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### KEY HIGHLIGHTS

#### Results

**Krungthai Card (KTC TB/SELL/Bt77.25/Target: Bt37.00)**

4Q20: Earnings flat yoy, but up 8% qoq.

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### KEY INDICES

Symbol	Close	Chg	%Chg
SET	1,522.59	12.46	0.83
SET50	958.16	8.52	0.90
Value (Btm) - SET	77,113		
<b>Top 5 Sector</b>			
BANK	353.49	1.12	0.32
PETRO	1,082.35	39.02	3.74
PROP	211.58	0.15	0.07
ENERG	23,970.96	(47.11)	(0.20)
ICT	139.25	0.44	0.32

Source: Bloomberg

### TOP VOLUME

Symbol	Price (Bt)	Chg (%)	Volume ('000)
PTT	41.00	(3.53)	154,588.6
CBG	132.00	0.38	22,147.8
KBANK	115.00	(0.43)	24,200.7
GPSC	83.25	(0.30)	31,449.5
BANPU	10.80	9.09	236,458.4

### TOP GAINERS

Symbol	Price (Bt)	Chg (%)	Volume ('000)
MAX	0.02	100.00	46,757.2
COMAN	3.04	29.91	8,535.1
UWC	0.05	25.00	3,266.4
IRCP	1.58	21.54	19,354.5
BOL	7.95	20.45	9,661.8

### TOP LOSERS

Symbol	Price (Bt)	Chg (%)	Volume ('000)
AQ	0.02	(33.33)	35,183.0
HYDRO	0.26	(13.33)	4,612.3
JAK	1.84	(8.91)	31,425.6
MANRIN	26.00	(8.77)	0.1
TGPRO	0.12	(7.69)	3,147.5

### KEY STATISTICS

Commodity	Current Price	%Chg		
		1m	3M	YTD
Brent crude*	55.9	7.0	28.0	7.9
Dubai crude*	54.1	6.7	32.1	7.8
Baltic Dry Index	1,740.0	31.3	28.9	27.4
Gold Spot***	1,842.0	(2.1)	(3.4)	(3.0)

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

### FOREIGN PORTFOLIO INVESTMENT IN EQUITIES (THAILAND)

Day (Mil US\$)	MTD Net (Mil US\$)	YTD Net (Mil US\$)	YTD Net YoY%
(17.4)	175.6	175.6	(6,304.4)

Source: Bloomberg

Foreign Exchange Rate - THB/US\$ (onshore) = 29.97

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

Thai Lending Rate (%)\* - MLR = 5.25

### COMPANY RESULTS

#### Krungthai Card (KTC TB)

4Q20: Earnings Flat yoy, But Up 8% qoq

**KTC reported 4Q20 net profit of Bt1.32b, flat yoy but up 8% qoq. The key driver behind the qoq net profit growth was lower provision expenses. Although we expect KTC's 2021 earnings to grow 13% yoy, the stock's valuation is extremely demanding. Maintain SELL. Target price: Bt37.00.**

#### 4Q20 RESULTS

Year to 31 Dec (Btm)	4Q20	3Q20	4Q19	qoq chg (%)	yoy chg (%)
Total gross loan	90,150	84,347	85,834	6.9	5.0
Net interest income	3,047	3,112	3,194	(2.1)	(4.6)
Non-interest income	2,143	1,914	2,334	11.9	(8.2)
Loan loss provision	1,511	1,703	1,841	(11.3)	(17.9)
SG&A	2,037	1,793	2,038	13.6	(0.0)
Net income	1,322	1,221	1,319	8.2	0.2
EPS (Bt)	0.51	0.47	0.51	8.2	0.2
<b>Ratio (%)</b>					
Net interest margin (NIM %)*	14.0	14.8	15.4		
Credit cost (bp)*	693	812	890		
Cost to income (%)*	39.3	35.7	36.9		

Source: KTC, UOB Kay Hian

#### RESULTS

- **4Q20 earnings flat yoy, but up 8% qoq.** Krungthai Card (KTC) reported 4Q20 net profit of Bt1.32b, flat yoy but up 8% qoq. The results are slightly below our forecast by 8% but higher than consensus by 9%. The qoq net profit growth can be attributed to lower provision expenses as a result of a shorter bad debt write-off period of only 6 months from 24 months.
- **A slight improvement in asset quality.** The company's asset quality improved slightly in 4Q20, with a NPL ratio of 1.8% (3Q20:1.8%) and a loan-loss coverage (LLC) ratio of 460% (3Q20: 460%).
- **Significantly lower NIM on BOT's ceiling rate cut.** KTC's 4Q20 NIM was 14.0%, which dropped significantly by 140bp yoy and 80bp qoq. This was due the impact of the Bank of Thailand's (BOT) second round of forbearance programme, which cut the ceiling rate of credit card loans by 2% and personal loans by 3%.

#### KEY FINANCIALS

Year to 31 Dec (Btm)	2019	2020	2021F	2022F	2023F
Net interest income	7,902	8,821	9,186	10,109	11,294
Non-interest income	13,157	11,700	12,325	13,486	14,635
Net profit (rep./act.)	5,524	5,331	6,007	6,133	6,487
Net profit (adj.)	5,524	5,331	6,007	6,133	6,487
EPS (Bt)	2.1	2.1	2.3	2.4	2.5
PE (x)	36.1	37.4	33.2	32.5	30.7
P/B (x)	10.1	8.7	7.6	6.7	6.0
Dividend yield (%)	1.1	1.1	1.3	1.4	1.5
Net int margin (%)	14.7	14.4	13.2	13.3	n.a.
Cost/income (%)	36.7	35.4	34.2	34.1	34.1
Loan loss cover (%)	620.1	460.3	420.0	350.0	285.0
Consensus net profit	-	-	5,985	6,587	-
UOBKH/Consensus (x)	-	-	1.00	0.93	-

Source: KTC, Bloomberg, UOB Kay Hian

### SELL

(Maintained)

Share Price	Bt77.25
Target Price	Bt37.00
Upside	-52.1%

#### COMPANY DESCRIPTION

KTC 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):	199,176.3
Market cap (US\$m):	6,626.6
3-mth avg daily t'over (US\$m):	25.4

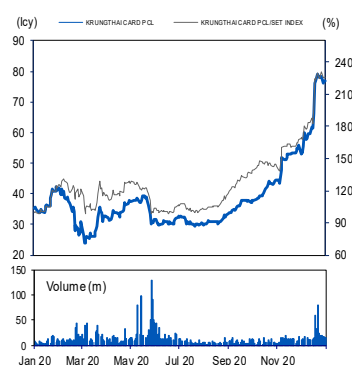
#### Price Performance (%)

52-week high/low	Bt79.00/Bt23.80				
<b>1mth</b>	<b>3mth</b>	<b>6mth</b>	<b>1yr</b>	<b>YTD</b>	
38.6	108.8	141.4	128.9	29.8	

#### Major Shareholders

	%
-Krungthai Bank Pcl	49.29
-Mongkol Prakitchaiwattana	15.07
-Sataporn Ngamruengpong	4.98
FY21 NAV/Share (Bt)	10.17

#### PRICE CHART



Source: Bloomberg

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- **Credit card spending fell yoy but outperformed industry.** KTC reported customer credit card spending growth of -8.3% yoy. However, thanks to efficiency in marketing promotion strategies, KTC's credit card spending outperformed the industry's customer credit card spending of -13.1%.

### STOCK IMPACT

- **Expect 2021 earnings to grow yoy on the back of lower credit cost.** We believe KTC's NIM would decline further in 2021 as the impact from BOT's ceiling rate cut in consumer loans will be fully shown in 2021. Nevertheless, we expect KTC's 2021 earnings to grow 13% yoy, which can be attributed to: a) lower provision expenses from a shorter bad debt write-off period; b) improvement in tourist arrivals in 2H21; and c) well-controlled opex.

### KTC'S ASSET QUALITY

	4Q20	% of total loans	3Q20	% of total loans	qoq % chg
Stage 1	77,020	86.0	71,380	85.1	7.9
Stage 2	10,989	12.3	10,914	13.0	0.7
Stage 3	1,598	1.8	1,555	1.9	2.8
Total loan	89,607	100	83,849	100	6.9
Expected Credit Losses (ECL)	1,511	1.7	1,703	2.0	(11.3)
Allowance for ECL	7,356	8.2	7,030	8.4	4.6

Source: KTC, UOB Kay Hian

### CREDIT CARD SPENDING GROWTH



Source: KTC

### EARNINGS REVISION/RISK

(Btm)	2021F	2022F	2023F
Old	5,869	6,303	-
New	6,007	6,113	6,487
% chg	+2.3	-3.0	-

Source: UOB Kay Hian

- We fine-tune our 2021-22 earnings forecasts by +2.3% and -3.0% respectively to reconcile for the actual 2020 earnings.

### VALUATION/RECOMMENDATION

- **The stock is very expensive, maintain SELL.** We believe KTC's valuation is extremely demanding at 34x 2021F PE, which is well above +3SD to its 5-year mean. Maintain SELL and target price of Bt37.00, based on GGM methodology (cost of equity: 10.0%, long-term growth: 3.0%).

### SHARE PRICE CATALYST

- No short-term price catalyst.

### PE BAND



Source: KTC, UOB Kay Hian

### P/B BAND



Source: KTC, UOB Kay Hian

### PROFIT & LOSS

Year to 31 Dec (Btm)	2020	2021F	2022F	2023F
Interest income	10,355	10,744	11,767	13,146
Interest expense	(1,534)	(1,558)	(1,658)	(1,852)
Net interest income	8,821	9,186	10,109	11,294
Fees & commissions	8,290	8,665	9,690	10,765
Other income	3,411	3,660	3,796	3,870
Non-interest income	11,700	12,325	13,486	14,635
<b>Total income</b>	<b>20,521</b>	<b>21,511</b>	<b>23,595</b>	<b>25,930</b>
Staff costs	(7,050)	(7,151)	(7,818)	(8,593)
Other operating expense	(210)	(215)	(236)	(259)
Pre-provision profit	13,261	14,144	15,541	17,078
Loan loss provision	(6,605)	(6,636)	(7,874)	(8,970)
Pre-tax profit	6,656	7,508	7,667	8,108
Tax	(1,325)	(1,502)	(1,533)	(1,622)
<b>Net profit</b>	<b>5,331</b>	<b>6,007</b>	<b>6,133</b>	<b>6,487</b>
Net profit (adj.)	5,331	6,007	6,133	6,487

### OPERATING RATIOS

Year to 31 Dec (%)	2020	2021F	2022F	2023F
<b>Capital Adequacy</b>				
Total assets/equity (x)	3.9	3.7	3.6	3.7
Tangible assets/tangible common equity (x)	3.9	3.7	3.7	3.7
<b>Asset Quality</b>				
NPL ratio	1.8	1.5	1.4	1.3
Loan loss coverage	460.3	420.0	350.0	285.0
Loan loss reserve/gross loans	8.2	6.1	4.7	3.8
Increase in NPLs	75.4	(11.9)	2.8	10.4
Credit cost (bp)	750.7	708.7	770.8	789.3
<b>Liquidity</b>				
Loan/deposit ratio	155.7	161.9	160.2	157.9
Liquid assets/short-term liabilities	13.3	9.3	8.8	7.7
Liquid assets/total assets	2.2	0.9	0.9	0.8

### BALANCE SHEET

Year to 31 Dec (Btm)	2020	2021F	2022F	2023F
Cash with central bank	1,914	884	934	993
Govt treasury bills & securities	5	5	5	5
Customer loans	82,794	91,203	102,131	115,522
Investment securities	0	0	0	0
Fixed assets (incl. prop.)	481	463	479	514
Other assets	3,209	3,420	3,726	4,116
<b>Total assets</b>	<b>88,403</b>	<b>95,976</b>	<b>107,275</b>	<b>121,150</b>
Customer deposits	13,959	9,133	10,256	12,531
Debt equivalents	43,480	50,442	56,227	63,050
Other liabilities	8,114	10,117	11,151	12,488
<b>Total liabilities</b>	<b>65,553</b>	<b>69,692</b>	<b>77,634</b>	<b>88,068</b>
Shareholders' funds	22,799	26,233	29,590	33,030
Minority interest - accumulated	51	51	51	51
<b>Total equity &amp; liabilities</b>	<b>88,403</b>	<b>95,976</b>	<b>107,275</b>	<b>121,150</b>

### KEY METRICS

Year to 31 Dec (%)	2020	2021F	2022F	2023F
<b>Growth</b>				
Net interest income, yoy chg	11.6	4.1	10.0	11.7
Fees & commissions, yoy chg	(9.6)	4.5	11.8	11.1
Pre-provision profit, yoy chg	(0.6)	6.7	9.9	9.9
Net profit, yoy chg	(3.5)	12.7	2.1	5.8
Net profit (adj.), yoy chg	(3.5)	12.7	2.1	5.8
Customer loans, yoy chg	3.3	10.2	12.0	13.1
Customer deposits, yoy chg	22.7	(34.6)	12.3	22.2
<b>Profitability</b>				
Net interest margin	14.4	13.2	13.3	n.a.
Cost/income ratio	35.4	34.2	34.1	34.1
Adjusted ROA	6.1	6.5	6.0	5.7
Reported ROE	25.1	24.5	22.0	20.7
Adjusted ROE	25.1	24.5	22.0	20.7
<b>Valuation</b>				
P/BV (x)	8.7	7.6	6.7	6.0
P/NTA (x)	8.9	7.7	6.8	6.1
Adjusted P/E (x)	37.4	33.2	32.5	30.7
Dividend Yield	1.1	1.3	1.4	1.5
Payout ratio	42.6	42.8	45.3	47.0

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