

Krungthai Card Pcl (KTC TB) - SELL, Price Bt57.25, TP Bt53.00**Results Comment**

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Stronger-than-expected profits

- KTC reported strong 4Q22 profits of Bt1.67bn, up 33% y-y but down 6% q-q. Profits were stronger than expected of Bt7bn (up 20%) in 2022 on lower than expected provisions.
- We see upsides to our forecast but with KTC's demanding valuation, we re-iterate SELL.
- Along with economic recovery, KTC credit card spending grew at 19.3% for 4Q22 and 21.7% for 2022.
- Loans grew faster than target at 15% for credit card and 10% for personal loans. KTC P BERM Car for Cash loans stood at Bt1.1bn below target but seeing improving momentum in 4Q22.
- Funding costs are well-managed, still decreasing despite rising interest rate. However, NIM contracted on lower lending yield.
- With prudent underwriting and proactive write-off, NPLs were under good control, leading to lower provisions of 18% y-y in 4Q22 and 11% for 2022. It went up q-q along with loan expansions.
- Total bad debt recovery for the year 2022 was Bt3.4bn, increased by 4.7%. NPL ratio fell to 1.8% from 2% in 3Q22.
- Total expense roses 18% y-y and 11% and increased 1.3% for the year 2022 due to an increase in marketing and fee expenses.

Income Statement						Income Statement					
(consolidated)						12M as					
Yr-end Dec (Bt m)	4Q21	1Q22	2Q22	3Q22	4Q22	(Bt m)	q-q%	y-y%	% 2022F	2022A	2023F
Interest income	2,684	2,612	2,819	2,913	3,035	Interest & dividend income	4	13	80	14,382	15,586
Interest expense	344	337	334	343	378	Interest expense	10	10	95	1,392	1,691
Net interest income	2,340	2,275	2,485	2,569	2,657	Net interest income	3	14	78	12,989	13,894
Non-interest income	2,828	2,745	2,916	2,974	3,217	Non-interest income	8	14	145	8,849	8,676
Total income	5,168	5,019	5,401	5,543	5,875	Total income	6	14	104	21,839	22,570
Operating expense	1,923	1,798	1,986	2,056	2,276	Operating expense	11	18	108	8,117	7,670
Pre-provisioning profit	3,244	3,221	3,415	3,487	3,599	Pre-provisioning profit	3	11	102	13,722	14,900
Provision for bad&doubtful debt	1,832	1,045	1,039	1,276	1,508	Provision for bad&doubtful debt	18	(18)	88	4,868	5,773
Profit before tax	1,412	2,176	2,376	2,211	2,091	Profit before tax	(5)	48	113	8,854	9,127
Tax	290	436	479	447	456	Tax	2	57	116	1,818	1,825
Profit after tax	1,122	1,740	1,897	1,764	1,635	Profit after tax	(7)	46	112	7,036	7,302
Equity income	2	4	4	(1)	10	Equity income			163	17	11
Minority interests	124	3	(7)	9	21	Minority interests				26	-
Extra items	-	-	-	-	-	Extra items					
Net profit	1,248	1,747	1,894	1,773	1,666	Net profit	(6)	33	112	7,079	7,312
Normalized profit	1,248	1,747	1,894	1,773	1,666	Normalized profit	(6)	33	112	7,079	7,312
PPP/share (Bt)	1.3	1.2	1.3	1.4	1.4	PPP/share (Bt)	3	11	108	5.3	5.8
EPS (Bt)	0.5	0.7	0.7	0.7	0.6	EPS (Bt)	(6)	33	120	2.7	2.8
Norm EPS (Bt)	0.5	0.7	0.7	0.7	0.6	Norm EPS (Bt)	(6)	33	120	2.7	2.8
BV/share (Bt)	10.4	11.1	10.8	11.5	12.2	BV/share (Bt)	6	17	12	12.2	13.6

Balance Sheet						Financial Ratios					
(consolidated)						12M as					
Yr-end Dec (Bt m)	4Q21	1Q22	2Q22	3Q22	4Q22	(%)	4Q21	1Q22	2Q22	3Q22	4Q22
Cash and cash equivalent	2,363	1,674	1,573	1,618	2,182	Gross loan growth (YTD)	2.8	(2.6)	2.6	4.7	12.5
Other current assets	437	350	343	331	485	Gross loan growth (q-q)	6.4	(2.6)	5.4	2.0	7.4
Total current assets	2,800	2,025	1,916	1,950	2,667	Borrowing growth (YTD)	(8.1)	(7.4)	2.3	5.0	13.3
Gross loans and accrued interest	92,636	90,208	95,069	97,016	104,194	Borrowing growth (q-q)	10.7	(7.4)	10.5	2.7	7.9
Provisions	9,691	9,744	9,814	8,598	8,792	Non-interest income (y-y)	(0.1)	0.2	6.6	11.0	13.6
Net loans	82,944	80,463	85,255	88,418	95,402	Non-interest income (q-q)	1.1	(2.8)	9.3	3.4	3.4
Fixed assets	415	390	355	330	348	Cost-to-income	34.9	33.6	34.6	34.9	36.4
Other assets	3,312	3,285	3,319	3,264	3,379	Net interest margin	10.8	10.4	11.2	11.1	10.9
Total assets	89,471	86,163	90,845	93,962	101,796	Credit cost	7.9	4.6	4.4	5.3	5.8
S-T liabilities	215	209	214	191	161	ROA	5.8	8.0	8.6	7.7	6.8
S-T loans from banks + Current pc	18,630	14,778	19,046	15,988	14,818	ROE	19.1	25.2	26.8	24.6	21.8
L-T loans - net current portion	1,500	1,500	1,500	1,500	6,000	Loan-to-borrowing	152.5	159.8	153.2	154.7	154.8
L-T Debenture	34,273	34,089	35,103	39,649	40,817	Loan-to- total equity	309.1	281.5	305.6	298.0	304.3
Total Borrowings	54,403	50,367	55,649	57,137	61,635	NPLs (Btm)	3,317	3,206	3,270	1,917	1,846
Other liabilities	7,769	6,759	6,831	6,718	8,424	NPL increase	22	(111)	64	(1,353)	(71)
Minority interest	248	245	252	243	223	NPL ratio (%)	3.6	3.6	3.5	2.0	1.8
Shareholders' equity	26,836	28,584	27,899	29,672	31,353	Loan loss coverage ratio (%)	292.2	303.9	300.1	448.5	476.3
Total Liabilities & Equity	89,471	86,163	90,845	93,962	101,796						

Sources: Company data, Thanachart estimates

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