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### KEY HIGHLIGHTS

#### Results

**Bangkok Bank (BBL TB/HOLD/Bt168.50/Target: Bt164.00)** Page 2

3Q23: Results beat but record high NPL formation signifies asset quality deterioration.

**Krung Thai Bank (KTB TB/HOLD/Bt19.30/Target: Bt21.50)** Page 5

3Q23: Results above our forecasts; improving asset quality.

**Krungthai Card Plc (KTC TB/BUY/Bt45.75/Target: Bt51.00)** Page 8

3Q23: Results above our forecasts but in line with consensus estimates.

**TMBThanachart Bank (TTB TB/HOLD/Bt1.74/Target: Bt1.72)** Page 11

3Q23: Decent results.

#### Update

**PTT Global Chemical (PTTGC TB/HOLD/Bt33.75/Target: Bt38.00)** Page 14

We expect a recovery in 3Q23 net profit.

### KEY INDICES

Symbol	Close	Chg	%Chg
SET	1,423.04	(14.81)	(1.03)
SET50	877.98	(10.35)	(1.17)
Value (Btm) - SET	33,674		
Top 5 Sector			
BANK	389.53	(1.57)	(0.40)
PETRO	682.18	(17.10)	(2.45)
PROP	226.86	(2.51)	(1.09)
ENERG	20,457.89	(356.97)	(1.71)
ICT	156.96	(0.26)	(0.17)

Source: Bloomberg

### TOP VOLUME

Symbol	Close (Baht)	+/- (% Chg)	5-day ADT (BTm)
PTTEP	171.50	(2.00)	2,278.6
CPALL	56.25	(1.75)	1,889.6
PTT	33.50	(1.47)	1,565.9
BBL	168.50	0.60	952.4
AOT	68.00	(1.09)	1,486.2

### TOP GAINERS

Symbol	Close (Baht)	+/- (% Chg)	5-day ADT (BTm)
NEWS	0.02	100.00	0.5
JCKH	0.04	33.33	0.7
TWZ	0.05	25.00	0.1
EMC	0.10	11.11	0.2
CHOTI	128.00	9.40	0.0

### TOP LOSERS

Symbol	Close (Baht)	+/- (% Chg)	5-day ADT (BTm)
QLT	2.94	(30.33)	1.4
SDC	0.05	(16.67)	1.0
TEAM	4.48	(13.01)	16.7
PROS	0.83	(12.63)	0.3
NATION	0.08	(11.11)	0.7

\*ADT: Average daily turnover

### KEY STATISTICS

Commodity	Current Price	%Chg-----			
		1m	3M	YTD	
Brent crude*	93.3	1.0	18.1	14.3	
Dubai crude*	94.8	(1.2)	19.1	20.6	
Baltic Dry Index	2,105.0	32.9	115.5	38.9	
Gold Spot***	1,975.3	2.3	0.3	8.3	

\*(US\$/bbl), \*\*\* (US\$/toz)

### FOREIGN PORTFOLIO INVESTMENT IN EQUITIES (THAILAND)

Day (Mil US\$)	MTD Net (Mil US\$)	YTD Net (Mil US\$)	YTD Net YoY%
(52.1)	(240.3)	(4,766.9)	(7,717.8)

Source: Bloomberg

Foreign Exchange Rate - THB/US\$ (onshore) = 36.47

Interest Rate (%) - TH 1-day RP = 1.50

Thai Lending Rate (%) - MLR = 7.10

### COMPANY RESULTS

#### Bangkok Bank (BBL TB)

3Q23: Results Beat; Record-high NPL Formation Signifies Asset Quality Deterioration

**BBL reported better-than-expected 3Q23 results at Bt8.4b (+48% yoy, flat qoq). The results beat our and consensus estimates by 9% and 8% respectively, driven by higher net interest margin. However, loan growth fell short, non-interest income declined and high NPL formation was recorded. We believe the stock is trading at its fair value. Maintain HOLD. Target price: Bt164.00.**

#### 3Q23 RESULTS

Year to 31 Dec (Btm)	3Q23	2Q23	3Q22	qoq chg (%)	yoy chg (%)
Total gross loans	2,734,157	2,709,769	2,806,290	0.9	(2.6)
Net interest income	34,130	31,487	26,496	8.4	28.8
Non-interest income	8,443	10,956	10,211	(22.9)	(17.3)
Loan loss provision	(8,969)	(8,880)	(9,889)	1.0	(9.3)
Non-Interest Expenses	(19,208)	(20,111)	(17,006)	(4.5)	12.9
Pre-Provision Operating Profit	23,365	22,333	19,701	4.6	18.6
Net income	11,350	11,294	7,657	0.5	48.2
EPS (Bt)	5.95	5.92	4.01	0.5	48.2
Ratio (%)					
NPL ratio	3.0	2.9	3.5		
Loan loss coverage ratio	283	287	240		
Net interest margin (NIM %)	3.1	2.9	2.5		
Credit cost (bp)	132	133	145		
Cost to income (%)	45	47	46		
Common equity tier 1 (CET1) ratio (%)	16.7	16.1	15.6		

Source: Bangkok Bank, UOB Kay Hian

#### RESULTS

- Results beat on better-than-expected NIM.** Bangkok Bank (BBL) posted a 3Q23 net profit of Bt11.3b, up 48% yoy and flat qoq. The results exceeded our and consensus expectations by 9% and 8% respectively. The positive earnings surprise was mainly due to better-than-expected net interest margin (NIM). While the bank's net interest income (NII) grew very well, non-interest income (non-II) declined substantially. BBL's pre-provision operating profit (PPOP) grew 19% yoy and 5% qoq.

#### KEY FINANCIALS

Year to 31 Dec (Btm)	2021	2022	2023F	2024F	2025F
Net interest income	82,156	102,223	122,939	119,196	118,072
Non-interest income	52,385	36,672	42,136	38,140	37,007
Net profit (rep./act.)	26,507	29,306	40,778	41,621	42,749
Net profit (adj.)	26,507	29,306	40,778	41,621	42,749
EPS (Bt)	13.9	15.4	21.4	21.8	22.4
PE (x)	12.1	11.0	7.9	7.7	7.5
P/B (x)	0.7	0.6	0.6	0.6	0.5
Dividend yield (%)	2.1	2.4	3.1	3.5	3.5
Net int margin (%)	2.1	2.4	2.9	3.0	n.a.
Cost/income (%)	50.0	49.7	48.9	49.0	49.2
Loan loss cover (%)	225.8	260.8	291.9	292.4	283.5
Consensus net profit	-	-	40,908	44,582	47,237
UOBKH/Consensus (x)	-	-	1.00	0.93	0.90

Source: Bangkok Bank, Bloomberg, UOB Kay Hian

### HOLD

(Maintained)

Share Price	Bt168.50
Target Price	Bt164.00
Upside	-2.7%

#### COMPANY DESCRIPTION

The third's largest commercial bank in Thailand in term of market capitalisation. The bank has a strong focus on corporate lending, which accounts for 41% of its loan book.

#### STOCK DATA

GICS sector	Financials
Bloomberg ticker:	BBL TB
Shares issued (m):	1,908.8
Market cap (Btm):	321,640.0
Market cap (US\$m):	8,825.4
3-mth avg daily t'over (US\$m):	28.6
Price Performance (%)	
52-week high/low	Bt174.50/Bt142.00

1mth	3mth	6mth	1yr	YTD
1.5	2.7	6.6	19.9	13.9

Major Shareholders	%
Thai NVDR	24.0
THE BANK OF NEW YORK MELLON	2.7
STATE STREET EUROPE LIMITED	2.5
FY23 NAV/Share (Bt)	280.61
FY23 CAR Tier-1 (%)	15.93

#### PRICE CHART



Source: Bloomberg

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### STOCK IMPACT

- BBL achieves strong NII growth, but loan growth falls short of target.** BBL disclosed an impressive NII growth of 29% yoy and 8% qoq. The surge in NII was primarily attributed to the repricing of floating interest rates, which were in sync with the policy rate hikes. Consequently, in 3Q23, the bank's loan yield expanded by 27bp qoq, thereby outpacing the funding costs that saw a marginal increase of only 1bp qoq. This led to an overall increase in the NIM by 20bp qoq to 3.1% in 3Q23. Meanwhile, BBL's loans registered a growth of 0.9% qoq, bringing 9M23 loans growth to 1.5% ytd. However, this growth rate seems insufficient for the bank to achieve its projected 2023 loan growth target of 4-6% yoy.
- Unfavorable bond and equity markets negatively affected investment gains.** BBL disclosed a notable decrease in non-IL, amounting to Bt8.4b, representing a decline of 17% yoy and 23% qoq. The 10-year Thai government bond yield jumped over 80bp qoq. Consequently, the bonds held by BBL are subjected to losses from mark-to-market adjustments. Furthermore, BBL's equity portfolio was adversely affected by the bearish equity markets globally. The unfavorable market condition in the bond and equity markets resulted in a sharp decline of 21% yoy and 67% qoq in the bank's investment gains.
- Record high NPL formation raises credit quality concerns.** Although BBL managed to maintain low credit costs of 132 bp for 3Q23, BBL faced a concerning development as its new non-performing loan formation spiked to a record high in the past 17 quarters, reaching an NPL formation ratio of 1.9% or approximately Bt12.7b in baht. This alarming surge in NPL formation can be attributed to the persistently weak economic recovery and the challenging high interest rate environment, significantly impeding borrowers' ability to fulfill their payment obligations. Despite the bank's ample excess loan loss reserves, evidenced by the highest loan loss coverage (LLC) ratio in the banking sector at 283% in 3Q23, BBL was compelled to write off a substantial amount of bad debts, approximately Bt11b based on our calculation. While this measure helped the bank maintain a relatively low NPL ratio of 3.0%, it underscores the depth of the underlying credit quality issues and highlights the potential risks the bank is exposed to in the current economic climate.

### FINANCIAL TARGETS VS ACTUAL

	2023 Target	9M23 Actual	Remark
Total loan growth (yoy %)	4-6%	-2%	Below the target
Net interest margin	~ 2.5%	3.11%	Above the target
Net fees income growth (yoy %)	Flat	-0.4%	In line with the target
Cost-to-income ratio	Low 50s	49.0%	Below the target
NPL ratio	~ 3.5%	3.0%	Below the target
Credit cost	~ 100bp	129bp	Above the target

Source: BBL, UOB Kay Hian

### EARNINGS REVISION/RISK

- No earnings revision.

### VALUATION/RECOMMENDATION

- Maintain HOLD with a target price of Bt164.00**, using the Gordon Growth Model (ROE: 7.0%, cost of equity: 10.5%, long-term growth: 2.0%). This implies 0.6x 2023F P/B, which is equivalent to its last historical five-year mean.

### SHARE PRICE CATALYST

- Upgrade in dividend payout.

### PE BAND



### P/B BAND



## PROFIT & LOSS

Year to 31 Dec (Btm)	2022	2023F	2024F	2025F
Interest income	139,088	183,968	178,637	175,952
Interest expense	(36,865)	(61,029)	(59,441)	(57,880)
Net interest income	102,223	122,939	119,196	118,072
Fees & commissions	27,508	28,915	27,315	25,634
Other income	9,164	13,221	10,825	11,373
Non-interest income	36,672	42,136	38,140	37,007
Total income	138,895	165,075	157,336	155,079
Staff costs	(34,794)	(37,028)	(37,871)	(37,060)
Other operating expense	(34,225)	(43,734)	(39,230)	(39,240)
Pre-provision profit	69,876	84,313	80,235	78,779
Loan loss provision	(32,647)	(32,830)	(26,343)	(24,127)
Pre-tax profit	37,229	51,483	53,892	54,651
Tax	(7,484)	(10,288)	(11,856)	(11,477)
Minorities	(440)	(417)	(415)	(426)
Net profit	29,306	40,778	41,621	42,749
Net profit (adj.)	29,306	40,778	41,621	42,749

## BALANCE SHEET

Year to 31 Dec (Btm)	2022	2023F	2024F	2025F
Cash with central bank	52,433	52,379	50,809	51,738
Govt treasury bills & securities	850,151	824,716	796,179	814,019
Interbank loans	766,074	654,743	635,116	646,725
Customer loans	2,449,355	2,356,865	2,275,144	2,328,467
Investment securities	75,036	75,950	73,673	75,020
Derivative receivables	84,839	60,236	58,431	59,499
Associates & JVs	1,421	1,399	1,399	1,399
Fixed assets (incl. prop.)	73,909	74,197	74,164	75,356
Other assets	68,533	92,553	91,139	91,975
Total assets	4,421,752	4,193,040	4,056,056	4,144,198
Interbank deposits	262,522	209,518	203,237	206,952
Customer deposits	3,210,896	3,064,197	2,972,343	3,026,671
Derivative payables	70,981	60,236	58,431	59,499
Debt equivalents	188,302	161,917	97,612	93,297
Other liabilities	181,910	159,626	156,564	158,375
Total liabilities	3,914,610	3,655,494	3,488,187	3,544,794
Shareholders' funds	505,346	535,638	565,925	597,429
Minority interest - accumulated	1,796	1,908	1,945	1,975
Total equity & liabilities	4,421,752	4,193,040	4,056,056	4,144,198

## OPERATING RATIOS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Capital Adequacy				
Tier-1 CAR	17.4	15.9	17.1	17.8
Total CAR	21.1	19.5	20.7	21.5
Total assets/equity (x)	8.7	7.8	7.2	6.9
Tangible assets/tangible common equity (x)	9.3	8.3	7.6	7.3
Asset Quality				
NPL ratio	3.1	3.2	3.4	3.3
Loan loss coverage	260.8	291.9	292.4	283.5
Loan loss reserve/gross loans	9.0	10.0	10.4	10.0
Increase in NPLs	(3.3)	(6.0)	1.0	0.5
Credit cost (bp)	123.5	123.6	102.1	94.1
Liquidity				
Loan/deposit ratio	76.3	76.9	76.5	76.9
Liquid assets/short-term liabilities	47.9	46.7	46.6	46.7
Liquid assets/total assets	37.7	36.5	36.5	36.5

## KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Growth				
Net interest income, yoy chg	24.4	20.3	(3.0)	(0.9)
Fees & commissions, yoy chg	(5.8)	5.1	(5.5)	(6.2)
Pre-provision profit, yoy chg	3.9	20.7	(4.8)	(1.8)
Net profit, yoy chg	10.6	39.1	2.1	2.7
Net profit (adj.), yoy chg	10.6	39.1	2.1	2.7
Customer loans, yoy chg	3.1	(3.8)	(3.5)	2.3
Profitability				
Net interest margin	2.4	2.9	3.0	n.a.
Cost/income ratio	49.7	48.9	49.0	49.2
Adjusted ROA	0.7	0.9	1.0	1.0
Reported ROE	5.9	7.8	7.6	7.3
Adjusted ROE	5.9	7.8	7.6	7.3
Valuation				
P/BV (x)	0.6	0.6	0.6	0.5
P/NTA (x)	0.7	0.6	0.6	0.6
Adjusted P/E (x)	11.0	7.9	7.7	7.5
Dividend Yield	2.4	3.1	3.5	3.5
Payout ratio	26.0	24.7	27.2	26.3

### COMPANY RESULTS

## Krung Thai Bank (KTB TB)

3Q23: Results Above Our Forecasts; Improving Asset Quality

**KTB reported 3Q23 net profit of Bt10.3b (+22% yoy, +1% qoq), beating our estimate by 11% but in line with consensus estimate. The key drivers for 3Q23 earnings were mainly from non-interest income, primarily in fee and service income. Meanwhile, KTB could control asset quality efficiently with a decline in the NPL ratio and a higher loan loss coverage ratio qoq. Maintain HOLD. Target price: Bt21.50.**

### 3Q23 RESULTS

Year to 31 Dec (Btm)	3Q23	2Q23	3Q22	qoq chg (%)	yoy chg (%)
Total gross loans	2,652,170	2,596,483	2,634,402	2.1	0.7
Net interest income	29,667	27,771	22,894	6.8	29.6
Non-interest income	9,221	7,944	8,695	16.1	6.0
Loan loss provision	(8,157)	(7,754)	(5,667)	5.2	44.0
Non-Interest Expenses	(16,733)	(14,028)	(14,314)	19.3	16.9
Pre-provision operating profit	22,155	21,686	17,276	2.2	28.2
Net income	10,282	10,156	8,450	1.2	21.7
EPS (Bt)	0.74	0.73	0.60	1.2	21.7
<b>Ratio (%)</b>					
NPL Ratio	3.10	3.11	3.32		
Loan loss coverage ratio	180	177	176		
Net interest margin (NIM %)	3.41	3.20	2.64		
Credit cost (bp)	124	119	86		
Cost to income (%)	43.0	39.3	45.3		
Common equity tier 1 (CET1) ratio (%)	16.4	15.9	15.6		

Source: Krung Thai Bank, UOB Kay Hian

### RESULTS

- **3Q23 results above our expectations but in line with consensus'.** Krungthai Bank (KTB) reported a 3Q23 net profit of Bt10.3b, up 22% yoy and 1% qoq. The results were higher than our expectations by 11% but in line with consensus'. The key to our surprise was non-interest income which was around 4% higher than expected. Non-Il grew 6% yoy and 16% qoq, mainly from fee and service income. Excluding provisioning, KTB's pre-provision operating profit (PPOP) rose 22% yoy and 1% qoq.

### KEY FINANCIALS

Year to 31 Dec (Btm)	2021	2022	2023F	2024F	2025F
Net interest income	83,372	90,405	111,705	123,817	123,198
Non-interest income	32,414	34,986	36,020	36,317	36,490
Net profit (rep./act.)	21,588	33,698	39,102	41,139	42,418
Net profit (adj.)	21,588	33,698	39,102	41,139	42,418
EPS (Bt)	1.5	2.4	2.8	2.9	3.0
PE (x)	12.5	8.0	6.9	6.6	6.4
P/B (x)	0.7	0.7	0.7	0.6	0.6
Dividend yield (%)	1.4	2.2	3.5	4.2	4.8
Net int margin (%)	2.5	2.6	3.3	3.6	n.a.
Cost/income (%)	45.5	43.7	42.5	43.3	43.0
Loan loss cover (%)	168.8	179.7	180.6	191.9	203.5
Consensus net profit	-	-	39,714	42,104	42,973
UOBKH/Consensus (x)	-	-	0.98	0.98	0.99

Source: Krung Thai Bank, Bloomberg, UOB Kay Hian

### HOLD

(Maintained)

Share Price	Bt19.30
Target Price	Bt21.50
Upside	+11.4%

### COMPANY DESCRIPTION

One of the largest commercial banks with roughly 15% share of the credit market. The bank has a strong focus on corporate lending, which accounts for 31% of its loan book.

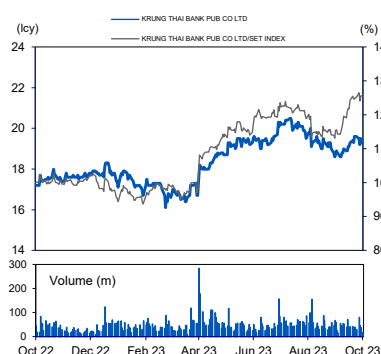
### STOCK DATA

GICS sector	Financials
Bloomberg ticker:	KTB TB
Shares issued (m):	13,976.1
Market cap (Btm):	269,738.0
Market cap (US\$m):	7,401.2
3-mth avg daily t'over (US\$m):	28.6
<b>Price Performance (%)</b>	
52-week high/low	Bt20.50/Bt16.10

1mth	3mth	6mth	1yr	YTD
3.8	(4.0)	15.6	13.5	9.0

<b>Major Shareholders</b>	<b>%</b>
FIDF (MOF)	55.1
Thai NVDR	7.6
STATE STREET EUROPE LIMITED	3.2
FY23 NAV/Share (Bt)	29.07
FY23 CAR Tier-1 (%)	16.90

### PRICE CHART



Source: Bloomberg

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### ASSISTANT ANALYST(S)

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### STOCK IMPACT

- Strengthen loan portfolio by adding government loan contribution.** Before 3Q23, KTB strategically sought to enhance loan yield by tightening government and state-owned enterprise (SOE) loans, generating lower yields than other loans. According to management clarification on its 3Q23 results, KTB increased the loan portion from government and SOEs to 17% of total loans as the bank intends to strengthen its loan portfolio during economic uncertainties. Meanwhile, KTB continues to provide high-yield retail loans (44% of total loans) with a prudent approach.
- Well-managed asset quality amid fragile economy.** KTB reported decent asset quality despite a weak domestic economy. KTB set aside provision expenses of around Bt8.2b (+44% yoy, +5% qoq), translating to a credit cost of 124bp (vs 119bp in 2Q23). However, the company could raise the loan loss coverage ratio (LLC) to a higher level of 180% (vs 177% in 2Q23). In terms of bad debt, the non-performing loans (NPL) ratio also slightly decreased to 3.10% (vs 3.11% in 2Q23), showing a well-managed asset quality.
- Potentially distributing digital money via another digital platform instead of Pao Tang.** The market initially expected KTB to benefit from the digital money stimulus program via the "Pao Tang" mobile application, which has over 40m users (61% of Thai citizens). However, it appears that the digital money stimulus program could utilise the "Super App" (developed by the government) instead of "Pao Tang". The government is trying to avoid using the "Pao Tang" mobile application as: a) it is a non-official application, b) further implementation by the government is limited, and c) the "Super App" can be used to gather information and data from any government sources. We reckon KTB will have a minimal negative sentiment even though the market originally believed that KTB will be a beneficiary from "Pao Tang". The digital money stimulus program is expected to be implemented in Feb 24, raising questions on whether the government could develop the "Super App" before implementing the digital money stimulus program.

### EARNINGS REVISION/RISK

- No earnings revision.

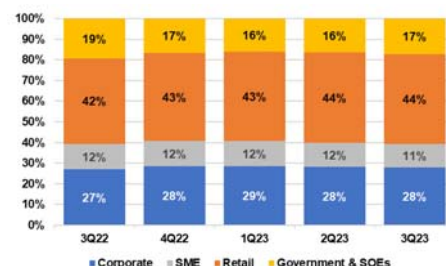
### VALUATION/RECOMMENDATION

- Maintain HOLD with an unchanged target price of Bt21.50.** We use the Gordon Growth Model (cost of equity: 10.5%, long-term growth: 2%). KTB trades at 6.5x 2023F PE, -0.5SD to its five-year mean and at 0.6x 2023F P/B, approximately its five-year mean.

### SHARE PRICE CATALYST

- Economic recovery to improve asset quality.
- Further government stimuli to lift domestic spending.
- Mega investment project by the government to boost loan growth.

### LOAN MIX



Source: KTB, UOB Kay Hian

### PE BAND



Source: KTB, UOB Kay Hian

### P/B BAND



Source: KTB, UOB Kay Hian



## PROFIT & LOSS

Year to 31 Dec (Btm)	2022	2023F	2024F	2025F
Interest income	113,475	148,336	164,442	162,675
Interest expense	(23,070)	(36,631)	(40,625)	(39,478)
Net interest income	90,405	111,705	123,817	123,198
Fees & commissions	20,316	21,438	23,268	23,173
Other income	14,671	14,582	13,049	13,317
Non-interest income	34,986	36,020	36,317	36,490
Total income	125,391	147,725	160,134	159,688
Staff costs	(25,763)	(30,406)	(34,212)	(33,205)
Other operating expense	(29,007)	(32,367)	(35,201)	(35,479)
Pre-provision profit	70,620	84,953	90,721	91,004
Loan loss provision	(24,338)	(31,785)	(35,373)	(34,630)
Pre-tax profit	46,283	53,168	55,348	56,374
Tax	(9,077)	(10,538)	(10,516)	(10,147)
Minorities	(3,508)	(3,527)	(3,693)	(3,808)
Net profit	33,698	39,102	41,139	42,418
Net profit (adj.)	33,698	39,102	41,139	42,418

## BALANCE SHEET

Year to 31 Dec (Btm)	2022	2023F	2024F	2025F
Cash with central bank	61,591	52,593	53,277	53,138
Govt treasury bills & securities	277,055	289,260	293,021	292,256
Interbank loans	550,941	499,632	506,128	504,807
Customer loans	2,443,832	2,455,958	2,479,648	2,463,031
Investment securities	33,568	39,445	39,957	39,853
Derivative receivables	83,170	84,679	86,451	86,991
Associates & JVs	12,320	14,381	14,381	14,381
Fixed assets (incl. prop.)	72,029	68,083	71,430	73,933
Other assets	57,904	60,237	60,681	60,591
Total assets	3,592,410	3,564,267	3,604,975	3,588,981
Interbank deposits	277,099	262,964	266,383	265,688
Customer deposits	2,590,236	2,629,640	2,663,831	2,656,877
Derivative payables	78,507	78,889	79,915	79,706
Debt equivalents	151,172	84,694	54,049	12,740
Other liabilities	102,833	83,565	84,318	84,165
Total liabilities	3,199,847	3,139,753	3,148,495	3,099,175
Shareholders' funds	376,296	406,223	435,913	465,431
Minority interest - accumulated	16,267	18,291	20,567	24,375
Total equity & liabilities	3,592,410	3,564,267	3,604,975	3,588,981

## CASH FLOW

### OPERATING RATIOS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Capital Adequacy				
Tier-1 CAR	16.5	16.9	18.0	n.a.
Total CAR	19.7	20.2	21.3	n.a.
Total assets/equity (x)	9.5	8.8	8.3	7.7
Tangible assets/tangible common equity (x)	10.0	9.2	8.6	8.0
Asset Quality				
NPL ratio	3.3	3.0	3.0	3.0
Loan loss coverage	179.7	180.6	191.9	203.5
Loan loss reserve/gross loans	6.7	6.6	6.9	7.3
Increase in NPLs	(2.4)	(7.1)	0.8	(0.8)
Credit cost (bp)	92.4	121.1	133.6	130.2
Liquidity				
Loan/deposit ratio	94.3	93.4	93.1	92.7
Liquid assets/short-term liabilities	31.0	29.0	29.0	29.0
Liquid assets/total assets	24.8	23.6	23.6	23.7

## KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Growth				
Net interest income, yoy chg	8.4	23.6	10.8	(0.5)
Fees & commissions, yoy chg	1.5	5.5	8.5	(0.4)
Pre-provision profit, yoy chg	12.0	20.3	6.8	0.3
Net profit, yoy chg	56.1	16.0	5.2	3.1
Net profit (adj.), yoy chg	56.1	16.0	5.2	3.1
Customer loans, yoy chg	(1.3)	0.5	1.0	(0.7)
Profitability				
Net interest margin	2.6	3.3	3.6	n.a.
Cost/income ratio	43.7	42.5	43.3	43.0
Adjusted ROA	0.9	1.1	1.1	1.2
Reported ROE	9.2	10.0	9.8	9.4
Adjusted ROE	9.2	10.0	9.8	9.4
Valuation				
P/BV (x)	0.7	0.7	0.6	0.6
P/NTA (x)	0.8	0.7	0.7	0.6
Adjusted P/E (x)	8.0	6.9	6.6	6.4
Dividend Yield	2.2	3.5	4.2	4.8
Payout ratio	17.3	24.4	27.8	30.4

## COMPANY RESULTS

### Krungthai Card (KTC TB)

3Q23: Results Above Our Forecasts But In Line With Consensus Estimates

KTC posted a 3Q23 net profit of Bt1,857m, up 5% yoy and 3% qoq. The results were above our forecasts by 6% but in line with consensus estimates. The key surprise to our forecast was a higher-than-expected non-II and lower-than-expected provision expenses. Asset quality remains worse, indicated by a rise in the NPL ratio to 2.3% and a lower loan loss coverage ratio to 382%, down by 51ppt. Maintain BUY. Target price: Bt51.00.

#### 3Q23 Results

Year to 31 Dec (Btm)	3Q23	2Q23	3Q22	qoq chg (%)	yoy chg (%)
Total gross loans	106,701	104,920	96,390	1.7	10.7
Net interest income	3,655	3,557	3,337	2.7	9.5
Non-interest income	2,364	2,268	2,207	4.3	7.1
Loan loss provision	(1,477)	(1,438)	(1,276)	2.7	15.7
Non-Interest Expenses	(2,252)	(2,135)	(2,056)	5.5	9.5
Pre-provision operating profit	3,768	3,690	3,487	2.1	8.0
Net income	1,857	1,806	1,773	2.8	4.7
EPS (Bt)	0.72	0.70	0.69	2.8	4.7
Ratio (%)					
NPL ratio (%)	2.3	2.0	2.0		
Loan loss coverage ratio (%)	382	433	448		
Net interest margin (NIM %)	13.8	13.7	14.0		
Credit cost (bp)	558	554	535		
Cost to income (%)	37.4	36.7	37.1		

SOURCE: KRUNGTHAI CARD PLC, UOB KAY HIAN

## RESULTS

• **3Q23 results above our expectations but in line with consensus.** Krungthai Card (KTC) posted a 3Q23 net profit of Bt1,857m, up 5% yoy and 3% qoq. The results exceeded our forecasts by 6% but were in line with consensus estimates. The key surprise to our estimate was: a) non-interest income (non-II) being 5% higher than our estimates, and b) lower-than-expected provision expenses by 8% vs our forecasts. In terms of bad debt, the NPL ratio continued to rise to 2.3%, and credit cost remained high at 558bp. Excluding provisioning, the company's pre-provision operating profit rose 8% yoy and 2% qoq.

## KEY FINANCIALS

Year to 31 Dec (Btm)	2021	2022	2023F	2024F	2025F
Net interest income	9,257	9,986	11,123	12,200	13,260
Non-interest income	10,769	11,852	12,601	13,658	14,688
Net profit (rep./act.)	5,879	7,079	6,967	7,766	8,881
Net profit (adj.)	5,879	7,079	6,967	7,766	8,881
EPS (Bt)	2.3	2.7	2.7	3.0	3.4
PE (x)	20.1	16.7	16.9	15.2	13.3
P/B (x)	4.4	3.8	3.3	3.0	2.6
Dividend yield (%)	1.9	2.2	2.5	2.7	3.2
Net int margin (%)	13.4	13.3	13.3	13.4	13.6
Cost/income (%)	36.6	37.2	36.9	36.7	36.8
Loan loss cover (%)	292.2	476.4	440.0	480.0	505.0
Consensus net profit	-	-	7,335	7,909	8,596
UOBKH/Consensus (x)	-	-	0.95	0.98	1.03

Source: Krungthai Card Plc, Bloomberg, UOB Kay Hian

n.m. : not meaningful; negative P/E, EV/EBITDA reflected as "n.m."

## BUY

(Maintained)

Share Price	Bt45.75
Target Price	Bt51.00
Upside	+11.5%

## COMPANY DESCRIPTION

The company provides unsecured financial products, credit card products and services, and personal loans to consumers in Thailand.

## STOCK DATA

GICS sector	Financials
Bloomberg ticker:	KTC TB
Shares issued (m):	2,578.3
Market cap (Btm):	117,958.8
Market cap (US\$m):	3,236.6
3-mth avg daily t'over (US\$m):	6.1

## Price Performance (%)

52-week high/low Bt60.50/Bt43.50

1mth	3mth	6mth	1yr	YTD
(2.7)	(1.6)	(14.9)	(19.4)	(22.5)

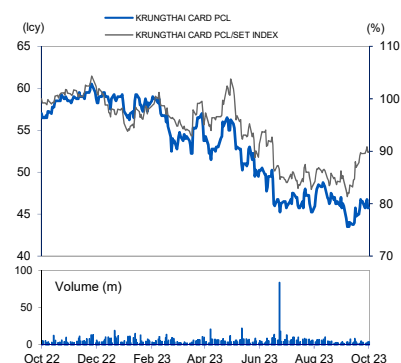
## Major Shareholders

	%
Krungthai Bank (KTB)	49.3
Mongkol Prakitchaiwattana	10.0
Thai NVDR	8.8

FY23 NAV/Share (Bt) 13.71

FY23 Solvency Ratio (%)

## PRICE CHART



Source: Bloomberg

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## ASSISTANT ANALYST(S)

**Thanawat Thangchadakorn**



### 2023 FINANCIAL TARGETS

	2023 Targets	9M23 Actual	2022 Actual
Net Profit	> Bt7,079m	Bt5,534m	Bt7,079m
Total Portfolio	+15%	+10.0%	Bt104,194m
Credit Card Spending Growth	10%	13.7%	21.7%
Personal Loan Port Growth	7%	6.2%	10.4%
P BERM Car for Cash (New Booking)	Bt9,000m	Bt1,929m	Bt1,055m
Portfolio Quality (%NPL)	< 1.8%	2.3%	1.8%

Source: Krungthai Card Plc

### STOCK IMPACT

- Credit card spending remains above target.** Based on industry figures, 8M23 credit card spending expanded 11.5% yoy. Meanwhile, KTC reported that credit card spending in 9M23 grew 13.7% yoy. Although we cannot compare these figures as the industry credit card spending in 9M23 has not been released, KTC's 9M23 credit card spending could very likely beat the industry. Moreover, KTC could beat its 2023 targets by 10% as of 9M23. We estimate the momentum of credit card spending will remain strong because the fourth quarter will be a high season of credit card spending.
- Weakening asset quality.** KTC set aside provision expenses of around Bt1.5b (+16% yoy, +3% qoq) in 3Q23, resulting in a high credit cost of 558bp. Regarding bad debt, the NPL ratio increased to 2.3% (vs 2.0% in 2Q23), indicating that the NPL ratio has yet to peak. Surprisingly, KTC lowered its loan loss coverage (LLC) ratio to 382%, compared to 433% in the previous quarter. Although KTC is continuously strict with a conservative approach, we can see a deterioration in asset quality affected by the uncertainty in economic circumstances. We will monitor and be more cautious about KTC's asset quality development.
- Preparing for responsible lending measure.** According to the Bank of Thailand (BOT), BOT raised a sustainable household debt solution framework to curb and cool down the household debt problem to below 80% of GDP. We have already mentioned the limited impact of persistent debt (PD). Based on KTC's guidance, if all eligible borrowers participate in the program, it is estimated that there will be an impact of approximately Bt18m per month on interest income (approximately 1-2% of interest income per quarter). According to Management Discussion and Analysis for 3Q23, KTC's management guided that the company has already prepared for responsible lending (RL) measures. KTC has set rules on advertisement and sales offers, including a RL approach. Overall, KTC is confident that the RL measures will not significantly impact operations. RL measures are expected to be implemented in Jan 24.

### EARNINGS REVISION/RISK

- No earnings revision.

### VALUATION/RECOMMENDATION

- Maintain BUY with an unchanged target price of Bt51.00.** We use the Gordon Growth Model (cost of equity: 11.5%, long-term growth: 3%). KTC trades at 15.0x 2023F PE, approximately -1SD to its five-year mean, and at 2.9x 2023F P/B, almost -2.0SD to its five-year mean.

### SHARE PRICE CATALYST

- A brighter economic outlook to soothe asset quality outlook.
- Government stimuli to strengthen domestic spending.

### PE BAND



Source: KTC, UOB Kay Hian

### P/B BAND



Source: KTC, UOB Kay Hian

### PROFIT & LOSS

Year to 31 Dec (Btm)	2022	2023F	2024F	2025F
Interest income	11,379	12,883	14,395	15,615
Interest expense	(1,392)	(1,761)	(2,195)	(2,355)
Net interest income	9,986	11,123	12,200	13,260
Fees & commissions	7,976	8,990	9,902	10,655
Other income	3,876	3,611	3,756	4,033
Non-interest income	11,852	12,601	13,658	14,688
Total income	21,839	23,723	25,858	27,948
Staff costs	(7,872)	(8,500)	(9,214)	(9,985)
Other operating expense	(244)	(265)	(278)	(292)
Pre-provision profit	13,722	14,958	16,366	17,671
Loan loss provision	(4,868)	(6,318)	(6,855)	(6,651)
Other provisions	0	0	0	0
Associated companies	17	41	48	48
Other non-operating income	0	0	0	0
Pre-tax profit	8,871	8,682	9,558	11,068
Tax	(1,818)	(1,735)	(1,816)	(2,214)
Minorities	26	21	23	27
Net profit	7,079	6,967	7,766	8,881
Net profit (adj.)	7,079	6,967	7,766	8,881

### BALANCE SHEET

Year to 31 Dec (Btm)	2022	2023F	2024F	2025F
Cash with central bank	2,182	4,372	4,737	5,026
Govt treasury bills & securities	0	0	0	0
Interbank loans	0	0	0	0
Customer loans	94,014	104,991	113,297	120,210
Investment securities	0	0	0	0
Derivative receivables	0	0	0	0
Associates & JVs	0	0	0	0
Fixed assets (incl. prop.)	348	372	409	443
Other assets	5,252	4,355	4,631	4,851
Total assets	101,796	114,090	123,074	130,529
Interbank deposits	0	0	0	0
Customer deposits	0	0	0	0
Derivative payables	0	0	0	0
Debt equivalents	45,456	48,041	52,050	55,227
Other liabilities	24,764	30,472	30,850	29,958
Total liabilities	70,220	78,513	82,900	85,185
Shareholders' funds	31,353	35,356	39,929	45,073
Minority interest - accumulated	223	221	245	271
Total equity & liabilities	101,796	114,090	123,074	130,529

### OPERATING RATIOS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
<b>Capital Adequacy</b>				
Total assets/equity (x)	3.2	3.2	3.1	2.9
Tangible assets/tangible common equity (x)	3.3	3.3	3.1	2.9
<b>Asset Quality</b>				
NPL ratio	1.8	2.0	1.9	1.8
Loan loss coverage	476.4	440.0	480.0	505.0
Loan loss reserve/gross loans	4.7	5.5	5.5	5.1
Increase in NPLs	(44.4)	24.0	2.9	0.5
Credit cost (bp)	497.9	579.9	575.3	520.8
<b>Liquidity</b>				
Loan/deposit ratio	167.0	163.6	168.4	174.6
Liquid assets/short-term liabilities	13.5	20.4	22.5	25.6
Liquid assets/total assets	2.1	3.8	3.8	3.9

### KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
<b>Growth</b>				
Net interest income, yoy chg	7.9	11.4	9.7	8.7
Fees & commissions, yoy chg	10.3	12.7	10.1	7.6
Pre-provision profit, yoy chg	8.0	9.0	9.4	8.0
Net profit, yoy chg	20.4	(1.6)	11.5	14.4
Net profit (adj.), yoy chg	20.4	(1.6)	11.5	14.4
Customer loans, yoy chg	14.0	11.7	7.9	6.1
<b>Profitability</b>				
Net interest margin	13.3	13.3	13.4	13.6
Cost/income ratio	37.2	36.9	36.7	36.8
Adjusted ROA	7.4	6.5	6.5	7.0
Reported ROE	24.3	20.9	20.6	20.9
Adjusted ROE	24.3	20.9	20.6	20.9
<b>Valuation</b>				
P/BV (x)	3.8	3.3	3.0	2.6
P/NTA (x)	3.8	3.4	3.0	2.6
Adjusted P/E (x)	16.7	16.9	15.2	13.3
Dividend Yield	2.2	2.5	2.7	3.2
Payout ratio	36.4	42.9	41.1	42.1

## COMPANY RESULTS

### TMBThanachart Bank (TTB TB)

#### 3Q23: Decent Results

TTB performed well in 3Q23 with a net profit of Bt4.7b, up 28% yoy and 4% qoq. This exceeded both our and consensus estimates by 12% and 7% respectively. The bank's success was attributed to NIM expansion and effective cost control. While there was a slight increase in the NPL ratio, TTB's strict lending policy mitigated risks. Despite the strong performance in 3Q23, the stock's valuation is not cheap. Maintain HOLD. Target price: Bt1.72.

#### 3Q23 RESULTS

Year to 31 Dec (Btm)	3Q23	2Q23	3Q22	qoq chg (%)	yoy chg (%)
Total gross loans	1,371,158	1,371,891	1,401,499	(0.1)	(2.2)
Net interest income	14,665	14,095	12,969	4.0	13.1
Non-interest income	3,335	3,668	3,381	(9.1)	(1.4)
Loan loss provision	(4,354)	(4,244)	(4,361)	2.6	(0.2)
Non-Interest expenses	(7,777)	(7,863)	(7,447)	(1.1)	4.4
Pre-provision operating profit	10,222	9,897	8,902	3.3	14.8
Net income	4,735	4,566	3,715	3.7	27.5
EPS (Bt)	0.05	0.05	0.04	3.7	27.5
Ratio (%)					
NPL Ratio	2.67	2.63	2.7		
Loan loss coverage ratio	144	144	135		
Net interest margin (NIM %)	3.35	3.16	2.93		
Credit cost (bp)	127	124	125		
Cost to income (%)	42.9	43.8	45.2		
Common equity tier 1 (CET1) ratio (%)	16.1	15.7	15.7		

Source: TMBThanachart Bank, UOB Kay Hian

## RESULTS

- **3Q23 results beat.** TMBThanachart Bank (TTB) announced a decent 3Q23 net profit of Bt4.7b, up 28% yoy and 4% qoq. The results exceeded our and consensus' estimates by 12% and 7% respectively. The impressive performance can be attributed to net interest margin (NIM) expansion and well-controlled operating expenses. Except for loan growth, TTB is well on track to achieve its financial targets for 2023.

## KEY FINANCIALS

Year to 31 Dec (Btm)	2021	2022	2023F	2024F	2025F
Net interest income	51,000	51,617	56,404	57,641	58,447
Non-interest income	14,537	14,236	14,285	14,580	16,785
Net profit (rep./act.)	10,474	14,195	17,944	19,023	20,507
Net profit (adj.)	10,474	14,195	17,944	19,023	20,507
EPS (Bt)	0.1	0.1	0.2	0.2	0.2
PE (x)	16.0	11.8	9.4	8.8	8.2
P/B (x)	0.8	0.8	0.7	0.7	0.7
Dividend yield (%)	2.6	3.3	3.1	4.6	5.1
Net int margin (%)	2.9	2.9	3.2	3.3	3.2
Cost/income (%)	47.6	45.5	44.3	44.1	42.9
Loan loss cover (%)	128.0	138.0	137.0	134.8	129.0
Consensus net profit	-	-	17,202	18,481	19,686
UOBKH/Consensus (x)	-	-	1.04	1.03	1.04

Source: TMBThanachart Bank, Bloomberg, UOB Kay Hian

## HOLD

(Maintained)

Share Price	Bt1.74
Target Price	Bt1.72
Upside	-1.1%
(Previous TP)	Bt1.65)

## COMPANY DESCRIPTION

The sixth largest bank in Thailand with roughly 10% of the credit market. The bank's strong focus in on retail lending, which accounts for 56% of loan book.

## STOCK DATA

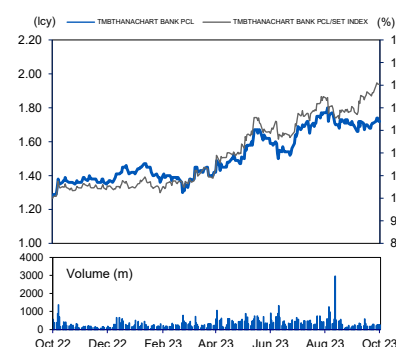
GICS sector	Financials
Bloomberg ticker:	TTB TB
Shares issued (m):	96,865.6
Market cap (Btm):	168,546.1
Market cap (US\$m):	4,644.2
3-mth avg daily t'over (US\$m):	18.4
Price Performance (%)	

52-week high/low Bt1.80/Bt1.24

1mth	3mth	6mth	1yr	YTD
2.4	6.1	22.5	41.5	23.4

Major Shareholders		%
ING Bank N.V.		22.97
Thanachart Capital		22.76
Ministry of Finance		11.76
FY23 NAV/Share (Bt)		2.36
FY23 CAR Tier-1 (%)		16.13

## PRICE CHART



Source: Bloomberg

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## ASSISTANT ANALYST(S)

**Thanawat Thangchadakorn**

### STOCK IMPACT

- **NPL ratio rose slightly but remained on track to reaching its full-year target.** TTB's NPL ratio experienced a minor increase of 4bp qoq to 2.67% for 3Q23. This slight increase can be attributed to the overall deterioration of asset quality across the entire banking industry. However, it is important to note that TTB's current NPL ratio remains well-controlled and aligned with management's guidance, which is set at less than 2.9% for 2023. This was made possible largely due to the bank's stringent lending policy which helps to manage risk. As a result, TTB's credit cost has been effectively maintained at 127bps. This falls comfortably within the bank's guided range of 125-135bps for the full-year 2023.
- **Loan portfolio contraction continued in 3Q23, but NIM improved.** In 3Q23, TTB's loan portfolio experienced a contraction of 0.1% qoq and 2% yoy. This puts the bank further from its target of achieving 3% yoy growth in 2023. This can be primarily attributed to TTB's decision to uphold a cautious loaning policy, acknowledging the current state of the economy which has not entirely rebounded. Despite this, it is crucial to highlight that the bank's allocation of loans remains in harmony with its strategic plan. TTB has successfully transitioned from low-yield loans to high-yield retail loans. As of end-Sep 23, retail loans formed the majority of the portfolio at 60%. Thanks to this strategic transition from low-yield to high-yield assets, coupled with the repricing in floating interest rates, TTB's NIM saw a considerable increase of 19bp qoq to reach 3.35% in 3Q23.

### FINANCIAL TARGETS VS ACTUAL

	2023 Targets	9M23 Actual	Remark
Total loan growth (yoy %)	3%	-2.2%	Below the target.
Deposit growth (yoy %)	3%	-5.0%	Below the target.
Net interest margin	3.0-3.1%	3.21%	Above the target.
Non-Il growth (yoy %)	Low single digit growth	1.5%	In line with the target.
Cost-to-income ratio	Mid-40s	43.3%	In line with the target.
NPL ratio	≤ 2.9%	2.67%	In line with the target.
Credit cost	125-135bp	126bp	In line with the target.

Source: TTB, UOB Kay Hian

### EARNINGS REVISION/RISK

- We finetune 2023-25 earnings forecasts by 1-5%, owing to the better-than-expected 9M23 actual results.

### VALUATION/RECOMMENDATION

- **Maintain HOLD with a higher target price of Bt1.72** using the Gordon Growth Model (ROE: 7.5%, cost of equity: 11%, long-term growth: 2.0%). This implies 0.7x 2023F P/B, which is +1SD to its last historical five-year mean.

### SHARE PRICE CATALYST

- No short-term price catalyst.

### PE BAND



Source: TTB, UOB Kay Hian

### P/B BAND



Source: TTB, UOB Kay Hian

### NET PROFIT FORECASTS

	2023F	2024F	2025F
Old	17,069	18,862	20,085
New	17,944	19,023	20,507
% chg	+5.1	+0.9	+2.1

Source: UOB Kay Hian

### PROFIT & LOSS

Year to 31 Dec (Btm)	2022	2023F	2024F	2025F
Interest income	65,627	77,654	81,433	83,768
Interest expense	(14,010)	(21,250)	(23,792)	(25,321)
Net interest income	51,617	56,404	57,641	58,447
Fees & commissions	10,391	10,768	10,874	12,798
Other income	3,845	3,517	3,705	3,986
Non-interest income	14,236	14,285	14,580	16,785
Total income	65,852	70,689	72,221	75,232
Staff costs	(16,006)	(17,014)	(17,324)	(17,773)
Other operating expense	(13,946)	(14,306)	(14,510)	(14,494)
Pre-provision profit	35,900	39,369	40,387	42,965
Loan loss provision	(18,353)	(16,982)	(16,902)	(17,647)
Pre-tax profit	17,547	22,387	23,485	25,318
Tax	(3,352)	(4,443)	(4,462)	(4,810)
Minorities	0	0	0	0
Net profit	14,195	17,944	19,023	20,507
Net profit (adj.)	14,195	17,944	19,023	20,507

### BALANCE SHEET

Year to 31 Dec (Btm)	2022	2023F	2024F	2025F
Cash with central bank	15,506	20,562	20,975	21,299
Govt treasury bills & securities	211,432	173,334	191,041	196,829
Interbank loans	187,563	191,911	195,768	198,794
Customer loans	1,326,505	1,313,605	1,342,760	1,365,920
Investment securities	1,533	2,742	2,797	2,840
Derivative receivables	10,376	11,045	11,390	11,696
Associates & JVs	8,574	8,661	8,661	8,661
Fixed assets (incl. prop.)	31,941	30,495	29,923	29,404
Other assets	32,851	35,938	36,159	36,332
Total assets	1,826,279	1,788,292	1,839,476	1,871,776
Interbank deposits	84,770	82,247	83,901	85,197
Customer deposits	1,399,247	1,343,374	1,384,363	1,419,957
Derivative payables	9,499	10,966	11,187	11,360
Debt equivalents	59,644	74,480	70,790	53,471
Other liabilities	54,111	49,234	50,006	50,611
Total liabilities	1,607,271	1,560,302	1,600,246	1,620,596
Shareholders' funds	219,006	227,989	239,228	251,178
Minority interest - accumulated	1	1	1	1
Total equity & liabilities	1,826,279	1,788,292	1,839,475	1,871,775

### OPERATING RATIOS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
<b>Capital Adequacy</b>				
Tier-1 CAR	16.1	16.1	16.5	17.2
Total CAR	19.8	19.8	20.3	20.9
Total assets/equity (x)	8.3	7.8	7.7	7.5
Tangible assets/tangible common equity (x)	9.2	8.6	8.4	8.1
<b>Asset Quality</b>				
NPL ratio	2.7	2.7	2.7	2.7
Loan loss coverage	138.0	137.0	134.8	129.0
Loan loss reserve/gross loans	4.1	4.2	4.0	3.8
Increase in NPLs	(1.8)	0.1	(1.2)	1.5
Credit cost (bp)	132.8	123.3	122.1	125.2
<b>Liquidity</b>				
Loan/deposit ratio	94.8	97.8	97.0	96.2
Liquid assets/short-term liabilities	27.8	27.0	27.7	27.6
Liquid assets/total assets	22.7	21.6	22.2	22.3

### KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
<b>Growth</b>				
Net interest income, yoy chg	1.2	9.3	2.2	1.4
Fees & commissions, yoy chg	(7.6)	3.6	1.0	17.7
Pre-provision profit, yoy chg	4.6	9.7	2.6	6.4
Net profit, yoy chg	35.5	26.4	6.0	7.8
Net profit (adj.), yoy chg	35.5	26.4	6.0	7.8
Customer loans, yoy chg	0.1	(1.0)	2.2	1.7
<b>Profitability</b>				
Net interest margin	2.9	3.2	3.3	3.2
Cost/income ratio	45.5	44.3	44.1	42.9
Adjusted ROA	0.8	1.0	1.0	1.1
Reported ROE	6.6	8.0	8.1	8.4
Adjusted ROE	6.6	8.0	8.1	8.4
<b>Valuation</b>				
P/BV (x)	0.8	0.7	0.7	0.7
P/NTA (x)	0.9	0.8	0.8	0.7
Adjusted P/E (x)	11.8	9.4	8.8	8.2
Dividend Yield	3.3	3.1	4.6	5.1
Payout ratio	39.5	28.6	40.9	41.7
Interest cover (x)			44.0	91.1

## COMPANY UPDATE

### PTT Global Chemical (PTTGC TB)

We Expect A Recovery In 3Q23 Net Profit

We expect a net profit of Bt1.3b, up both qoq and yoy, driven by improved performance of the refinery and olefins businesses. The gains in stock value resulting from the increase in crude oil prices are offset by losses suffered in foreign exchange and hedging activities. 4Q23 net profit is expected to decrease qoq and yoy, primarily due to a decrease in GRM and the presence of low-spread petrochemical. Maintain HOLD. Target price: Bt38.00.

#### WHAT'S NEW

- **Expect 3Q23 net profit to recover.** We expect PTT Global Chemical (PTTGC) to report a net profit of Bt1.3b for 3Q23 (vs 3Q22's net loss of Bt13.4b and 2Q23's net loss of Bt5.6b), increasing both qoq and yoy. This improvement can be attributed to robust profits stemming from the refinery business, driven by an upward trend in gross refinery margin (GRM). Additionally, the olefins business has rebounded thanks to reduced production costs. This was achieved by increasing the usage of ethane in production and a decrease in LPG prices. However, the aromatics business' EBITDA declined qoq due to a reduced utilisation rate of 70% resulting from a 37-day planned shutdown during Jul-Aug 23.

#### 3Q23 PREVIEW

Year to 31 Dec (Btm)	3Q22	2Q23	3Q23F	yoy % chg	qoq % chg	9M22	9M23F	yoy % chg
Revenue	183,141	147,949	145,513	-21%	-2%	557,511	441,609	-21%
COGS	169,255	139,993	133,668	-21%	-5%	484,321	412,192	-15%
EBITDA	11,342	6,506	10,453	-8%	61%	65,473	25,067	-62%
Gain from affiliate	250	-408	-121	n.a.	n.a.	2,941	-773	n.a.
Core Profit	1,138	-2,212	1,587	39%	n.a.	39,040	-823	n.a.
Net Profit	-13,384	-5,591	1,331	n.a.	n.a.	-9,410	-4,178	n.a.
EPS	-2.97	-1.24	0.30			-2.09	-0.93	
Gross Profit Margin	7.6%	5.4%	8.1%			13.1%	6.7%	
EBITDA Margin	6.2%	4.4%	7.2%			11.7%	5.7%	
SG&A Exp. / Sales	5.3%	5.7%	5.8%			5.1%	5.8%	
Net profit margin	-7.3%	-3.8%	0.9%			-1.7%	-0.9%	

Source: PTT Global Chemical, UOB Kay Hian

- **Robust GRM.** We expect PTTGC to achieve a market GRM of US\$12.5/bbl, (vs US\$9.8/bbl in 3Q22 and US\$5.7/bbl in 2Q23). This increase is driven by product spreads for gasoline, diesel, and jet fuel, which have risen by 14% qoq, 85% qoq, and 87% qoq, respectively. Furthermore, there has been a quarterly increase of 12% in crude oil prices, leading to PTTGC experiencing a gain in stock of up to Bt3.1b.

#### KEY FINANCIALS

Year to 31 Dec (Btm)	2021	2022	2023F	2024F	2025F
Net turnover	468,953	683,954	453,523	518,256	560,994
EBITDA	72,504	74,068	34,780	44,203	48,524
Operating profit	49,766	46,506	6,164	17,816	24,186
Net profit (rep./act.)	44,982	(8,752)	(3,102)	9,018	14,182
Net profit (adj.)	42,865	41,323	253	9,018	14,182
EPS (Bt)	9.5	9.2	0.1	2.0	3.1
PE (x)	3.6	3.8	613.9	17.2	11.0
P/B (x)	0.4	0.5	0.5	0.5	0.4
EV/EBITDA (x)	4.5	4.4	9.3	7.3	6.7
Dividend yield (%)	10.9	2.9	(0.7)	2.0	3.2
Net margin (%)	9.6	(1.3)	(0.7)	1.7	2.5
Net debt/(cash) to equity (%)	27.7	73.0	50.8	45.1	38.2
Interest cover (x)	12.2	7.5	3.7	4.7	5.3
ROE (%)	13.1	n.a.	n.a.	2.7	4.1
Consensus net profit	-	-	5,820	12,499	16,207
UOBKH/Consensus (x)	-	-	0.04	0.72	0.88

Source: PTT Global Chemical, Bloomberg, UOB Kay Hian

## HOLD

(Maintained)

Share Price	Bt33.75
Target Price	Bt38.00
Upside	+12.6%
(Previous TP)	Bt41.00)

#### COMPANY DESCRIPTION

PTT Global Chemical is a fully integrated petrochemical and chemical company. The company's products are derived from its main product, olefins, namely ethylene and propylene.

#### STOCK DATA

GICS sector	Materials
Bloomberg ticker:	PTTGC TB
Shares issued (m):	4,508.8
Market cap (Btm):	155,555.3
Market cap (US\$m):	4,286.2
3-mth avg daily t'over (US\$m):	13.9

#### Price Performance (%)

52-week high/low Bt51.50/Bt32.50

1mth	3mth	6mth	1yr	YTD
(1.4)	(11.0)	(18.3)	(15.9)	(27.0)

#### Major Shareholders

	%
PTT	48.9
NDVR	6.1
-	-
FY23 NAV/Share (Bt)	73.57
FY23 Net Debt/Share (Bt)	37.41

#### PRICE CHART



Source: Bloomberg

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### STOCK IMPACT

- **The olefins business is showing signs of recovery due to reduced production costs.** We expect PTTGC's EBITDA from the polymers business to reach Bt1.6b, up 105% qoq. This improvement comes after the successful operation of the Olefins 2 Modification Project (OMP) plant at full capacity in 3Q23. This allows PTTGC to increase its use of propane and LPG in production and receive more ethane from PTT, thereby enhancing PTTGC's competitive advantage and mitigating the impact of decreased naphtha spread on its primary products in 3Q23.
- **Aromatics business is still weak.** During 3Q23, PTTGC faced a production interruption due to the planned shutdown at the aromatics plant unit 2. This maintenance work resulted in utilisation rate decreasing to 70% (vs 2Q23's utilisation rate of 90%). We expect product-to-feed margin (P2F) to remain consistent qoq at US\$165/tonne. However, this stability is projected to result in the aromatics business' EBITDA declining 10% qoq.

### KEY PERFORMANCE

	3Q22	2Q23	3Q23F	yoy % chg	qoq % chg	9M22	9M23F	yoy % chg
Avg. Fx (Bt per US\$)	36.4	34.5	34.8	-4%	1%	34.6	34.4	-1%
Dubai Crude oil price (US\$ per bbl)	96.9	77.8	86.7	-10%	11%	100.2	81.6	-19%
Market GRM (US\$/bbl)	9.8	5.7	12.5	28%	119%	12.8	9.5	-26%
Hedging Gain / (Loss) (MB)	-2,111	327	-2,088	n.a.	n.a.	-23,413	-818	n.a.
Stock Gain / (Loss) net NRV (MB)	-8,025	-2,279	3,131	n.a.	n.a.	258	-653	n.a.
High-Density Polyethylene (HDPE)	1,104	1,036	1,032	-7%	0%	1,258	1,051	-16%
PP - Naphtha	374	395	327	-13%	-17%	455	376	-17%
Adjusted EBITDA (%)	10%	3%	6%	-39%	n.a.	10%	6%	-45%

Source: PTT Global Chemical, UOB Kay Hian

### STOCK IMPACT

- **4Q23 core profit expected to be weak.** We expect 4Q23 core profit in 4Q23 to be weak on the back of challenges stemming from a substantial decline in GRM and the low petrochemical spread, especially within the olefins business. Additionally, 4Q23 will see an increase in selling, general, and administrative (SG&A) expenses, which will exert pressure on 4Q23's financial results.

### EARNINGS REVISION/RISK

- **We have revised down our net profit forecasts for both 2023 and 2024.** We now expect a net loss of Bt3.1b for 2023, vs a net profit of Bt6.7b previously. For 2024, we have made a 7% downwards adjustment, and now expect a net profit of Bt9.0b. These adjustments are based on changes to the spread assumptions for polyethylene (PE) and polypropylene (PP) and are aimed at aligning the EBITDA margin of polymer business for 2023 and 2024.

### KEY ASSUMPTION

	----- 2023F -----		----- 2024F -----	
	Old	New	Old	New
Dubai Crude Oil (US\$/bbl)	85	85	84	84
Market GRM (US\$/bbl)	8.5	8.5	8.0	8.0
BTX P2F (US\$/Ton)	190	190	200	200
Average Polyethylene (PE) (US\$/Ton)	1,050	950	1,150	1,150
Spread PE - Naphtha (US\$/Ton)	430	390	420	420
Spread PP - Naphtha (US\$/Ton)	420	360	400	400
Adj. EBITDA margin from Polymers & Chemicals (%)	7.5%	4.8%	10.0%	8.0%

Source: PTT Global Chemical, UOB Kay Hian

### VALUATION/RECOMMENDATION

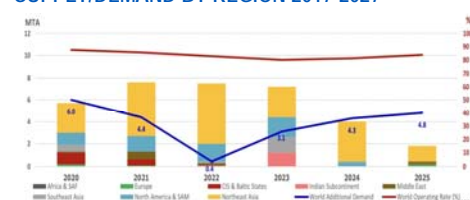
- **Maintain HOLD with a new target qprice of Bt38.00 (previously Bt41.00),** based on forward P/B at -1.0 S.D. of 0.6x. We maintain a negative outlook for earnings in 4Q23 and 1Q24, primarily due to the weaker performance of the refinery and petrochemical businesses. We prefer the upstream business (exploration and production of oil and gas). Our top picks include PTT Exploration and Production (PTTEP TB/Target: Bt200.00) and ESSO (ESSO TB/Target: Bt15.00).

### MARKET INFORMATION

	3Q22	3Q23	4Q23 qtd	qoq %Chg.	yoy %Chg.
<b>Refinery (\$/bbl)</b>					
Dubai (Avg. Quarter)	96.9	86.7	88.6	2%	4%
Dubai (Ended Quarter)	90.1	92.9	94.8	2%	24%
Singapore GRM	7.1	9.5	5.1	-46%	-18%
Jet-Dubai	32.4	26.1	25.2	-3%	-25%
GO-Dubai	35.2	26.9	25.4	-6%	-35%
LOFO-Dubai	21.1	9.0	11.6	30%	-20%
LPG CP (\$/ton)	677	469	608	30%	-1%
<b>Aromatics (\$/ton)</b>					
Condensate Erawan	916	716	740	3%	1%
PX FECP-Cond	180	356	383	7%	55%
BZ-Cond Spot KR	62	183	190	4%	111%
Phenol (CMP)-BZ	233	89	148	66%	-45%
<b>Olefins (\$/ton)</b>					
Naphtha MOPJ	714	648	668	3%	-1%
HDPE (FILM) SEA	1,104	1,032	1,059	3%	3%
HDPE - MOPJ	390	384	392	2%	9%
LLDPE - MOPJ	386	342	345	1%	6%
LDPE - MOPJ	586	345	368	7%	-16%
MEG ACP - 0.65Ethyl	285	311	233	-25%	-6%

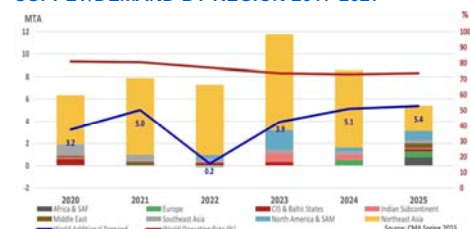
Source: PTT Global Chemical, UOB Kay Hian

### WORLD POLYETHYLENE ADDITIONAL SUPPLY/DEMAND BY REGION 2017-2027



Source: PTT Global Chemical

### WORLD POLYPROPYLENE ADDITIONAL SUPPLY/DEMAND BY REGION 2017-2027



Source: CMA (Jun 2023), PTT Global Chemical

### PRICE TO BOOK (P/B)



Source: Bloomberg, UOB Kay Hian

**PROFIT & LOSS**

Year to 31 Dec (Btm)	2022	2023F	2024F	2025F
Net turnover	683,954	453,523	518,256	560,994
EBITDA	74,068	34,780	44,203	48,524
Deprec. & amort.	27,563	28,616	26,387	24,338
EBIT	46,506	6,164	17,816	24,186
Associate contributions	3,496	3,350	3,350	3,350
Net interest income/(expense)	(9,835)	(9,469)	(9,327)	(9,242)
Pre-tax profit	40,166	45	11,839	18,295
Tax	2,273	662	(2,368)	(3,659)
Minorities	(1,116)	(454)	(454)	(454)
Net profit	(8,752)	(3,102)	9,018	14,182
Net profit (adj.)	41,323	253	9,018	14,182

**CASH FLOW**

Year to 31 Dec (Btm)	2022	2023F	2024F	2025F
Operating	(3,426)	50,853	31,374	35,975
Pre-tax profit	40,166	45	11,839	18,295
Tax	2,273	662	(2,368)	(3,659)
Deprec. & amort.	27,563	28,616	26,387	24,338
Working capital changes	(49,495)	1,855	(24,485)	(22,998)
Other operating cashflows	(23,934)	19,675	20,000	20,000
Investing	(12,213)	36,394	(18,061)	(13,205)
Investments	(21,372)	(11,323)	(4,657)	(4,355)
Others	9,159	47,717	(13,405)	(8,850)
Financing	(14,164)	(18,126)	(8,213)	(12,455)
Dividend payments	(11,746)	(4,509)	1,086	(3,156)
Proceeds from borrowings	(2,419)	(13,617)	(9,299)	(9,299)
Net cash inflow (outflow)	(29,803)	69,121	5,100	10,315
Beginning cash & cash equivalent	61,636	25,940	95,061	100,160
Changes due to forex impact	130	0	0	0
Ending cash & cash equivalent	31,962	95,061	100,160	110,475

**BALANCE SHEET**

Year to 31 Dec (Btm)	2022	2023F	2024F	2025F
Fixed assets	296,321	279,028	257,298	237,315
Other LT assets	251,635	185,916	204,378	216,567
Cash/ST investment	31,962	95,061	100,160	110,475
Other current assets	140,046	96,523	108,899	117,221
Total assets	719,965	656,528	670,735	681,578
ST debt	13,617	9,299	9,299	9,299
Other current liabilities	90,359	62,668	70,560	75,884
LT debt	263,728	254,429	245,130	235,831
Other LT liabilities	53,434	35,431	40,489	43,828
Shareholders' equity	336,309	331,728	341,832	352,858
Total liabilities & equity	719,965	656,528	670,735	681,578

**KEY METRICS**

Year to 31 Dec (%)	2022	2023F	2024F	2025F
<b>Profitability</b>				
EBITDA margin	10.8	7.7	8.5	8.6
Pre-tax margin	5.9	0.0	2.3	3.3
Net margin	(1.3)	(0.7)	1.7	2.5
ROA	n.a.	n.a.	1.4	2.1
ROE	n.a.	n.a.	2.7	4.1
<b>Growth</b>				
Turnover	45.8	(33.7)	14.3	8.2
EBITDA	2.2	(53.0)	27.1	9.8
Pre-tax profit	(20.7)	(99.9)	26,350.2	54.5
Net profit	(119.5)	n.a.	n.a.	57.3
Net profit (adj.)	(3.6)	(99.4)	3,458.8	57.3
EPS	(3.6)	(99.4)	3,458.8	57.3
<b>Leverage</b>				
Debt to total capital	48.1	47.2	45.5	43.6
Debt to equity	82.5	79.5	74.4	69.5
Net debt/(cash) to equity	73.0	50.8	45.1	38.2
Interest cover (x)	7.5	3.7	4.7	5.3

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