

TMBThanachart Bank Pcl (TTB TB) - BUY, Price Bt1.41, TP Bt1.60**Results Comment**

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Better than expected profits

- TTB reported stronger 4Q22 profits of Bt3.8bn, up 37% y-y and 4% q-q. Key drivers were margin expansion, gains from early redemption of AT1 of Bt483m and lower provisions.
- 2022's profits were up 36% y-y and growth drivers were lower provisions and opex along with margin expansion. We see upsides to our forecast and re-iterate BUY.
- Loans contracted q-q on repayments of corporate loans. Retail loans were up across all segments. NIM expanded on rising prime rates and manageable funding costs as the bank had extended liability duration ahead of rate increases
- Fee income improved further q-q thanks to growing bancassurance fees both from auto and non-auto products. Mutual fund fees remained weak and declined from 2021 due to unfavorable market condition.
- Opex is under good control. With income having improved cost to income ratio was down from 48% in 2021 to 45% in 2022.
- To speed up NPL sales, provisions were up q-q. With falling NPL ratio, loan loss coverage ratio increased slightly to 138% in the quarter.

| Income Statement (consolidated) | | | | | | Income Statement (consolidated) | | | | | |
|---------------------------------|---------------|---------------|---------------|---------------|---------------|---------------------------------|----------|-----------|------------|---------------|---------------|
| Yr-end Dec (Bt m) | 4Q21 | 1Q22 | 2Q22 | 3Q22 | 4Q22 | Yr-end Dec (Bt m) | q-q% | y-y% | % 2022F | 2022A | 2023F |
| Interest & dividend income | 15,990 | 15,677 | 15,885 | 16,519 | 17,546 | Interest & dividend income | 6 | 10 | 101 | 65,627 | 71,352 |
| Interest expense | 3,221 | 3,268 | 3,471 | 3,550 | 3,720 | Interest expense | 5 | 15 | 101 | 14,010 | 19,075 |
| Net interest income | 12,769 | 12,409 | 12,414 | 12,968 | 13,826 | Net interest income | 7 | 8 | 101 | 51,617 | 52,277 |
| Non-interest income | 3,695 | 3,273 | 3,413 | 3,334 | 3,954 | Non-interest income | 19 | 7 | 103 | 13,974 | 14,419 |
| Total income | 16,463 | 15,682 | 15,826 | 16,303 | 17,780 | Total income | 9 | 8 | 101 | 65,591 | 66,696 |
| Operating expense | 7,999 | 6,987 | 7,262 | 7,447 | 8,256 | Operating expense | 11 | 3 | 102 | 29,952 | 29,456 |
| Pre-provisioning profit | 8,465 | 8,695 | 8,565 | 8,855 | 9,524 | Pre-provisioning profit | 8 | 13 | 101 | 35,639 | 37,240 |
| Provision for bad&doubtful debt | 5,017 | 4,808 | 4,382 | 4,361 | 4,802 | Provision for bad&doubtful debt | 10 | (4) | 96 | 18,353 | 18,916 |
| Profit before tax | 3,448 | 3,887 | 4,183 | 4,494 | 4,722 | Profit before tax | 5 | 37 | 107 | 17,286 | 18,324 |
| Tax | 693 | 784 | 807 | 827 | 935 | Tax | 13 | 35 | 110 | 3,352 | 3,482 |
| Profit after tax | 2,755 | 3,103 | 3,376 | 3,668 | 3,787 | Profit after tax | 3 | 37 | 107 | 13,934 | 14,842 |
| Equity income | 45 | 92 | 62 | 47 | 60 | Equity income | 28 | 34 | 105 | 261 | - |
| Minority interests | (0) | 0 | - | (0) | (0) | Minority interests | neg | neg | | (0) | - |
| Extra items | - | - | - | - | - | Extra items | neg | neg | | - | - |
| Net profit | 2,799 | 3,195 | 3,438 | 3,715 | 3,847 | Net profit | 4 | 37 | 107 | 14,195 | 14,842 |
| Normalized profit | 2,799 | 3,195 | 3,438 | 3,715 | 3,847 | Normalized profit | 4 | 37 | 107 | 14,195 | 14,842 |
| PPP/share (Bt) | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | PPP/share (Bt) | 8 | 12 | 101 | 0.4 | 0.4 |
| EPS (Bt) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | EPS (Bt) | 4 | 37 | 107 | 0.1 | 0.2 |
| Norm EPS (Bt) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | Norm EPS (Bt) | 4 | 37 | 107 | 0.1 | 0.2 |
| BV/share (Bt) | 2.2 | 2.2 | 2.2 | 2.2 | 2.3 | BV/share (Bt) | 2 | 4 | 2 | 2.3 | 2.4 |

| Balance Sheet (consolidated) | | | | | | Financial Ratios (%) | | | | | |
|---------------------------------------|------------------|------------------|------------------|------------------|------------------|---------------------------------|---------|--------|--------|--------|--------|
| Yr-end Dec (Bt m) | 4Q21 | 1Q22 | 2Q22 | 3Q22 | 4Q22 | Yr-end Dec (Bt m) | 4Q21 | 1Q22 | 2Q22 | 3Q22 | 4Q22 |
| Cash and interbank | 174,884 | 213,611 | 212,897 | 187,419 | 203,069 | Gross loan growth (YTD) | (1.6) | (0.4) | 1.6 | 1.7 | 0.4 |
| Other liquid items | 8,334 | 11,400 | 13,738 | 19,524 | 11,909 | Gross loan growth (q-q) | 0.9 | (0.4) | 1.9 | 0.1 | (1.3) |
| Total liquid items | 183,218 | 225,011 | 226,635 | 206,943 | 214,978 | Deposit growth (YTD) | (2.5) | 1.6 | 4.2 | 2.6 | 4.5 |
| Gross loans and accrued interest | 1,378,673 | 1,373,140 | 1,399,959 | 1,401,499 | 1,383,895 | Deposit growth (q-q) | 1.1 | 1.6 | 2.6 | (1.5) | 1.9 |
| Provisions | 54,472 | 55,476 | 55,022 | 56,603 | 57,390 | Non-interest income (y-y) | (16.4) | (21.3) | 6.8 | 6.1 | 7.0 |
| Net loans | 1,324,201 | 1,317,664 | 1,344,937 | 1,344,895 | 1,326,505 | Non-interest income (q-q) | 17.6 | (11.4) | 4.3 | (2.3) | 18.6 |
| Fixed assets | 30,252 | 31,392 | 31,639 | 32,148 | 31,941 | Fee income / Operating income | 18.2 | 15.7 | 16.7 | 15.5 | 15.5 |
| Other assets | 40,270 | 40,411 | 44,236 | 48,801 | 41,424 | Cost-to-income | 48.6 | 44.6 | 45.9 | 45.7 | 46.4 |
| Total assets | 1,758,170 | 1,789,198 | 1,821,963 | 1,823,533 | 1,826,279 | Net interest margin | 2.91 | 2.80 | 2.75 | 2.85 | 3.03 |
| Deposits | 1,339,195 | 1,360,213 | 1,394,947 | 1,373,624 | 1,399,247 | Credit cost | 1.46 | 1.41 | 1.26 | 1.25 | 1.40 |
| Interbank | 84,966 | 92,968 | 84,806 | 98,542 | 84,770 | ROE | 5.3 | 6.0 | 6.5 | 7.0 | 7.1 |
| Other liquid items | 5,325 | 7,203 | 6,515 | 5,373 | 5,586 | Loan-to-deposit | 102.4 | 100.4 | 99.8 | 101.5 | 98.3 |
| Total liquid items | 1,429,486 | 1,460,384 | 1,486,269 | 1,477,539 | 1,489,603 | Loan-to-deposit + S-T borrowing | 102.4 | 100.4 | 99.8 | 101.5 | 98.3 |
| Borrowings | 68,398 | 67,885 | 68,948 | 73,203 | 59,644 | NPLs (Bt m) | 42,121 | 42,144 | 41,331 | 41,899 | 41,707 |
| Other liabilities | 49,449 | 47,706 | 53,882 | 58,097 | 58,024 | NPL increase | (2,290) | 23 | (813) | 568 | (192) |
| Minority interest | 1 | 1 | 1 | 1 | 1 | NPL ratio | 2.81 | 2.73 | 2.63 | 2.72 | 2.73 |
| Shareholders' equity | 210,835 | 213,221 | 212,862 | 214,693 | 219,006 | Loan-loss-coverage ratio | 129.3 | 131.6 | 133.1 | 135.1 | 137.6 |
| Total Liabilities & Equity | 1,758,170 | 1,789,198 | 1,821,963 | 1,823,533 | 1,826,279 | CAR - total | 19.3 | 19.5 | 19.9 | 20.0 | 20.0 |

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 24.33% of the shareholding in TMBThanachart Bank Pcl.

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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 24.33% of the shareholding in TMBThanachart Bank Pcl.

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