,005 | 25,552 |
| % of total income | 94.0% | 94.1% | 95.5% | 96.3% | 96.7% |
| Fee income | 726 | 769 | 700 | 735 | 772 |
| % of total income | 5.6% | 5.5% | 4.1% | 3.4% | 2.9% |
| Other income | 45 | 55 | 70 | 80 | 90 |
| % of total income | 0.3% | 0.4% | 0.4% | 0.4% | 0.3% |
| Non-interest Income | 771 | 824 | 770 | 815 | 862 |
| % of total income | 6.0% | 5.9% | 4.5% | 3.7% | 3.3% |
| Total Income | 12,916 | 13,891 | 17,046 | 21,820 | 26,413 |
| Operating Expenses | 6,144 | 6,961 | 8,284 | 10,438 | 12,526 |
| Pre-provisioning Profit | 6,771 | 6,930 | 8,762 | 11,382 | 13,888 |
| Bad debt expenses | 255 | 728 | 2,053 | 2,847 | 3,542 |
| Pre-tax Profit | 6,516 | 6,201 | 6,710 | 8,535 | 10,346 |
| Income Tax | 1,303 | 1,257 | 1,342 | 1,707 | 2,069 |
| After Tax Profit | 5,214 | 4,945 | 5,368 | 6,828 | 8,277 |
| Equity Income | 0 | 0 | 0 | 0 | 0 |
| Minority Interest | 0 | 0 | 0 | 0 | 0 |
| Extraordinary Items | 0 | 0 | 0 | 0 | 0 |
| NET PROFIT | 5,214 | 4,945 | 5,368 | 6,828 | 8,277 |
| Normalized Profit | 5,214 | 4,945 | 5,368 | 6,828 | 8,277 |
| EPS (Bt) | 2.5 | 2.3 | 2.5 | 3.2 | 3.9 |
| Normalized EPS (Bt) | 2.5 | 2.3 | 2.5 | 3.2 | 3.9 |

BALANCE SHEET

Still has room to grow
loans

| FY ending Dec (Bt m) | 2020A | 2021A | 2022F | 2023F | 2024F |
|---------------------------------|---------------|---------------|----------------|----------------|----------------|
| Cash and ST investments | 1,378 | 1,306 | 1,300 | 1,300 | 1,300 |
| Other current assets | 225 | 397 | 450 | 503 | 556 |
| Total current assets | 1,603 | 1,703 | 1,750 | 1,803 | 1,856 |
| Gross loans & accr. interest | 70,152 | 92,353 | 123,701 | 160,981 | 193,203 |
| Provisions | 1,328 | 1,832 | 2,763 | 3,828 | 5,231 |
| Net loans | 69,640 | 89,981 | 121,838 | 158,153 | 189,172 |
| Fixed assets | 1,928 | 2,054 | 2,109 | 2,128 | 2,115 |
| Other assets | 4,050 | 4,652 | 5,503 | 6,306 | 7,098 |
| Total assets | 77,222 | 98,390 | 131,200 | 168,390 | 200,240 |
| Short term borrow ing | 19,243 | 28,793 | 36,500 | 41,000 | 52,450 |
| A/P & notes payables | 1,075 | 1,237 | 1,437 | 1,637 | 1,837 |
| Other current liabilities | 1,633 | 1,672 | 2,161 | 2,348 | 2,436 |
| Long term borrow ing | 31,732 | 38,521 | 58,000 | 84,000 | 96,600 |
| Total borrowings | 50,975 | 67,314 | 94,500 | 125,000 | 149,050 |
| Other L-T liabilities | 2,858 | 3,299 | 3,703 | 4,251 | 4,789 |
| Minority interest | 0 | 0 | 0 | 0 | 0 |
| Shareholders' equity | 20,682 | 24,869 | 29,398 | 35,155 | 42,129 |
| Total Liab. & Equity | 77,222 | 98,390 | 131,200 | 168,390 | 200,240 |

Sources: Company data, Thanachart estimates

VALUATION

Asset-quality concerns
cap valuation multiples at
below average

| FY ending Dec | 2020A | 2021A | 2022F | 2023F | 2024F |
|-------------------------------------|-------|-------|-------|-------|-------|
| Normalized PE (x) | 17.9 | 18.9 | 17.4 | 13.7 | 11.3 |
| Normalized PE - at target price (x) | 19.5 | 20.6 | 19.0 | 14.9 | 12.3 |
| PE (x) | 17.9 | 18.9 | 17.4 | 13.7 | 11.3 |
| PE - at target price (x) | 19.5 | 20.6 | 19.0 | 14.9 | 12.3 |
| P/PPP (x) | 13.8 | 13.5 | 10.6 | 8.2 | 6.7 |
| P/PPP - at target price (x) | 15.0 | 14.7 | 11.6 | 8.9 | 7.3 |
| P/BV (x) | 4.5 | 3.8 | 3.2 | 2.7 | 2.2 |
| P/BV - at target price (x) | 4.9 | 4.1 | 3.5 | 2.9 | 2.4 |
| Dividend yield (%) | 0.8 | 0.8 | 0.9 | 1.2 | 1.4 |
| Normalized EPS (Bt) | 2.5 | 2.3 | 2.5 | 3.2 | 3.9 |
| EPS (Bt) | 2.5 | 2.3 | 2.5 | 3.2 | 3.9 |
| DPS (Bt) | 0.4 | 0.4 | 0.4 | 0.5 | 0.6 |
| PPP/Share (Bt) | 3.2 | 3.3 | 4.1 | 5.4 | 6.6 |
| BV/share (Bt) | 9.8 | 11.7 | 13.9 | 16.6 | 19.9 |
| P/BV to ROE (x) | 0.2 | 0.2 | 0.2 | 0.1 | 0.1 |

FINANCIAL RATIOS

Normalized yield but
higher credit costs

| FY ending Dec | 2020A | 2021A | 2022F | 2023F | 2024F |
|-------------------------------------|-------|-------|-------|-------|-------|
| Growth Rate (%) | | | | | |
| Net interest income (NII) | 17.3 | 7.6 | 24.6 | 29.1 | 21.6 |
| Non-interest income (Non-II) | (4.6) | 6.8 | (6.5) | 5.8 | 5.7 |
| Operating expenses | 15.6 | 13.3 | 19.0 | 26.0 | 20.0 |
| Pre-provisioning profit (PPP) | 15.8 | 2.3 | 26.4 | 29.9 | 22.0 |
| Net profit | 23.0 | (5.2) | 8.6 | 27.2 | 21.2 |
| Normalized profit growth | 23.0 | (5.2) | 8.6 | 27.2 | 21.2 |
| EPS | 23.0 | (5.2) | 8.6 | 27.2 | 21.2 |
| Normalized EPS | 23.0 | (5.2) | 8.6 | 27.2 | 21.2 |
| Dividend payout ratio | 15.0 | 15.9 | 16.0 | 16.0 | 16.0 |
| Loan - gross | 18.0 | 31.6 | 33.9 | 30.1 | 20.0 |
| Loan - net | 18.8 | 29.2 | 35.4 | 29.8 | 19.6 |
| Borrowings | 75.1 | 18.7 | 96.8 | 30.0 | 15.0 |
| NPLs | 20.3 | 70.7 | 129.5 | 35.5 | 17.6 |
| Total assets | 24.8 | 27.4 | 33.3 | 28.3 | 18.9 |
| Total equity | 29.5 | 20.2 | 18.2 | 19.6 | 19.8 |
| Operating Ratios (%) | | | | | |
| Net interest margin (NIM) | 17.5 | 16.1 | 14.2 | 14.0 | 13.9 |
| Net interest spread | 17.9 | 15.4 | 14.5 | 14.2 | 13.8 |
| Yield on earnings assets | 21.2 | 18.6 | 17.7 | 17.7 | 17.5 |
| Avg cost of fund | 3.8 | 3.6 | 3.6 | 3.9 | 4.1 |
| NII / operating income | 94.0 | 94.1 | 95.5 | 96.3 | 96.7 |
| Non-II / operating income | 6.0 | 5.9 | 4.5 | 3.7 | 3.3 |
| Fee Income / Opt Income | 5.6 | 5.5 | 4.1 | 3.4 | 2.9 |
| Norm Net Margin | 40.4 | 35.6 | 31.5 | 31.3 | 31.3 |
| Cost-to-income | 47.6 | 50.1 | 48.6 | 47.8 | 47.4 |
| Credit cost - provision exp / loans | 0.4 | 0.9 | 1.9 | 2.0 | 2.0 |
| PPP / total assets | 9.7 | 7.9 | 7.6 | 7.6 | 7.5 |
| PPP / total equity | 36.9 | 30.4 | 32.3 | 35.3 | 35.9 |
| Avg assets/avg equity (leverage) | 3.8 | 3.9 | 4.2 | 4.6 | 4.8 |
| ROA | 7.5 | 5.6 | 4.7 | 4.6 | 4.5 |
| ROE | 28.4 | 21.7 | 19.8 | 21.2 | 21.4 |

Sources: Company data, Thanachart estimates

FINANCIAL RATIOS

| FY ending Dec | 2020A | 2021A | 2022F | 2023F | 2024F |
|--|-------|---------|---------|---------|---------|
| Liquidity and Quality Ratio (%) | | | | | |
| Gross Loan / Borrow ings | 819.3 | 908.6 | 618.5 | 619.2 | 646.2 |
| Net Loan / Borrow ings | 813.3 | 885.2 | 609.2 | 608.3 | 632.7 |
| Net Loan / Assets | 90.2 | 91.5 | 92.9 | 93.9 | 94.5 |
| Net Loan / Equity | 336.7 | 361.8 | 414.4 | 449.9 | 449.0 |
| S-T / L-T Borrow ings | 28.0 | 41.7 | 50.0 | 50.0 | 50.0 |
| Borrow ings / Liabilities | 15.1 | 13.8 | 19.6 | 19.5 | 18.9 |
| Interest-bearing Debt / Equity | 246.5 | 270.7 | 321.4 | 355.6 | 353.8 |
| Liabilities / Equity | 273.4 | 295.6 | 346.3 | 379.0 | 375.3 |
| Equity/ Gross loans | 29.5 | 26.9 | 23.8 | 21.8 | 21.8 |
| NPLs | 747.4 | 1,275.9 | 2,928.1 | 3,968.5 | 4,665.7 |
| NPLs / Total Loans (NPL Ratio) | 1.1 | 1.4 | 2.4 | 2.5 | 2.4 |
| Loan-Loss-Coverage (Provision / NPLs) | 177.6 | 143.6 | 94.4 | 96.5 | 112.1 |

Sources: Company data, Thanachart estimates

New, higher NPL base

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As a result, SET has created the SETTHSI for the purpose of indicating the price of these sustainable companies that pass the market capital size and liquidity criteria.

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|--------------|---|
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| BB - BBB - A | AVERAGE : A company with a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers |
| AA - AAA | LEADER: A company leading its industry in managing the most significant ESG risks and opportunities |

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ESG risk combines the concepts of management and exposure to arrive at an absolute assessment of ESG risk. We identify five categories of ESG risk severity that could impact a company's enterprise value

Moody's ESG Solutions

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