

KRUNGTHAI CARD KTC TB

THAILAND / FINANCE & SECURITIES

FSSIA ESG rating



HOLD

ความเสี่ยงไม่คุ้มกับผลตอบแทน

- เราคาดว่ากำไรและสินเชื่อจะโตในระดับปานกลางจากนโยบายที่รอบคอบของ KTC ในปี 2023 และคาดว่าจะมีการเร่งตัวขึ้นบ้างในปี 2024-25
- เราคาดว่าปัจจัยหนุนการเติบโตในปี 2024-25 จะอยู่ที่คุณภาพสินทรัพย์ที่ปรับตัวดีขึ้น พร้อมการเติบโตของสินเชื่อและปัจจัยถ่วงที่ลดลงจาก KTBL
- เราเริ่มทบทวนราคา KTC ของเราด้วยคำแนะนำถือ

TARGET PRICE	THB49.00
CLOSE	THB46.25
UP/DOWNSIDE	+5.9%
TP vs CONSENSUS	-8.0%

KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Operating profit	8,871	9,056	9,834	10,724
Net profit	7,079	7,285	7,912	8,629
EPS (THB)	2.75	2.83	3.07	3.35
vs Consensus (%)	-	(1.1)	(0.6)	0.1
Recurring net profit	7,079	7,285	7,912	8,629
Core EPS (THB)	2.75	2.83	3.07	3.35
EPS growth (%)	20.4	2.9	8.6	9.1
Core P/E (x)	16.8	16.4	15.1	13.8
Dividend yield (%)	2.2	2.4	2.4	2.7
Price/book (x)	3.8	3.3	2.9	2.6
ROE (%)	24.3	21.7	20.7	19.9
ROA (%)	7.4	6.9	7.0	7.0

การขยายสินเชื่อด้วยความรอบคอบในปี 2023 ก่อนเร่งตัวขึ้นในปี 2024-25

เราคาดว่าพอร์ตรวมของ KTC จะจบที่ 110.67 พัน ลบ. ในปี 2023 คิดเป็นอัตราการเติบโตที่ 6.22% y-y ตัวเลขดังกล่าวจะลดลงจาก 12.48% y-y ในปี 2022 จากความพยายามในการเน้นในด้านคุณภาพสินทรัพย์ เราคาดว่าสินเชื่อบัตรเครดิตจะโต 5.01% ในปีนี้ (-0.34% YTD) โดยได้ปัจจัยหนุนจากฤดูกาลใช้จ่ายในเดือน พ.ย. - ธ.ค. ในขณะที่เราคาดว่าสินเชื่อบุคคลจะขยายตัว 7.02% ในปี 2023 (+5.73% YTD) เนื่องจากเราคาดว่า KTC PROUD และ KTC P Berm จะโตในระดับปานกลางอย่างต่อเนื่อง KTC ได้หยุดปล่อยสินเชื่อเช่าซื้อใหม่มาตั้งแต่เดือน ส.ค. 2023 จากปัญหาคุณภาพสินทรัพย์ซึ่งทำให้เราคาดว่าตัวเลขจะลดลง q-q ใน 4Q23 สำหรับในปี 2024-25 ปัจจัยผลักดันการเติบโตน่าจะมาจากความกังวลเกี่ยวกับคุณภาพสินทรัพย์ที่ลดลงพร้อมกับการฟื้นตัวทางเศรษฐกิจที่ชัดเจนมากขึ้น ปัจจัยดังกล่าวจะทำให้ KTC อนุมัติและขยายสินเชื่อเพิ่มขึ้นซึ่งจะทำให้ปริมาณการใช้จ่ายผ่านบัตรและรายได้โตสูงขึ้น

คุณภาพสินทรัพย์อ่อนตัวลงเล็กน้อยจากภาพรวมของเศรษฐกิจมหภาค

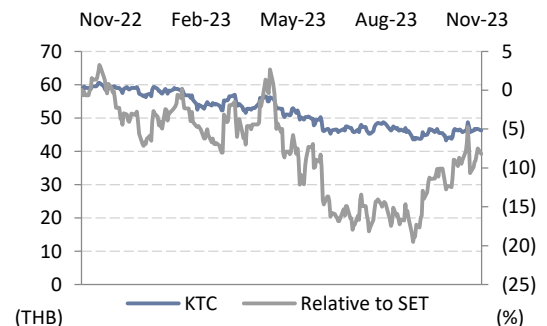
ใน 3Q23 คุณภาพสินทรัพย์ได้รับแรงกดดันเนื่องจากสัดส่วนหนี้ด้อยคุณภาพที่เพิ่ม 31 bp เป็น 2.33% พร้อมกับสัดส่วนสำรองต่อหนี้ด้อยคุณภาพที่ลดลงอย่างมีนัยสำคัญเหลือ 382% (จาก 433% ใน 2Q23) ธุรกิจเช่าซื้อสร้างปัญหาคุณภาพสินทรัพย์มากที่สุด เราคาดว่าหนี้ด้อยคุณภาพของ KTBL จะแตะระดับสูงสุดในปี 2024 ประมาณการของเราบอกถึงแนวโน้มคุณภาพสินทรัพย์โดยรวมที่อ่อนตัวลงเล็กน้อยใน 4Q23 ตามทิศทางเศรษฐกิจและอุตสาหกรรมพร้อมสัดส่วนหนี้ด้อยคุณภาพที่ 2.49% ซึ่งจะก่อให้เกิดสำรองเพิ่มสำหรับผลขาดทุนจากสินเชื่อ เราคาดว่าต้นทุนความเสี่ยงในการปล่อยสินเชื่อปี 2023 ที่ 547 bp เพิ่มจาก 498 bp ในปี 2022 พร้อมสัดส่วนสำรองต่อสินเชื่อที่ 353%

Peak season ใน 4Q23 จากบัตรเครดิตและรายได้ค่าธรรมเนียม

เราคาดว่ากำไรสุทธิ 4Q23 ที่ 1.75 พัน ลบ. (-5.71% q-q, +5.08% y-y) รายได้น่าจะปรับขึ้นจากรายได้ดอกเบี้ยและค่าธรรมเนียมในช่วงฤดูกาลใช้บัตรเครดิต อย่างไรก็ตามโดยปกติค่าใช้จ่ายในการดำเนินงานจะแตะระดับสูงสุดใน 4Q ส่วนมากจากค่าธรรมเนียมที่เพิ่มขึ้นและการขึ้นเงินเดือนซึ่งจะทำให้มีสัดส่วนค่าใช้จ่ายในการดำเนินงานต่อรายได้อยู่ที่ 37.89%

เริ่มทบทวนราคา KTC ด้วยคำแนะนำถือ

เราเริ่มทบทวนราคา KTC ของเราด้วยคำแนะนำถือ ราคาเป้าหมายปี 2024 ของเราที่ 49 บาท (GGM) คิดเป็นค่า P/BV ได้ที่ 3.11x ต่ำกว่าค่าปัจจุบันที่ 3.47x เนื่องจากเราคาดว่าราคาหุ้นมีการซื้อขายในระดับการประเมินมูลค่าที่ตึงตัวเล็กน้อยเมื่อเทียบกับค่าเฉลี่ยอุตสาหกรรม แม้ว่าหุ้นจะมีการซื้อขายใกล้ -2 SD ของค่า P/BV เฉลี่ย 5 ปีย้อนหลัง เราคาดว่าค่าเฉลี่ยของ KTC จะไม่กลับสู่ระดับเดิมในระยะสั้นจากแนวโน้มการเติบโตที่ตกต่ำในปี 2023-24 และปัจจัยกดดันในด้านหนี้ด้อยคุณภาพ การประเมินมูลค่าของเรามีสมมติฐานจากค่า ROE ที่คาดว่าจะอยู่ที่ 18% และ Terminal growth rate ที่ 3.25% ต่อปี



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	5.1	(4.6)	(21.6)
Relative to country (%)	4.7	6.8	(8.8)
Mkt cap (USD m)	3,395		
3m avg. daily turnover (USD m)	4.9		
Free float (%)	21		
Major shareholder	Krung Thai Bank (49%)		
12m high/low (THB)	60.75/40.50		
Issued shares (m)	2,578		

Sources: Bloomberg consensus; FSSIA estimates



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บทวิเคราะห์ฉบับนี้แปลมาจากต้นฉบับภาษาอังกฤษ ที่ออกรายงานเมื่อวันที่ 28 พฤศจิกายน 2023

Investment thesis

We have a HOLD recommendation on KTC from:

- 1) We expect the overall consumer finance industry to experience a certain degree of asset quality pressure, weakening spending power, and slowing economic backdrops.
- 2) We estimate operators to put their focus on credit quality and active bad debt management, which should weigh on loan bottom-line growth in 2023.
- 3) We estimate slightly weaker asset quality in 4Q23 but at a controllable level, and do not expect the firm to have an unusual trend in provisions for loan losses.
- 4) Our GGM-based TP for 2024 of THB49 implies an upside of 7.1% and a P/BV ratio of 3.11x.

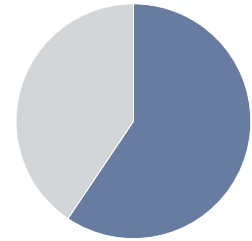
Company profile

The company provides consumer financial products in Thailand, including credit cards, personal loans, auto-title loans, and leasing products.

www.ktc.co.th

Principal activities (revenue, 2022)

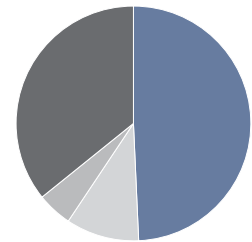
- Net interest income - 59.4 %
- Non-interest income - 40.6 %



Source: Krungthai Card

Major shareholders

- Krung Thai Bank - 49.3 %
- Mongkol Prakitchaiwatthana - 10.1 %
- Chantana Jirattiphat - 4.8 %
- Others - 35.8 %



Source: Krungthai Card

Catalysts

- 1) Stronger-than-expected momentum of economic recovery and card spending;
- 2) Better-than-estimated loan growth;
- 3) Lower-than-estimated new NPL formation;
- 4) A significant acceleration in the auto title loan segment.

Risks to our call

Downside risks are: 1) regulatory actions to curb industry growth; 2) a higher-than-expected policy rate; and 3) deteriorating asset quality. Upside risks are: 1) better-than-estimated economic improvement; 2) stronger-than-estimated improvement in the overall asset quality; and 3) less pressure from the market yield and cost of funds.

Event calendar

Date	Event
26-29 Feb 2023	2023 results announcement

Key assumptions

	2023E	2024E	2025E
Net profit (THB m)	7,285	7,912	8,629
Net profit growth	2.9	8.6	9.1
NIM	13.0	12.9	12.9
Loan growth	6.2	7.7	7.9
Fee growth	10.0	10.0	10.0
Non-NII growth	-3.2	12.5	1.0
Credit cost (bp)	547	542	539
Cost to income	36.7	37.1	36.5

Source: FSSIA estimates

Earnings sensitivity

		----- 2024E -----		
Loan growth	±1ppt	6.7	7.7	8.7
% change in net profit		(0.5)	-	0.6
NIM (%)	±10bp	12.8	12.9	13.0
% change in net profit		(1.3)	-	1.3
Credit cost (bps)	±10bp	5.3	5.4	5.5
% change in net profit		1.2	-	(1.2)

Source: FSSIA estimates

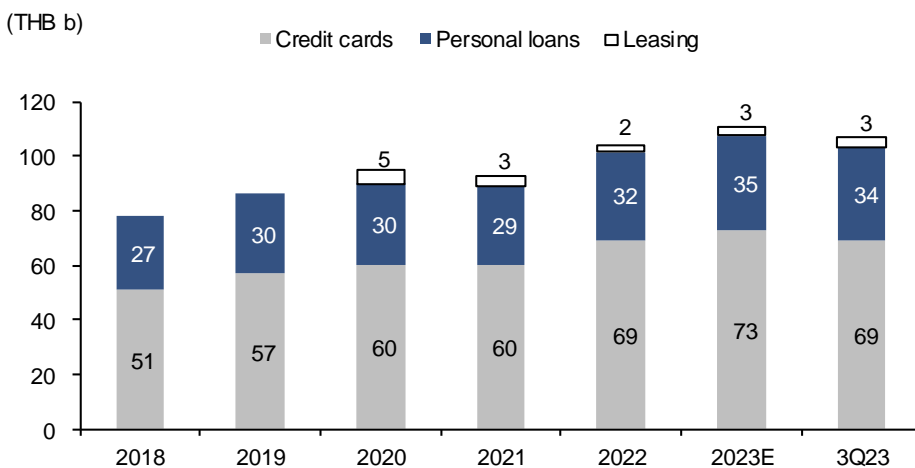
Moderate growth; remain cautious on quality in 2023

In 2022, KTC achieved 12.48% growth in its total loan portfolio, finishing strongly compared to a mild contraction of 2.39% in 2021. Credit cards has the most outstanding growth at 15.38% y-y, followed by a 10.35% y-y expansion in personal loans. This went against the leasing portfolio, which experienced a massive 23.45% contraction due to a large write-off during the year, as KTC attempted to clean up the vintage bad debt pre-consolidation of KTB Leasing (KTBL). For 2023, KTC expects 15% y-y growth for its total portfolio, with an expansion in credit card spending at 10% y-y and 7% y-y in personal loan receivables, close to the impressive expansion achieved in 2022.

As of 3Q23, KTC's portfolio amounted to THB106.7b in total, consisting of 65% credit card, 32% personal loan, and 3% leasing receivables. In the past five years, the composition of the mix has been quite stable. Historically, the firm had 7.55% 5Y CAGR growth in its total loan receivables (6.91% if excluding the consolidated KTBL portfolio) with the credit card portfolio as the leading growth contributor at 8% CAGR, followed by the personal loan portfolio at 4.74% CAGR. In contrast, the leasing segment shrank dramatically due to asset quality issues, mostly from pre-consolidated truck and machinery loans.

We estimate KTC's total portfolio to finish at THB110.67b in 2023, implying 6.22% y-y growth – a slowdown from 12.48% y-y in 2022 due to the effort to focus on lending quality. We see credit card loans expanding by 5.01% for the year (-0.34% YTD), pushed by the spending season in Nov-Dec. Meanwhile, we expect personal loans to grow by 7.02% in 2023 (+5.73% YTD), as we expect the moderate growth momentum in both KTC PROUD and KTC P Berm to persist. KTC has ceased new lease underwriting since August 2023 due to asset quality issues, leading us to expect a q-q drop in 4Q23. For 2024-25, the growth driver should come from reduced concern over its asset quality along with more clarity in economic improvements. This should prompt KTC to allow for a higher loan approval rate and loan growth, leading to a larger card spending volume and top-line growth.

Exhibit 1: KTC – portfolio breakdown



Sources: KTC; FSSIA's compilation

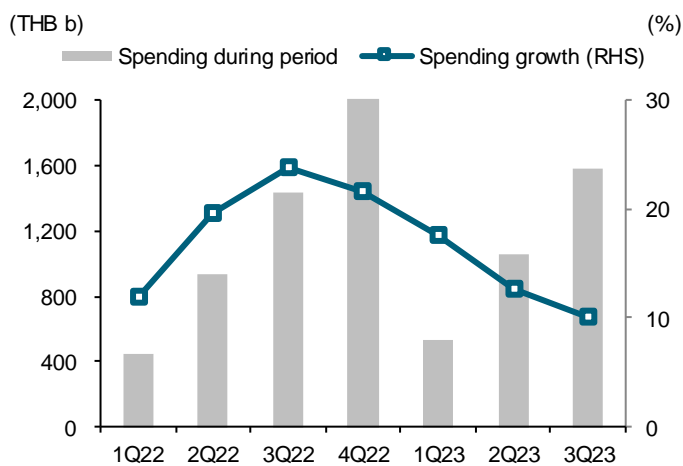
Credit card segment

From a macro view of Thailand's credit card industry, it had been performing well in 1H23 until showing signs of a slowdown in 3Q23. As of 9M23, according to the latest data from the Bank of Thailand (BoT), the YTD total credit card purchasing volume finished at THB1.58t, rising 10.1% y-y. The momentum came with deteriorating signs of asset quality as the overall NPL ratio had an upward trend (from 1.96% in 3Q22 to 2.51% in 3Q23). We expect operators to sustain their efforts in managing NPLs and focus more on the credit quality of newly acquired customers until a meaningful sign of economic improvement is imminent, leading to pressure on credit costs and bottom-line results.

KTC's 9M23 spending volume was THB192.27b, showing 13.75% y-y growth – slightly higher spending growth relative to the industry. Meanwhile, the company claimed to retain a high inactive card-purging rate of around 4-5% of the total each year as a prudent measure to control customer quality. The narrative is reflected in its stable y-y market share regarding the number of credit cards at 10% of the market.

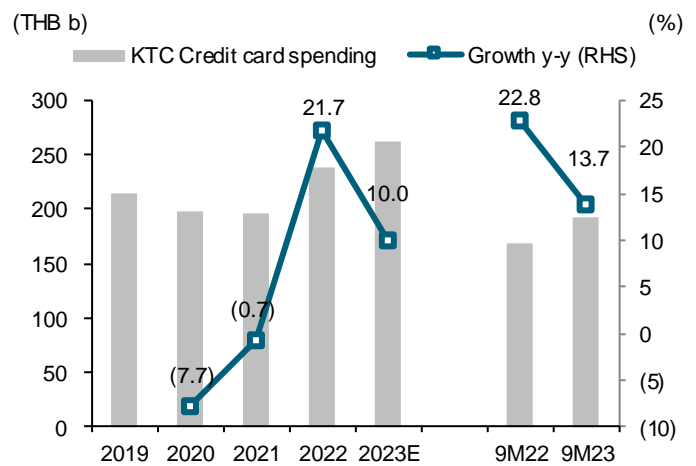
We expect deteriorations in the purchasing power of households to put a specific limit on the 4Q23 spending volume. Our estimates suggest a transaction volume via KTC's credit cards in 4Q23 at THB69.81b (+8.03% q-q, +0.85% y-y), with the peak season in Nov-Dec to contribute the most toward whole-year growth. This should end the year at THB262.083b, showing a growth rate of 10%, slowing down from 9M23. We expect the firm's credit card loans to finish at THB72.94b (+5.01% y-y).

Exhibit 2: Industry credit card spending and growth



Sources: Bank of Thailand (BoT); FSSIA's compilation

Exhibit 3: KTC's credit card spending and growth



Sources: KTC; FSSIA's compilation

By the end of this year, the BoT will enforce a normalizing policy of raising the minimum credit card repayment percent from 5% to 8% starting in January 2024, and to 10% at the pre-Covid level by 2025. We expect the policy shift to lead industry players to set up an additional layer of up-front provisions to brace for this regulatory impact. However, we estimate the proportion of KTC's minimum repayment customers for credit cards to range around 20-25% on average, meaning the regulation would have an insignificant impact on the firm's performance. Our sensitivity analysis suggests that a mere 0.8% in 2024 and 1.3% in 2025 would be the downside risks for KTC's credit card interest income, while the NPL ratio could rise by 49 bp and 83 bp in 2024 and 2025, respectively, under the assumption that the 25% transactional portion could not repay the additional 3% and 5% repayment floor.

Exhibit 4: Expected impact from the 3-5% rise in regulated minimum payment in 2024-25

	----- Base estimates -----		----- What if -----		----- Change -----	
	2024E	2025E	2024E	2025E	2024E	2025E
	(THB m)	(THB m)	(THB m)	(THB m)	(%)	(%)
Total interest income	17,068	18,532	17,003	18,415	(0.4)	(0.6)
Credit card Int. income	8,344	9,157	8,280	9,040	(0.8)	(1.3)
	(%)	(%)	(%)	(%)	(%)	(%)
NPL ratio	2.16	2.10	2.65	2.93	0.49	0.83
Assumptions			(%)	(%)		
Increase in regulated minimum payment from 2023			3	5		
Portion of transactional credit card usage			25	25		

Source: FSSIA estimates

Personal loan segment

KTC's personal loan segment can be broken down into two sub-genres: 1) KTC PROUD – a cash advance card; and 2) KTC P Berm – an auto title loan portfolio. As of 9M23, KTC had 5.65% YTD and 8.19% y-y growth for the whole segment with a market share of 6.68% (excluding hire-purchase and leasing loans), which slightly improved from 6.47% at the end of 2022 from the growth within its auto title loan segment.

Cash advance: The 8M23 domestic usage of cash advance cards finished at THB561b, increasing by 21.2% y-y, with an average usage per card of THB8.2k, rising 4.87% y-y, which showed solid demand in 2023 following an impressive year in 2022. KTC PROUD's loans in 3Q23 have shown a moderate 6.2% y-y expansion, and we expect the segment to continue its pace of growth in 4Q23, going into a strong quarter.

Auto title loans: KTC expects P Berm to be the main growth driver in 2024-25 and targets new bookings worth THB9b for the segment in 2023. KTB branches are to be the main channel, leading to greater product recognition and loan growth and enhancing the firm's average loan yield. This should benefit KTC's bottom-line development within the next 2-3 years.

As of 3Q23, KTC's P Berm portfolio was at THB 2.06b, accounting for a mere 2% of the total loan value, while the 9M23 new bookings finished at just THB1.93b. Our estimate only considers 30-45% p.a. growth for P Berm in 2024-25 (ending at a mere 3.41-4.12% of total loans), meaning it only has a marginal influence on the overall loan yield. Given our expectations on the domestic economy, we expect more operators to steer into secured lending products, especially in the auto title loan industry (high-yield and collateral-backed), and hence we expect KTC to encounter fierce competition over customer acquisition. Meanwhile, through KTB counters, P Berm, with a mere 900+ locations vs other non-bank peers with many times more (MTC, SAWAD, and TIDLOR), should give the firm a disadvantaged position for market penetration. The consistently lower-than-targeted growth in the past 1-2 years should be the indicator to support our thesis.

However, we believe meaningful improvement in the segment's growth could provide an upside to our estimate and tilt KTC toward healthier asset quality due to the product nature and higher average loan yield. We have performed a sensitivity analysis to illustrate a scenario where loan growth in P Berm is 10% higher than our base case in 2023-25. The impact on KTC's net profit would be a 0.1%, 0.5%, and 0.6% increase, respectively, all else being equal. Meanwhile, it would benefit the overall yield by 1-3 bps and the NIM by 3-8 bps.

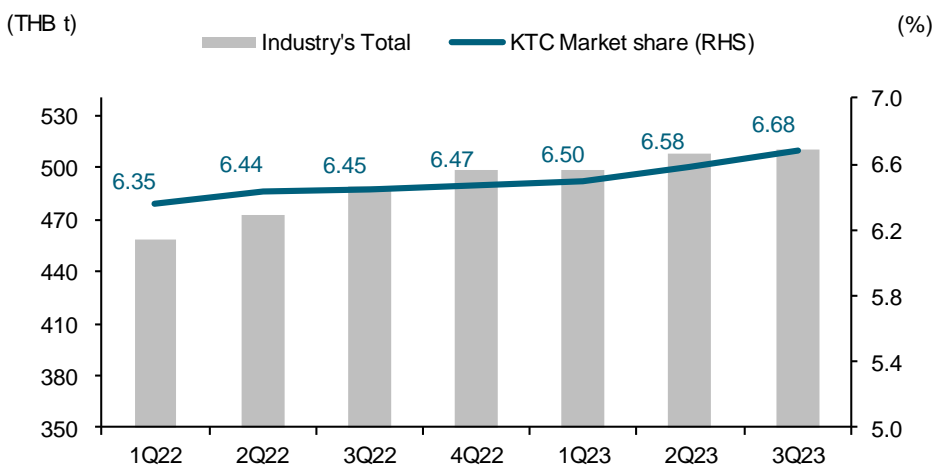
Exhibit 5: P Berm – sensitivity analysis (if loan growth is 10% higher than our estimate)

	Base estimates			What if			Change		
	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(%)	(%)	(%)
P Berm portfolio	2,605	3,778	4,909	2,866	4,155	5,400	10.0	10.0	10.0
New booking	2,625	2,079	2,411	2,886	2,264	2,627	9.9	8.9	9.0
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(%)	(%)	(%)
Total interest income	15,990	17,068	18,532	16,021	17,144	18,636	0.2	0.4	0.6
Personal loan -									
interest income	7,853	8,454	9,092	7,884	8,531	9,196	0.4	0.9	1.1
Net income	7,285	7,912	8,629	7,289	7,950	8,685	0.1	0.5	0.6
	(%)	(%)	(%)	(%)	(%)	(%)	(bp)	(bp)	(bp)
Yield	14.88	14.85	14.96	14.89	14.87	14.99	1	2	3
NIM	12.99	12.89	12.95	13.02	12.95	13.02	3	6	8

Source: FSSIA estimates

The BoT’s new persistent debt measure under its responsible lending policy targets revolving personal loans, which intersects with both of KTC’s product lines. For this matter, KTC has disclosed a limited negative impact on its revenue from the regulation (a maximum of THB18m per month), as the repayment behavior of KTC’s customers do not fit into the policy criteria. Hence, we do not expect the measure to have a meaningful effect on KTC’s performance.

Exhibit 6: KTC’s personal loan market share



Sources: BoT; KTC; FSSIA’s compilation

Exhibit 7: KTC vs FSSIA growth targets

	KTC		FSSIA
	2022	2023E	2023E
	(%)	(%)	(%)
Portfolio growth	12.45	15.00	6.21
Credit card spending growth	21.73	10.00	10.00
Personal loan growth	10.35	7.00	7.00
P Berm Car for cash			
New bookings (THB m)	1,055	9,000	2,625

Sources: KTC; FSSIA estimates

Exhibit 8: KTC – loan growth by segment, 2021-23E

	2021	2022	2023E	9M23
	(%)	(%)	(%)	(%YTD)
Credit cards	(0.06)	15.38	5.01	(0.33)
Personal loans	(2.44)	10.35	7.02	5.73
Leasing	(37.15)	(23.45)	30.00	37.58
Total portfolio growth	(2.80)	12.45	6.22	2.43
ex KTBL	(0.85)	13.74	5.64	1.58

Sources: KTC; FSSIA estimates

Expect increasing volatility in cost of funds and spreads

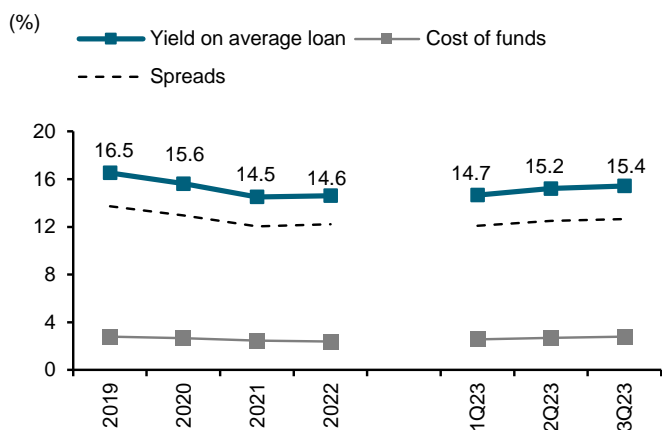
The regulation by the BoT to lower the interest rate ceilings on financial products (effective since August 2020) has put pressure on KTC’s profitability. The yield on loans was 16.53% in 2019, which trended downward ever since and reached 14.61% by the end of 2022; a decrease of 192 bps. The movement of yields on credit card receivables was relatively stable within a 10.80-11.59% range from 2019-22. Since, on average, 20-25% of KTC’s credit card spending volume is transactional – fully paid down and not subject to interest charges – this caused the yield to stay lower than the 16% regulated ceiling. In contrast, the yield on its personal loan portfolio was at 23.47% in 2022, decreasing by 254 bps from 2019, and was most severely hit among all segments. Lastly, the yield on KTBL’s portfolio was at 3.90% in 2022. The unattractively low yield on the leasing portfolio was due to the vintage underwritings during the low-yield environment prior to the consolidation to KTC’s balance sheet and the asset quality issue, leading many leasing debtors to pay at a low interest rate under the TDR program. During 2022, KTC had a massive THB1.8b write-off in the segment. We expect KTBL’s yield to promptly normalize and finish 2023 at 8.30%.

For funding, KTC had a policy to maintain a long-term funding source at more than 80% of the total interest-bearing liability to secure the cost of funds and reduce volatility in its profitability. At the end of 3Q23, long-term financing of KTC contributed 87.1% of the total mix. However, the weighted average duration of the company’s debentures has been showing a shortening trend from 4.4 years in 2019 to 3.4 years in 2022, and falling further to 2.8 years in 3Q23. As the company expects the RP rate to have passed its peak, KTC will continue to shorten the duration of future issues.

We expect the firm’s cost of funds to exhibit a higher correlation with the market rate, causing it to possess a higher degree of volatility. We expect the consequences of a higher RP rate to be reflected in a rising cost of funds, where we estimate the cost of new funding to rise by 25 bp in 4Q23 from 3Q23 and plateau after that. When accompanied by the maturity of low-cost vintage funding, this should lead KTC’s cost of funds to grow and reach 2.71%, 2.85%, and 3.02% by the end of 2023-25, respectively. During 4Q23, KTC has THB1.74b in maturing debentures. We express no concern about the firm’s financing activity as it currently possesses around THB15b in untapped term loans from commercial banks, while we expect KTC to be able to issue new debentures as well.

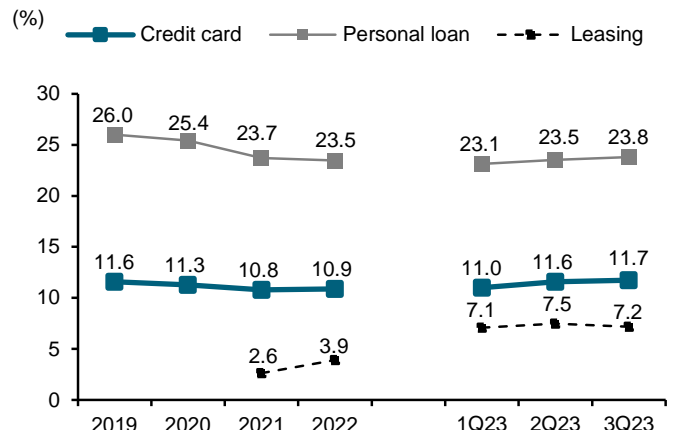
The effect of securing long-term funding so far has provided KTC with the ability to preserve its profitability to a certain degree. From 2019-22, the spread fell just 150 bps (vs 192 bps for loan yield) and finished at 12.23%, while the NIM was at 14.27% in 2019 before dropping to 12.88% in 2022, decreasing by 139 bps. We expect both spreads and NIM to continue narrowing, mainly from the rising cost of funds, and finish 2023 at 12.18% and 12.99%, respectively.

Exhibit 9: Yield, spreads, NIM, and cost of funds, 2019-3Q23



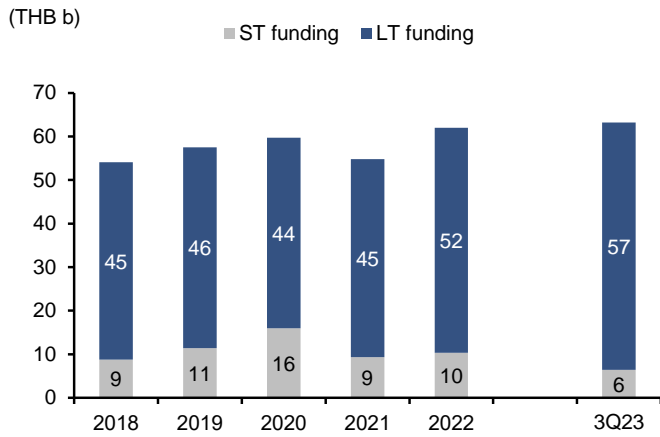
Sources: KTC; FSSIA’s compilation

Exhibit 10: Yield by segment, 2019-3Q23



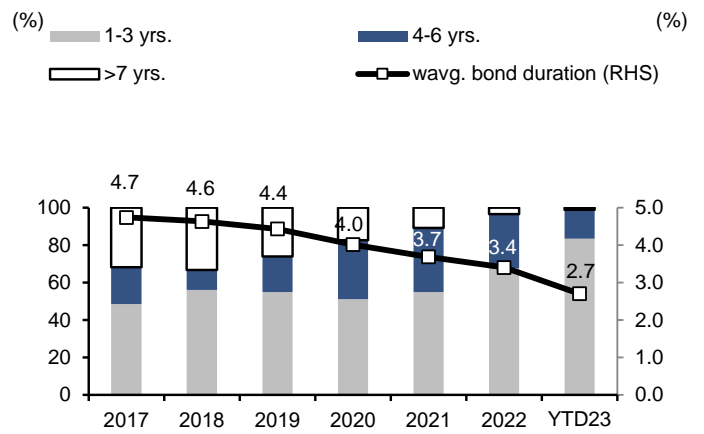
Sources: KTC; FSSIA’s compilation

Exhibit 11: ST vs LT funding source, 2018-3Q23



Sources: KTC; FSSIA's compilation

Exhibit 12: Debenture duration, 2017-11M23



Sources: KTC; FSSIA's compilation

Exhibit 13: KTC's outstanding debentures, interest, and cost of debt as of 11M23

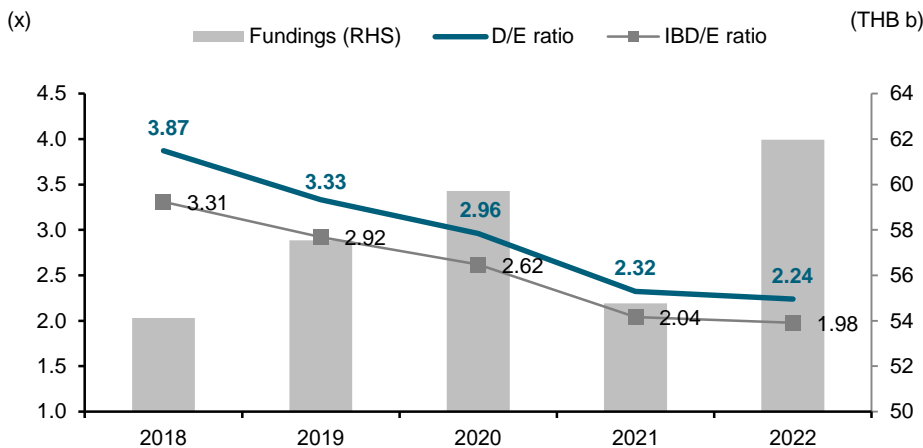
	Interest expenses				Outstanding debentures				Cost of debentures			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(bp)	(bp)	(bp)	(bp)
2023	317	325	352	355	45,562	47,362	49,362	48,662	278	280	291	290
2024	331	325	326	317	46,922	42,922	42,922	41,822	277	290	304	299
2025	306	298	291	251	39,577	37,577	36,577	30,577	301	309	314	299
2026	234	224	208	186	28,077	27,577	23,577	23,377	320	322	325	317
2027	129	131	110	76	15,747	15,747	15,747	11,015	265	332	281	227
2028	59	54	45	34	8,015	6,765	6,765	4,700	249	291	264	240

Sources: ThaiBMA; FSSIA's compilation

Comfortable financial position

As of 3Q23, the D/E ratio dwindled to 2.08x from 2.24x at the end of 2022. Currently, KTC's debt covenant is at 10x, which puts the firm in a comfortable spot regarding business expansion. However, the company's effort to focus on asset quality and be more conservative with growth this year leads us to expect that this trend will be prolonged until at least 1H24 due to the sluggish economic atmosphere. Our assumptions suggest that KTC does not have an urgent demand for financing and should finish at a D/E ratio of 2.01x and 1.90x by the end of 2023 and 2024, respectively.

Exhibit 14: D/E and IBD/E ratios, 2018-22



Sources: KTC; FSSIA estimates

Slightly weaker asset quality from the macro backdrop

In 2021, KTC's NPL ratio was at 3.58% before being reduced to 1.77% in 2022 as a result of 1) proactive NPL management (write-offs and high provisions for loan losses), especially within the leasing segment; and 2) a softer pace of new NPL formation within the credit card and personal loan segments.

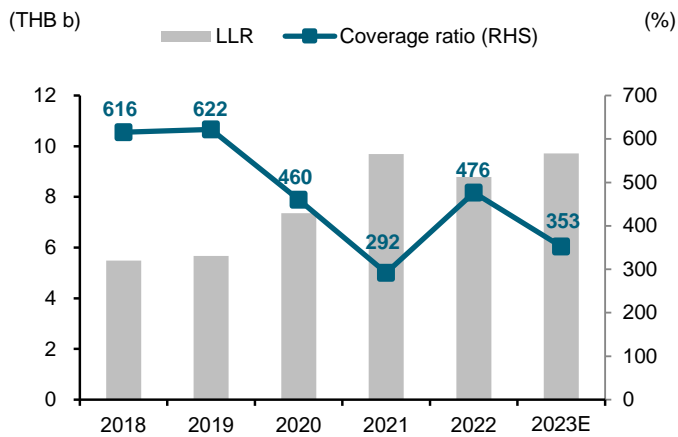
In 3Q23, the firm's asset quality was pressured as the NPL ratio rose 31 bp to 2.33%, along with a declining coverage ratio at 382%, down significantly from 433% in 2Q23. The firm's leasing business caused the most asset quality concerns. As a response, KTC has ceased its generation of new lease bookings since August 2023. We estimate that KTBL's NPLs will peak in 2024. Our estimates suggest a slightly weaker trend for overall asset quality in 4Q23, following the economic and industry directions, with the NPL ratio finishing at 2.49%, resulting in more provisions for loan losses. We expect a 2023 credit cost of 547 bp, rising from 498 bp in 2022, with a coverage ratio of 353%.

More NPLs from the end of Covid measures

The termination of the Covid debtor relief measure, ending in 2023, will bring firms back into strict compliance with the TFRS9 standard. The effect on companies' balance sheets will lead to a suddenly higher amount of NPLs as, under relaxed rules, operators were allowed to restage specific debtors upward to Stages 1 and 2, depending on the repayment behavior of the debtor. After the reversal, the company expects the amount of NPLs to nearly double and the NPL ratio to spike significantly to around 3.80% in 2024. Meanwhile, KTC has expressed no need to set up a higher provision amount as the current level of loan loss allowance already covers both the principal and accrued interest of those bad debts. In the future, the firm plans to reduce ECL to align with its view on asset quality as usual.

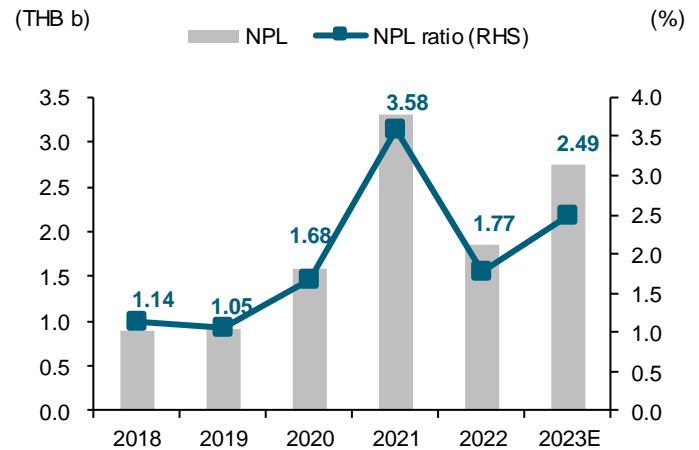
However, KTC expects the NPLs above to saturate after being held on its book for 180 days, and will be ready to be written-off by 2Q24, reducing the amount of NPLs. Hence, in 1Q24, we expect the firm's NPL ratio to jump to 4.46%, bringing the coverage ratio to 207%, and start declining by 45-80 bps per quarter until reaching a 2.16% level by year-end.

Exhibit 15: Allowance for ECL and coverage ratio, 2018-23E



Sources: KTC; FSSIA estimates

Exhibit 16: NPLs and NPL ratio, 2018-23E



Sources: KTC; FSSIA estimates

Exhibit 17: Loans and provisions by stage, 2020-3Q23

	2020				2021				2022				3Q23			
	(THB m)		(THB m)		(THB m)		(THB m)		(THB m)		(THB m)		(THB m)			
Loans and accrued interest																
Stage 1	77,020	76,929	87,743	86,930	86.0	86.6	86.8	85.7	12.3	11.6	11.6	12.5	1.8	1.8	1.6	1.8
Stage 2	10,989	10,338	11,690	12,643	12.3	11.6	11.6	12.5	22.2	22.9	23.8	24.4	65.5	67.4	70.0	70.0
Stage 3	1,598	1,581	1,627	1,807	1.8	1.8	1.6	1.8	65.5	67.4	70.0	70.0				
Expected credit loss (ECL)																
Stage 1	3,865	3,918	4,247	4,191	5.0	5.1	4.8	4.8								
Stage 2	2,445	2,365	2,782	3,081	22.2	22.9	23.8	24.4								
Stage 3	1,046	1,066	1,139	1,266	65.5	67.4	70.0	70.0								
	(%)	(%)	(%)	(%)												
NPL / TL	1.8	1.8	1.6	1.8												
LLR / NPL	460.3	464.8	502.1	472.4												
NPL + S2 / TL	14.0	13.4	13.2	14.3												
LLR / (NPL + S2)	58.4	61.7	61.3	59.1												

Note: Calculation excludes contribution from KTBL

Sources: KTC; FSSIA's compilation

Exhibit 18: NPLs by product segmentation, 2019-3Q23

NPL by segment	2019				2020				2021				2022				2023		
	(THB m)		(THB m)		(THB m)		(THB m)		(THB m)		(THB m)		(THB m)		1Q23	2Q23	3Q23		
Credit cards																			
NPL	529	791	738	730	739	833	919							739	833	919			
LLR	3,406	4,218	4,127	4,431	4,455	4,600	4,700							4,455	4,600	4,700			
NPL / TL (%)	0.93	1.32	1.23	1.06	1.10	1.22	1.33							1.10	1.22	1.33			
LLR / TL (%)	644	533	559	607	603	552	511							603	552	511			
Personal loans																			
NPL	382	807	843	896	902	975	1,048							902	975	1,048			
LLR	2,264	3,138	3,222	3,736	3,778	3,937	4,020							3,778	3,937	4,020			
NPL / TL (%)	1.31	2.72	2.92	2.81	2.82	2.95	3.11							2.82	2.95	3.11			
LLR / TL (%)	593	389	382	417	419	404	384							419	404	384			
HP Leasing																			
NPL	n/a	n/a	1,736	219	290	322	514							290	322	514			
LLR	n/a	n/a	2,343	624	701	688	749							701	688	749			
NPL / TL (%)	n/a	n/a	54.27	8.95	8.79	9.10	15.26							8.79	9.10	15.26			
LLR / TL (%)	n/a	n/a	135	285	242	214	146							242	214	146			

Sources: KTC; FSSIA estimates

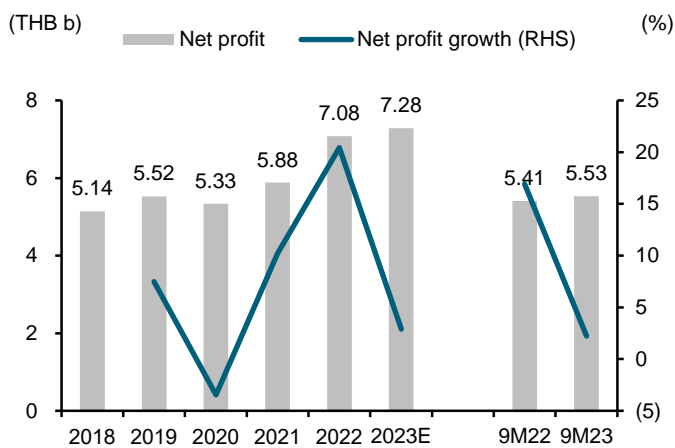
Moderate growth outlook for 2023 to improve in 2024

On average (2018-19), KTC’s net profit margin ranged between 26.17-32.39%, with interest income normally contributing 66% of total revenue while fee income accounted for 24%. The company’s cost-to-income ratio has been steady, averaging 36.94%.

KTC has had a trend of hitting new highs in its bottom-line results along with growth in its loan and spending volumes, except for a slight hiccup in 2020 where the industry had a 17.5% drop in spending volume. The 5Y CAGR growth in net profit until 2022 was 16.5% p.a. We estimate the net result of the company to be THB7.28b / THB7.91b / THB8.63b for 2023-25, with a y-y growth rate of 2.9%, 8.62%, and 9.06%, respectively. Our rationale is formed mainly from the estimated loan growth of 6.22%, 7.72%, and 7.88%, while we expect the credit cost and the cost-to-income ratio to be stable within the range of 539-547 bps and 36.47-37.05%, respectively.

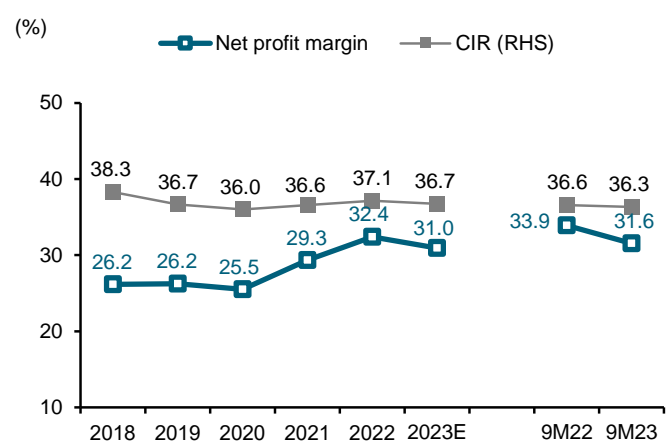
We expect a 4Q23 net profit at THB1.75b, down 5.71% q-q but up 5.08% y-y. We forecast its 4Q23 pre-provision operating profit (PPOP) at THB3.72b, down 1.45% q-q but increasing by 3.22% y-y from the revenue, which we expect to be flat q-q and but increase 1.9% y-y, pushed by both interest and fee income during the credit card peak season (Nov-Dec). However, this should go against the rising OPEX, which generally peaks in 4Q, mainly from higher fee and service expenses along with the rising transaction volume and employee pay raises, resulting in a cost-to-income ratio of 37.89%, more than 37.33% in 3Q23.

Exhibit 19: KTC – annual net profit



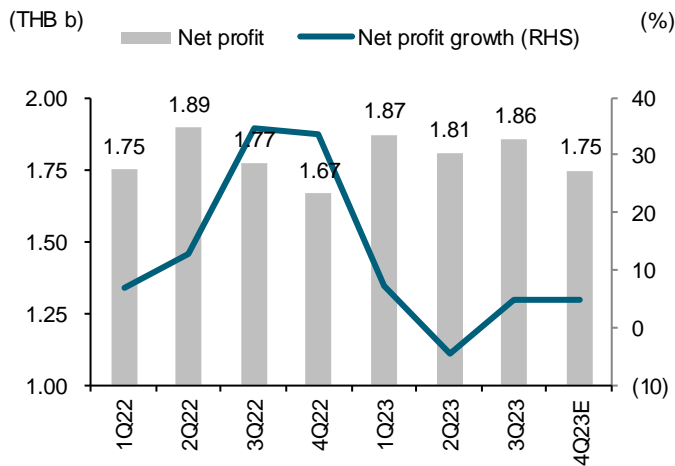
Sources: KTC; FSSIA estimates

Exhibit 20: Profitability metrics



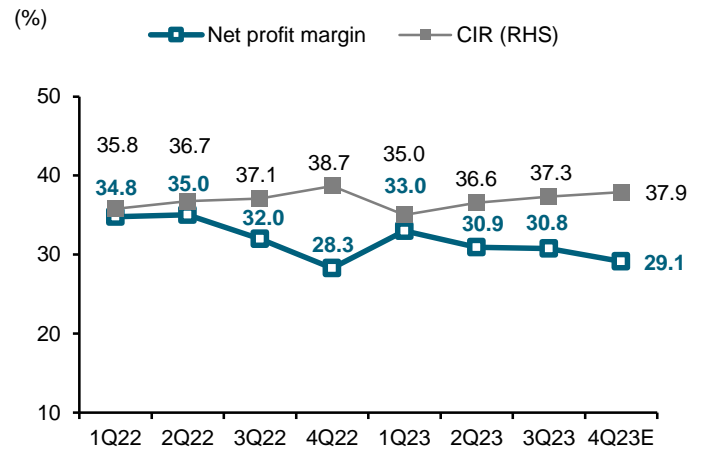
Sources: KTC; FSSIA estimates

Exhibit 21: KTC – quarterly net profit



Sources: KTC; FSSIA estimates

Exhibit 22: Profitability metrics; quarterly



Sources: KTC; FSSIA estimates

Exhibit 23: KTC results summary and 4Q23 estimates

KTC	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23E	--- Change ---		9M23	Change	% of	2023E	Change
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)	(THB m)	(y-y%)	23E	(THB m)	(%)
Interest income	3,680	3,832	3,803	3,972	4,096	4,119	0.56	7.48	11,871	12.5	74	15,990	11.2
Interest expense	343	378	390	415	441	450	1.91	18.99	1,247	22.9	73	1,697	21.8
Net interest income	3,337	3,454	3,413	3,557	3,655	3,669	0.39	6.22	10,624	11.4	74	14,293	10.0
Non-interest income	2,974	3,228	3,047	3,091	3,208	3,137	(2.20)	(2.81)	9,346	8.1	75	12,483	5.2
Operating income	5,543	5,885	5,670	5,837	6,031	5,997	(0.57)	1.90	17,538	9.8	75	23,535	7.7
Operating expenses	2,056	2,276	1,985	2,135	2,252	2,272	0.90	(0.18)	6,371	9.1	74	8,643	6.5
PPOP	3,487	3,609	3,685	3,702	3,780	3,725	(1.45)	3.22	11,167	10.2	75	14,892	8.4
Expected credit loss	1,276	1,508	1,367	1,438	1,477	1,555	5.26	3.11	4,282	27.4	73	5,836	19.9
Profit before tax	2,210	2,101	2,319	2,263	2,303	2,170	(5.75)	3.29	6,884	1.7	76	9,056	2.1
Income tax expense	447	456	452	463	464	434	(6.49)	(4.79)	1,380	1.3	76	1,811	-0.4
Net profit	1,773	1,666	1,872	1,806	1,857	1,750	(5.71)	5.08	5,534	2.2	76	7,285	2.9
EPS (THB)	0.69	0.65	0.73	0.70	0.72	0.68	(5.71)	5.08	2.15	2.2	76	2.83	2.9
Key balance sheet highlights													
NPL	1,917	1,845	1,931	2,130	2,481	2,753	11.0	49.2	2,481	29.4		2,753	49.2
Loan - gross	97,016	104,194	103,312	105,588	106,700	110,671	3.7	6.2	106,700	10.0		110,671	6.2
Loans - net	88,418	95,402	94,378	96,364	97,232	100,959	3.8	5.8	97,232	10.0		100,959	5.8
Interest bearing debt	57,528	61,972	59,547	63,351	63,213	63,345	0.2	2.2	63,213	9.9		63,345	2.2
Earnings assets	90,127	97,689	96,194	98,342	100,111	103,754	3.6	6.2	100,111	11.1		113,503	6.6
Leverage ratio	(x)	(x)	(x)	(x)	(x)	(x)			(x)			(x)	
IBD/E (x)	1.94	1.98	1.79	1.98	1.86	1.77			1.86			1.77	
D/E (x)	2.16	2.24	2.01	2.19	2.08	2.01			2.08			2.01	
Asset quality ratio	(%)	(%)	(%)	(%)	(%)	(%)			(%)	(%)		(%)	
Gross NPLs (THB m)	1,917	1,845	1,931	2,130	2,481	2,753	11.0	49.2	2,481	29.4		2,753	49.2
NPL ratio	1.98	1.77	1.87	2.02	2.33	2.49			2.33			2.49	
Coverage ratio - LLR/ NPLs	449	476	463	433	382	353			382			353	
Credit cost (bp)	535	609	530	554	560	576			561			547	
LLR/TL	8.86	8.44	8.65	8.74	8.87	8.78						8.78	
Profitability ratios													
Cost-to-income ratio	37.10	38.68	35.01	36.58	37.33	37.89			36.33			36.73	
Yield on loans	15.33	15.24	14.66	15.21	15.44	15.16			17.05			14.88	
Cost of funds	2.42	2.53	2.57	2.70	2.79	2.84			2.75			2.71	
Spreads	12.91	12.70	12.09	12.51	12.65	12.31			13.89			12.18	
Net interest margin (NIM)	13.66	13.47	12.90	13.38	13.46	13.16			14.89			12.99	

ROE	24.63	21.84	23.19	22.13	22.51	20.09			23.21			21.71
ROA	7.67	6.81	7.41	7.12	7.17	6.59			7.43			6.95
Loan growth	(%)	(%)	(%)	(%)	(%)	(%)						(%)
Loan growth y-y	11.48	12.48	14.53	11.06	9.98	6.22			9.98			6.22
q-q	2.05	7.40	-0.85	2.20	1.05	3.72						

Sources: KTC; FSSIA estimates

Initiate coverage with a HOLD call; slightly tight valuation

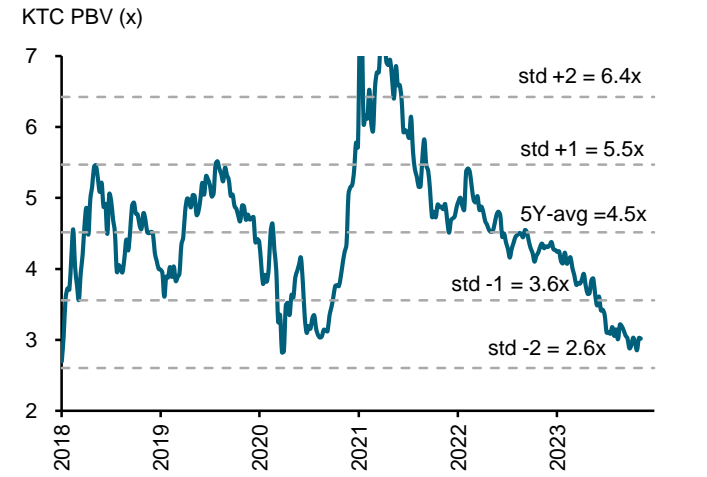
We initiate coverage of KTC with a HOLD call. Our GGM valuation yields a 2024 TP of THB49, implying a P/BV of 3.11x, lower than the current multiple of 3.47x as we expect the share price is trading at a slightly tight valuation when compared to industry peers. Meanwhile, despite trading near -2 SD of its 5Y average P/BV, we do not expect a mean reversion for KTC in the near term mainly due to its muted 2023-24 growth outlook and NPL overhangs. Our valuation is based on an estimated sustainable ROE of 18% and a terminal growth rate of 3.25% p.a.

Exhibit 24: GGM-derived 2024 valuation specifications

	2024E
	(%)
ROE - sustainable	18.00
Terminal growth rate	3.25
Cost of equity	8.00
Risk-free	3.00
Expected market return	8.00
Market risk premium	5.00
Beta	1.00
Target PBV	3.11
BVS	15.78
Fair price	49.00

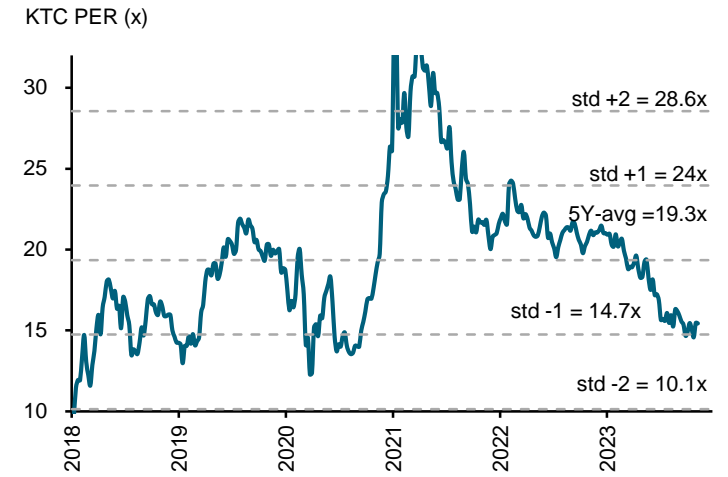
Sources: FSSIA estimates

Exhibit 25: KTC – one-year prospective P/BV band



Sources: Bloomberg; FSSIA estimates

Exhibit 26: KTC – one-year prospective PER band



Sources: Bloomberg; FSSIA estimates

Exhibit 27: Peers comparison, as of 27 November 2023

Company name	code	Rec	Share price (LCY)	Target price (LCY)	Up side (%)	PE		PBV		ROE		Div yld	
						23E (x)	24E (x)	23E (x)	24E (x)	23E (%)	24E (%)	23E (x)	24E (x)
Thailand													
Krungthai Card	KTC TB	HOLD	46.25	49.00	6	16.4	15.1	3.3	2.9	21.7	20.7	2.4	2.4
AEON Thana Sinsap (Thailand)	AEONTS TB	HOLD	156.00	169.00	8	12.5	11.6	1.6	1.5	13.1	13.2	3.5	4.0
Muangthai Capital	MTC TB	BUY	43.00	44.00	2	19.1	14.9	2.9	2.4	15.6	17.7	0.8	1.0
Srisawad Corp	SAWAD TB	BUY	43.75	54.00	23	11.2	9.5	2.1	1.9	19.7	20.7	4.1	4.6
Ngern Tid Lor	TIDLOR TB	BUY	22.60	28.00	24	16.6	13.8	2.2	2.0	14.2	15.2	1.2	1.5
Average						15.2	13.0	2.4	2.1	16.9	17.5	2.4	2.7

Sources: Bloomberg; FSSIA estimates

Financial Statements

Krungthai Card

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Interest Income	13,614	14,381	15,990	17,068	18,532
Interest expense	(1,416)	(1,392)	(1,697)	(1,879)	(2,109)
Net interest income	12,198	12,989	14,293	15,188	16,422
Net fees & commission	4,293	4,974	5,471	6,018	6,620
Foreign exchange trading income	-	-	-	-	-
Securities trading income	-	-	-	-	-
Dividend income	11	17	35	35	35
Other income	3,534	3,876	3,736	4,206	4,247
Non interest income	7,838	8,868	9,242	10,259	10,902
Total income	20,036	21,856	23,535	25,447	27,324
Staff costs	(7,064)	(7,872)	(8,379)	(9,152)	(9,681)
Other operating costs	(262)	(244)	(264)	(277)	(286)
Operating costs	(7,326)	(8,117)	(8,643)	(9,429)	(9,966)
Pre provision operating profit	12,711	13,740	14,892	16,018	17,358
Expected credit loss	(5,456)	(4,868)	(5,836)	(6,184)	(6,634)
Other provisions	-	-	-	-	-
Operating profit	7,255	8,871	9,056	9,834	10,724
Recurring non operating income	0	0	0	0	0
Associates	-	-	-	-	-
Goodwill amortization	-	-	-	-	-
Non recurring items	0	0	0	0	0
Profit before tax	7,255	8,871	9,056	9,834	10,724
Tax	(1,467)	(1,818)	(1,811)	(1,967)	(2,145)
Profit after tax	5,789	7,054	7,245	7,867	8,579
Non-controlling interest	90	26	40	45	50
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	5,879	7,079	7,285	7,912	8,629
Non recurring items & goodwill (net)	-	-	0	0	0
Recurring net profit	5,879	7,079	7,285	7,912	8,629
Per share (THB)					
Recurring EPS *	2.28	2.75	2.83	3.07	3.35
Reported EPS	2.28	2.75	2.83	3.07	3.35
DPS	0.88	1.00	1.10	1.13	1.23
Growth					
Net interest income (%)	(3.2)	6.5	10.0	6.3	8.1
Non interest income (%)	(5.4)	13.1	4.2	11.0	6.3
Pre provision operating profit (%)	(4.9)	8.1	8.4	7.6	8.4
Operating profit (%)	5.5	22.3	2.1	8.6	9.0
Reported net profit (%)	10.2	20.4	2.9	8.6	9.1
Recurring EPS (%)	10.2	20.4	2.9	8.6	9.1
Reported EPS (%)	10.2	20.4	2.9	8.6	9.1
Income Breakdown					
Net interest income (%)	60.9	59.4	60.7	59.7	60.1
Net fees & commission (%)	21.4	22.8	23.2	23.7	24.2
Foreign exchange trading income (%)	-	-	-	-	-
Securities trading income (%)	-	-	-	-	-
Dividend income (%)	0.1	0.1	0.1	0.1	0.1
Other income (%)	17.6	17.7	15.9	16.5	15.5
Operating performance					
Gross interest yield (%)	14.15	14.26	14.53	14.49	14.61
Cost of funds (%)	2.47	2.39	2.71	2.85	3.02
Net interest spread (%)	11.68	11.87	11.82	11.64	11.59
Net interest margin (%)	12.7	12.9	13.0	12.9	12.9
Cost/income(%)	36.6	37.1	36.7	37.1	36.5
Cost/assets(%)	8.1	8.5	8.2	8.3	8.1
Effective tax rate (%)	20.2	20.5	20.0	20.0	20.0
Dividend payout on recurring profit (%)	38.6	36.4	38.9	36.8	36.7
ROE (%)	23.7	24.3	21.7	20.7	19.9
ROE - COE (%)	12.9	13.5	10.9	9.9	9.1
ROA (%)	6.4	7.4	6.9	7.0	7.0
RORWA (%)	-	-	-	-	-

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Krungthai Card; FSSIA estimates

Financial Statements

Krungthai Card

Balance Sheet (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Gross customer loans	92,047	103,509	109,934	118,411	127,737
Allowance for expected credit loss	(9,692)	(8,792)	(9,712)	(8,035)	(8,810)
interest in suspense	588	685	738	805	878
Net customer loans	82,943	95,402	100,959	111,181	119,804
Bank loans	-	-	-	-	-
Government securities	-	-	-	-	-
Trading securities	-	-	-	-	-
Investment securities	83	106	111	117	122
Cash & equivalents	2,363	2,182	2,684	2,756	2,805
Other interesting assets	-	-	-	-	-
Tangible fixed assets	419	348	313	282	254
Associates	-	-	-	-	-
Goodwill	-	-	-	-	-
Other intangible assets	-	-	-	-	-
Other assets	3,663	3,758	3,829	3,904	3,982
Total assets	89,471	101,796	107,897	118,240	126,968
Customer deposits	0	0	0	0	0
Bank deposits	-	-	-	-	-
Other interest bearing liabilities	54,769	61,972	63,345	68,435	71,436
Non interest bearing liabilities	7,617	8,248	8,535	8,835	9,149
Hybrid Capital	-	-	-	-	-
Total liabilities	62,387	70,220	71,881	77,270	80,585
Share capital	2,578	2,578	2,578	2,578	2,578
Reserves	24,258	28,775	33,188	38,141	43,555
Total equity	26,836	31,353	35,766	40,719	46,134
Non-controlling interest	248	223	250	250	250
Total liabilities & equity	89,471	101,796	107,897	118,240	126,968
Supplementary items					
Risk weighted assets (RWA)	n/a	n/a	n/a	n/a	n/a
Average interest earning assets	96,197	100,823	110,012	117,814	126,850
Average interest bearing liabilities	57,240	58,371	62,659	65,890	69,936
CET 1 capital	n/a	n/a	n/a	n/a	n/a
Total capital	0	0	0	0	0
Gross non performing loans (NPL)	3,317	1,846	2,753	2,571	2,698
Per share (THB)					
Book value per share	10.41	12.16	13.87	15.79	17.89
Tangible book value per share	10.41	12.16	13.87	15.79	17.89
Growth					
Gross customer loans	(2.8)	12.5	6.2	7.7	7.9
Average interest earning assets	4.0	4.8	9.1	7.1	7.7
Total asset (%)	(2.3)	13.8	6.0	9.6	7.4
Risk weighted assets (%)	-	-	-	-	-
Customer deposits (%)	nm	nm	nm	nm	nm
Leverage & capital measures					
Customer loan/deposits (%)	-	-	-	-	-
Equity/assets (%)	30.0	30.8	33.1	34.4	36.3
Tangible equity/assets (%)	30.0	30.8	33.1	34.4	36.3
RWA/assets (%)	-	-	-	-	-
CET 1 CAR (%)	-	-	-	-	-
Total CAR (%)	-	-	-	-	-
Asset Quality (FSSIA's calculation)					
Change in NPL (%)	107.6	(44.4)	49.2	(6.6)	4.9
NPL/gross loans (%)	3.6	1.8	2.5	2.2	2.1
Allowance for ECL/gross loans (%)	10.5	8.5	8.8	6.8	6.9
Allowance for ECL/NPL (%)	292.2	476.3	352.8	312.5	326.5
Valuation					
Recurring P/E (x) *	20.3	16.8	16.4	15.1	13.8
Recurring P/E @ target price (x) *	21.5	17.8	17.3	16.0	14.6
Reported P/E (x)	20.3	16.8	16.4	15.1	13.8
Dividend yield (%)	1.9	2.2	2.4	2.4	2.7
Price/book (x)	4.4	3.8	3.3	2.9	2.6
Price/tangible book (x)	4.4	3.8	3.3	2.9	2.6
Price/tangible book @ target price (x)	4.7	4.0	3.5	3.1	2.7

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Krungthai Card; FSSIA estimates

Krungthai Card PCL (KTC TB)

FSSIA ESG rating

★★★★

71.80 /100

Exhibit 28: FSSIA ESG score implication

Rating	Score	Implication
★★★★★	>79-100	Leading its industry peers in managing the most significant ESG risks which not only better cost efficiency but also lead to higher profitability.
★★★★	>59-79	A mixed track record of managing the most significant ESG risks and opportunities relative to industry peers.
★★★	>39-59	Relevant ESG materiality matrix has been constructively addressed, well-managed and incorporated into day-to-day operations, in which targets and achievements are evaluated annually.
★★	>19-39	Relevant ESG materiality matrix has been identified with key management in charge for progress to be followed up on and to provide intensive disclosure. Most targets are conventional and achievable.
★	1-19	The company has adopted the United Nations Sustainable Development Goals (UN SDGs), established sustainability management guidelines and fully complies with regulations or ESG suggested guidance from related organizations such as the SET and SEC.

Sources: FSSIA estimates

Exhibit 29: ESG – peer comparison

	FSSIA	Domestic ratings						Global ratings						Bloomberg	
	ESG score	DJSI	SET THSI	THSI	CG score	AGM level	Thai CAC	Morningstar ESG risk	ESG Book	MSCI	Moody's	Refinitiv	S&P Global	ESG score	Disclosure score
SET100	69.20	5.34	4.40	4.40	4.76	4.65	3.84	Medium	51.76	BBB	20.87	58.72	63.91	3.72	28.17
Coverage	67.12	5.11	4.15	4.17	4.83	4.71	3.53	Medium	52.04	BB	16.97	56.85	62.09	3.40	31.94
AEONTS	33.86	--	--	--	4.00	3.00	--	Medium	40.10	BBB	--	27.64	17.00	--	--
KTC	71.80	--	Y	Y	5.00	5.00	Certified	Low	57.22	A	--	64.48	59.00	4.96	57.09
SAK	45.28	--	Y	Y	4.00	4.00	Certified	High	40.10	--	--	43.87	--	2.02	36.23
MTC	68.21	--	Y	Y	5.00	5.00	Certified	Low	42.19	AA	--	58.09	42.00	3.31	--
SAWAD	46.52	--	Y	Y	4.00	5.00	--	Medium	43.97	BB	--	20.18	13.00	1.93	40.04
TIDLOR	36.71	--	--	--	4.00	4.00	Certified	Medium	37.03	--	--	23.69	19.00	1.66	--
SAWAD	46.52	--	Y	Y	4.00	5.00	--	Medium	43.97	BB	--	20.18	13.00	1.93	40.04

Sources: SETTRADE.com; FSSIA's compilation

Exhibit 30: ESG score by Bloomberg

FY ending Dec 31	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
ESG financial materiality scores - ESG score	2.10	2.55	3.27	3.49	4.11	5.79	5.74	4.96
BESG environmental pillar score	0.00	2.90	3.74	4.41	3.84	3.95	3.64	3.88
BESG social pillar score	0.92	1.20	2.21	2.32	3.33	6.29	6.49	4.89
BESG governance pillar score	5.97	5.35	5.19	5.47	5.66	5.64	5.31	5.48
ESG disclosure score	35.95	37.11	41.95	49.07	49.92	58.07	56.76	57.09
Environmental disclosure score	0.91	4.38	10.90	27.88	27.88	33.77	29.84	31.80
Social disclosure score	25.70	25.70	33.71	38.12	40.69	59.28	59.28	58.28
Governance disclosure score	81.10	81.10	81.10	81.10	81.10	81.10	81.10	81.10
Environmental								
Emissions reduction initiatives	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Climate change policy	No	No	No	Yes	Yes	Yes	Yes	Yes
Climate change opportunities discussed	No	No	No	No	No	No	No	No
Risks of climate change discussed	No	No	No	No	No	No	No	No
GHG scope 1	--	--	--	1	1	0	0	0
GHG scope 2 location-based	--	2	2	1	1	1	1	1
GHG Scope 3	--	--	0	0	0	0	0	0
Carbon per unit of production	--	--	--	--	--	--	--	--
Biodiversity policy	No	No	No	No	No	No	No	No
Energy efficiency policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Total energy consumption	--	--	--	--	--	--	--	--
Renewable energy use	--	--	--	--	--	--	--	--
Electricity used	--	3	3	2	2	2	2	3
Fuel used - natural gas	--	--	--	--	--	--	--	--

Sources: Bloomberg; FSSIA's compilation

Exhibit 31: ESG score by Bloomberg (cont.)

FY ending Dec 31	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Fuel used - crude oil/diesel	No	No	No	No	No	No	No	No
Waste reduction policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Hazardous waste	—	—	—	—	—	0	—	—
Total waste	—	—	—	—	—	0	—	0
Waste recycled	—	—	—	—	—	0	0	0
Waste sent to landfills	—	—	—	—	—	—	—	—
Environmental supply chain management	No	No	No	Yes	Yes	Yes	Yes	Yes
Water policy	No	No	No	Yes	Yes	Yes	Yes	Yes
Water consumption	—	—	—	—	—	—	—	—
Social								
Human rights policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Policy against child labor	No	No	No	No	No	Yes	Yes	Yes
Quality assurance and recall policy	No	No	No	No	No	No	No	No
Consumer data protection policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Equal opportunity policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Gender pay gap breakout	No	No	No	No	No	No	No	No
Pct women in workforce	63	63	64	65	66	65	66	66
Pct disabled in workforce	—	—	—	—	—	1	1	1
Business ethics policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Anti-bribery ethics policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Health and safety policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Lost time incident rate - employees	—	—	—	0	0	0	0	0
Total recordable incident rate - employees	—	—	—	0	0	0	0	0
Training policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Fair remuneration policy	No	No	No	No	No	Yes	Yes	Yes
Number of employees – CSR	1,489	1,804	1,741	1,763	1,778	1,744	1,705	1,695
Employee turnover pct	—	—	—	—	14	9	10	17
Total hours spent by firm - employee training	47,082	50,425	56,709	39,980	72,732	83,151	99,420	108,744
Social supply chain management	No	No	No	Yes	Yes	Yes	Yes	Yes
Governance								
Board size	8	8	8	8	8	8	8	8
No. of independent directors (ID)	3	4	4	4	4	4	4	5
No. of women on board	4	2	2	2	2	2	2	1
No. of non-executive directors on board	7	7	7	7	7	7	7	7
Company conducts board evaluations	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
No. of board meetings for the year	13	12	12	13	15	16	19	15
Board meeting attendance pct	96	92	96	96	87	95	96	98
Board duration (years)	3	3	3	3	3	3	3	3
Director share ownership guidelines	No	No	No	No	No	No	No	No
Age of the youngest director	33	34	35	43	44	39	40	40
Age of the oldest director	63	64	65	66	65	66	67	68
No. of executives / company managers	15	13	13	14	10	11	13	12
No. of female executives	6	5	5	3	3	3	5	5
Executive share ownership guidelines	No	No	No	No	No	No	No	No
Size of audit committee	3	3	3	3	3	3	3	3
No. of ID on audit committee	3	3	3	3	3	3	3	3
Audit committee meetings	7	6	8	12	11	11	12	13
Audit meeting attendance %	90	89	87	89	88	100	97	85
Size of compensation committee	3	3	3	3	3	3	3	3
No. of ID on compensation committee	1	1	1	1	1	1	1	2
No. of compensation committee meetings	6	7	9	8	10	7	7	8
Compensation meeting attendance %	89	92	100	100	86	100	94	96
Size of nomination committee	3	3	3	3	3	3	3	3
No. of nomination committee meetings	6	7	9	8	10	7	7	8
Nomination meeting attendance %	89	92	100	100	86	100	94	96
Sustainability governance								
Verification type	No	No	No	No	No	No	No	No

Sources: Bloomberg; FSSIA's compilation

Disclaimer for ESG scoring

ESG score	Methodology	Rating																			
The Dow Jones Sustainability Indices (DJSI) By S&P Global	The DJSI World applies a transparent, rules-based component selection process based on the companies' Total Sustainability Scores resulting from the annual S&P Global Corporate Sustainability Assessment (CSA). Only the top-ranked companies within each industry are selected for inclusion.	Be a member and invited to the annual S&P Global Corporate Sustainability Assessment (CSA) for DJSI. Companies with an S&P Global ESG Score of less than 45% of the S&P Global ESG Score of the highest scoring company are disqualified. The constituents of the DJSI indices are selected from the Eligible Universe.																			
Sustainability Investment List (THSI) by The Stock Exchange of Thailand (SET)	THSI quantifies responsibility in Environmental and Social issues by managing business with transparency in Governance, updated annually. Candidates must pass the preemptive criteria, with two crucial conditions: 1) no irregular trading of the board members and executives; and 2) free float of >150 shareholders, and combined holding must be >15% of paid-up capital. Some key disqualifying criteria include: 1) CG score of below 70%; 2) independent directors and free float violation; 3) executives' wrongdoing related to CG, social & environmental impacts; 4) equity in negative territory; and 5) earnings in red for > 3 years in the last 5 years.	To be eligible for THSI inclusion , verified data must be scored at a minimum of 50% for each indicator, unless the company is a part of DJSI during the assessment year. The scoring will be fairly weighted against the nature of the relevant industry and materiality. SETTHSI Index is extended from the THSI companies whose 1) market capitalization > THB5b (~USD150b); 2) free float >20%; and 3) liquidity >0.5% of paid-up capital for at least 9 out of 12 months. The SETTHSI Index is a market capitalisation-weighted index, cap 5% quarterly weight at maximum, and no cap for number of stocks.																			
CG Score by Thai Institute of Directors Association (Thai IOD)	An indicator of CG strength in sustainable development, measured annually by the Thai IOD, with support from the Stock Exchange of Thailand (SET). The results are from the perspective of a third party, not an evaluation of operations.	Scores are rated in six categories: 5 for Excellent (90-100), 4 for Very Good (80-89), 3 for Good (70-79), 2 for Fair (60-69), 1 for Pass (60-69), and not rated for scores below 50. Weightings include: 1) the rights; 2) and equitable treatment of shareholders (weight 25% combined); 3) the role of stakeholders (25%); 4) disclosure & transparency (15%); and 5) board responsibilities (35%).																			
AGM level By Thai Investors Association (TIA) with support from the SEC	It quantifies the extent to which shareholders' rights and equitable treatment are incorporated into business operations and information is transparent and sufficiently disclosed. All form important elements of two out of five the CG components to be evaluated annually. The assessment criteria cover AGM procedures before the meeting (45%), at the meeting date (45%), and after the meeting (10%). (The first assesses 1) advance circulation of sufficient information for voting; and 2) facilitating how voting rights can be exercised. The second assesses 1) the ease of attending meetings; 2) transparency and verifiability; and 3) openness for Q&A. The third involves the meeting minutes that should contain discussion issues, resolutions and voting results.)	The scores are classified into four categories: 5 for Excellent (100), 4 for Very Good (90-99), 3 for Fair (80-89), and not rated for scores below 79.																			
Thai CAC By Thai Private Sector Collective Action Against Corruption (CAC)	The core elements of the Checklist include corruption risk assessment, establishment of key controls, and the monitoring and developing of policies. The Certification is good for three years. (Companies deciding to become a CAC certified member start by submitting a Declaration of Intent to kick off an 18-month deadline to submit the CAC Checklist for Certification, including risk assessment, in place of policy and control, training of managers and employees, establishment of whistleblowing channels, and communication of policies to all stakeholders.)	The document will be reviewed by a committee of nine professionals. A passed Checklist will move for granting certification by the CAC Council approvals whose members are twelve highly respected individuals in professionalism and ethical achievements.																			
Morningstar Sustainalytics	The Sustainalytics' ESG risk rating provides an overall company score based on an assessment of how much of a company's exposure to ESG risk is unmanaged. Sources to be reviewed include corporate publications and regulatory filings, news and other media, NGO reports/websites, multi-sector information, company feedback, ESG controversies, issuer feedback on draft ESG reports, and quality & peer reviews.	A company's ESG risk rating score is the sum of unmanaged risk. The more risk is unmanaged, the higher ESG risk is scored. <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>NEGL</th> <th>Low</th> <th>Medium</th> <th>High</th> <th>Severe</th> </tr> </thead> <tbody> <tr> <td>0-10</td> <td>10-20</td> <td>20-30</td> <td>30-40</td> <td>40+</td> </tr> </tbody> </table>	NEGL	Low	Medium	High	Severe	0-10	10-20	20-30	30-40	40+									
NEGL	Low	Medium	High	Severe																	
0-10	10-20	20-30	30-40	40+																	
ESG Book	The ESG score identifies sustainable companies that are better positioned to outperform over the long term. The methodology considers the principle of financial materiality including information that significantly helps explain future risk-adjusted performance. Materiality is applied by over-weighting features with higher materiality and rebalancing these weights on a rolling quarterly basis.	The total ESG score is calculated as a weighted sum of the features scores using materiality-based weights. The score is scaled between 0 and 100 with higher scores indicating better performance.																			
MSCI	MSCI ESG ratings aim to measure a company's management of financially relevant ESG risks and opportunities. It uses a rules-based methodology to identify industry leaders and laggards according to their exposure to ESG risks and how well they manage those risks relative to peers.																				
	<table border="1" style="width: 100%;"> <tr> <td style="width: 15%;">AAA</td> <td style="width: 15%;">8.571-10.000</td> <td rowspan="3" style="width: 15%;">Leader:</td> <td rowspan="3" style="width: 55%;">leading its industry in managing the most significant ESG risks and opportunities</td> </tr> <tr> <td>AA</td> <td>7.143-8.570</td> </tr> <tr> <td>A</td> <td>5.714-7.142</td> </tr> <tr> <td>BBB</td> <td>4.286-5.713</td> <td rowspan="3">Average:</td> <td rowspan="3">a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers</td> </tr> <tr> <td>BB</td> <td>2.857-4.285</td> </tr> <tr> <td>B</td> <td>1.429-2.856</td> </tr> <tr> <td>CCC</td> <td>0.000-1.428</td> <td>Laggard:</td> <td>lagging its industry based on its high exposure and failure to manage significant ESG risks</td> </tr> </table>	AAA	8.571-10.000	Leader:	leading its industry in managing the most significant ESG risks and opportunities	AA	7.143-8.570	A	5.714-7.142	BBB	4.286-5.713	Average:	a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers	BB	2.857-4.285	B	1.429-2.856	CCC	0.000-1.428	Laggard:	lagging its industry based on its high exposure and failure to manage significant ESG risks
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Moody's ESG solutions	Moody's assesses the degree to which companies take into account ESG objectives in the definition and implementation of their strategy policies. It believes that a company integrating ESG factors into its business model and relatively outperforming its peers is better positioned to mitigate risks and create sustainable value for shareholders over the medium to long term.																				
Refinitiv ESG rating	Designed to transparently and objectively measure a company's relative ESG performance, commitment and effectiveness across 10 main themes, based on publicly available and auditable data. The score ranges from 0 to 100 on relative ESG performance and insufficient degree of transparency in reporting material ESG data publicly. (Score ratings are 0 to 25 = poor; >25 to 50 = satisfactory; >50 to 75 = good; and >75 to 100 = excellent.)																				
S&P Global	The S&P Global ESG Score is a relative score measuring a company's performance on and management of ESG risks, opportunities, and impacts compared to its peers within the same industry classification. The score ranges from 0 to 100.																				
Bloomberg	ESG Score	Bloomberg score evaluating the company's aggregated Environmental, Social and Governance (ESG) performance. The score is based on Bloomberg's view of ESG financial materiality. The score is a weighted generalized mean (power mean) of Pillar Scores, where the weights are determined by the pillar priority ranking. Values range from 0 to 10; 10 is the best.																			
Bloomberg	ESG Disclosure Score	Disclosure of a company's ESG used for Bloomberg ESG score. The score ranges from 0 for none to 100 for disclosure of every data point, measuring the amount of ESG data reported publicly, and not the performance on any data point.																			

Rating regarding the sustainable development of Thai listed companies, both on the SET and MAI, are publicly available on the website of the Securities and Exchange Commission of Thailand (SEC). Currently, ratings available are 1) "CG Score"; 2) "AGM Level"; 3) "Thai CAC"; and 4) THSI. The ratings are updated on an annual basis. FSSIA does not confirm nor certify the accuracy of such ratings.

Source: FSSIA's compilation

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Usanee Liurut, CISA FSS International Investment Advisory Securities Co., Ltd

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History of change in investment rating and/or target price

Krungthai Card (KTC TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
19-Jan-2021	REDUCE	50.00	18-Oct-2021	HOLD	52.00	22-Jun-2022	HOLD	60.00
19-Jul-2021	HOLD	73.00	11-Apr-2022	REDUCE	52.00	12-Oct-2022	BUY	65.00

Usanee Liurut, CISA started covering this stock from 28-Nov-2023

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Krungthai Card	KTC TB	THB 46.25	HOLD	Downside risks are: 1) regulatory actions to curb industry growth; 2) a higher-than-expected policy rate; and 3) deteriorating asset quality. Upside risks are: 1) better-than-estimated economic improvement; 2) stronger-than-estimated improvement in the overall asset quality; and 3) less pressure from the market yield and cost of funds.

Source: FSSIA estimates

Additional Disclosures

Target price history, stock price charts, valuation and risk details, and equity rating histories applicable to each company rated in this report is available in our most recently published reports. You can contact the analyst named on the front of this note or your representative at Finansia Syrus Securities Public Company Limited.

All share prices are as at market close on 27-Nov-2023 unless otherwise stated.

RECOMMENDATION STRUCTURE

Stock ratings

Stock ratings are based on absolute upside or downside, which we define as $(\text{target price}^* - \text{current price}) / \text{current price}$.

BUY (B). The upside is 10% or more.

HOLD (H). The upside or downside is less than 10%.

REDUCE (R). The downside is 10% or more.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause a temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.

* In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

Industry Recommendations

Overweight. The analyst expects the fundamental conditions of the sector to be positive over the next 12 months.

Neutral. The analyst expects the fundamental conditions of the sector to be maintained over the next 12 months.

Underweight. The analyst expects the fundamental conditions of the sector to be negative over the next 12 months.

Country (Strategy) Recommendations

Overweight (O). Over the next 12 months, the analyst expects the market to score positively on two or more of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Neutral (N). Over the next 12 months, the analyst expects the market to score positively on one of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Underweight (U). Over the next 12 months, the analyst does not expect the market to score positively on any of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.