

## Finance Sector – Overweight

News update

Sarachada Sornsong | Email: sarachada.sor@thanachartsec.co.th

### Expecting debt assistance measures

- **Focusing on stage 2 and NPL of less than one year.**
- **Restructuring programs with soft loan facility**
- **Government payoff for overdue loans of below Bt5000.**
- **A positive move. We like MTC and SAK.**

The tight monetary policy driven by high household debt levels and persistently high NPLs has prompted the government to consider multiple debt restructuring plans.

- In addition to the forbearance schemes for mortgage, auto-HP, and SME debtors we discussed earlier, the Ministry of Finance is expected to introduce a program aimed at assisting borrowers of non-bank financial institutions, with a projected budget of Bt100bn.
- The program will target Stage 2 loans and NPLs (non-performing loans) that are no more than one year old, with the following measures:
  - 1) Debt restructuring at a 15% interest rate. The government will subsidize 90% of the difference between the actual contracted interest rate and 15%, with the remaining 10% covered by non-bank financial institutions.
  - 2) Debt Under 5,000 Baht. For outstanding debt of less than 5,000 baht, the government will pay it off directly.
  - 3) Soft loans with low interest rates. This is to enhance liquidity.
- This program is a positive development as it will help reduce the debt burden of grassroots borrowers and enable non-bank financial institutions to clean up their balance sheets, allowing them to expand lending capacity further.
- We maintain our Overweight (OW) stance on the microfinance sector. Our top pick remains MTC, followed by SAK and TIDLOR. SAWAD is a Hold, though we expect the company to benefit from this scheme as well. Additionally, this should also be positive for AEONT (non-rated).

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