

February 23, 2023

NPL ABOVE FORECAST. SWITCH

4Q22 net profit was B1.1bn (near forecast), falling 6%qoq but growing 3%yoy. Credit cost rose to 4.1%. End-2022 NPL/loan increased to 2.9% (much higher than expected). Stage 2 loans increased to 9.9%. End-4Q22 coverage ratio was 105%. NPL relapse still have to be watched closely.

We revise down 2023-24 forecast by 12% and 8% to reflect higher credit cost. 2023 net profit is estimated to fall 9%yoy as inflation will outweigh net loan growth of 20%yoy. New 2023 fair value is B35. NPL/net loans is still rising, pressuring 2023 net profit. We downgrade from BUY to Switch.

KEY FINANCIAL FORECAST

Ending Dec 31	2021	2022	2023F	2024F	2025F
Net Profit	4,945	5,093	4,655	5,644	6,700
EPS (B)	2.33	2.40	2.20	2.66	3.16
EPS Growth (%)	-5.2%	3.0%	-8.6%	21.2%	18.7%
PER (x)	14.8	14.4	15.7	13.0	10.9
PBV (x)	2.9	2.5	2.3	2.0	1.7
Dividend Yields (%)	1.1%	2.8%	1.0%	1.2%	1.4%
ROE (%)	21.7%	18.9%	15.3%	16.4%	16.9%

Source: ASPS Research

TECHNICAL CHART



Source: ASPS Research

TECHNICAL COMMENT

MTC Price Trend: Sideway

Supportive: 33.50

Resistance: 38.00 / 42.25

MTC

REC. SWITCH

Current Price (B)	34.50
Target Price (B)	35.00
Upside (%)	1.4
Dividend yield (%)	1.0

ESG RATING

Arabesque S-Ray	42.60
Moody's	-
MSCI	AA
Refinitiv	61.28
S&P	42.82
Source: Settrade	

CG Score	Excellent
Anti-corruption	Certified

CONSENSUS ANALYSIS

EPS (B)	ASPS	IAA Cons	% diff
2023F	2.20	2.59	-15%
2024F	2.66	3.08	-14%

Source: ASPS Research / IAA consensus

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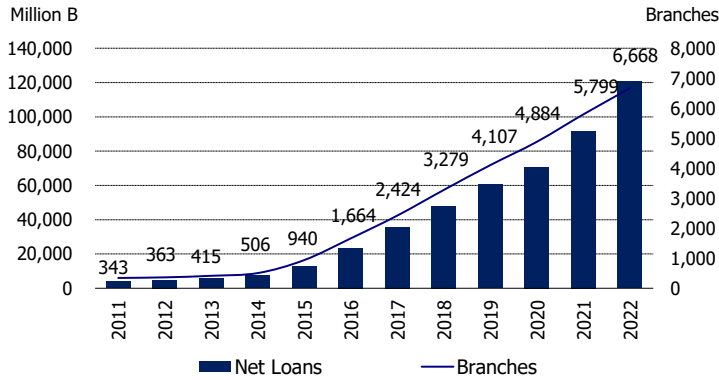


EARNINGS RESULTS BY QUARTER

Million B	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	%QoQ	%YoY	2022	2021	%YoY
Interest Income	3,684	3,844	4,082	4,285	4,617	4,959	5,338	7.6%	30.8%	19,199	15,195	26.3%
Interest Expense	(507)	(557)	(587)	(604)	(663)	(737)	(810)	9.9%	38.1%	(2,813)	(2,127)	32.2%
Net Interest Income	3,177	3,287	3,495	3,682	3,955	4,222	4,528	7.2%	29.5%	16,386	13,068	25.4%
Bad Debt & Doubtful Account	(138)	(189)	(265)	(169)	(524)	(923)	(1,210)	31.1%	356.3%	(2,827)	(748)	277.9%
Net Interest Income after Bad Debt	3,039	3,098	3,230	3,512	3,430	3,299	3,318	0.6%	2.7%	13,559	12,320	10.1%
Other Income	213	188	160	183	251	226	209	-7.6%	30.4%	869	843	3.1%
SG&A	(1,657)	(1,780)	(2,023)	(1,963)	(1,946)	(2,008)	(2,152)	7.2%	6.4%	(8,069)	(6,961)	15.9%
Earnings before Tax	1,595	1,505	1,368	1,732	1,735	1,517	1,375	-9.4%	0.5%	6,360	6,201	2.6%
Income Tax	(325)	(304)	(268)	(357)	(355)	(312)	(243)	-21.9%	-9.0%	(1,267)	(1,257)	0.8%
Net Profit	1,270	1,201	1,100	1,376	1,381	1,205	1,132	-6.1%	2.9%	5,093	4,945	3.0%
EPS (B)	0.60	0.57	0.52	0.65	0.65	0.57	0.53	-6.1%	2.9%	2.40	2.33	3.0%
Loan Growth	8.5%	6.4%	8.1%	7.4%	8.9%	6.7%	5.3%			31.4%	29.3%	
Yields	19.20%	18.64%	18.46%	17.99%	17.91%	17.85%	18.13%			18.06%	18.65%	
Funding Cost	3.44%	3.46%	3.40%	3.25%	3.23%	3.27%	3.42%			3.36%	3.38%	
Spread	15.76%	15.19%	15.05%	14.74%	14.69%	14.58%	14.71%			14.70%	15.27%	
Cost to Income Ratio	48.9%	51.2%	55.3%	50.8%	46.3%	45.1%	45.4%			46.8%	50.0%	
NPL/TL	1.10%	1.17%	1.39%	1.65%	1.96%	2.28%	2.90%			2.90%	1.39%	
Credit Cost	0.72%	0.92%	1.20%	0.71%	2.03%	3.32%	4.11%			2.66%	0.92%	
LLR/NPL	162.8%	160.2%	143.6%	112.9%	96.3%	102.3%	105.1%			105.1%	143.6%	

Source : Financial Statement / ASPS Research

END-2022 BRANCHES & NET LOANS



Source : ASPS Research

2023-2024 FORECAST REVISION

Million B	New		Old		Change	
	2023F	2024F	2023F	2024F	2023F	2024F
Net Profit	4,655	5,644	5,291	6,137	-12.0%	-8.0%
EPS (B)	2.20	2.66	2.50	2.89	-12.0%	-8.0%
Fair Value (B)	35.00		45.00		-22.2%	
Target PBV (x)	2.3		2.9			
Expected Long Term ROE	17.0%		18.0%			
Expected Long Term Growth	5.0%		6.0%			
Assumption						
Cost to Income Ratio	46.0%	45.5%	49.0%	50.0%		
Credit Cost	4.0%	4.0%	2.7%	2.7%		

Source : ASPS Research

HISTORICAL PBV BAND



Source : ASPS Research

KEY RISK

1. Net loan growth may be lower than expected, weakening income and net profit.
2. Asset quality may drop due to new NPL.
3. Interest rate may be raised.
4. The government's laws and regulations may affect MTC.

Source : ASPS Research



2022-2024F EARNINGS FORECAST

Income Statement (Million B)

Ended 31 Dec.	2022	2023F	2024F	2025F
Interest income	19,199	23,968	28,820	34,584
Interest expenses	(2,813)	(4,214)	(5,045)	(6,364)
Net interest income	16,386	19,754	23,775	28,221
Bad debt & doubtful account	(2,433)	(5,326)	(6,405)	(7,685)
Net interest income after bad debt	13,953	14,428	17,371	20,535
Other income	869	885	920	980
SG&A & other expense	(8,462)	(9,494)	(11,236)	(13,140)
Earnings before taxes	6,360	5,819	7,054	8,375
Income taxes	(1,267)	(1,164)	(1,411)	(1,675)
Net profit	5,093	4,655	5,644	6,700
EPS (B)	2.40	2.20	2.66	3.16
Normalized profit	7,526	9,981	12,048	14,385
Normalized EPS (B)	3.55	4.71	5.68	6.79

Quarterly Income Statement

Ended 31 Dec.	1Q22	2Q22	3Q22	4Q22
Interest income	4,285	4,617	4,959	5,338
Interest expenses	(604)	(663)	(737)	(810)
Net interest income	3,682	3,955	4,222	4,528
Bad debt & doubtful account	(169)	(524)	(923)	(1,210)
Net interest income after bad debt	3,512	3,430	3,299	3,318
Other income	183	251	226	209
SG&A & other expense	(1,963)	(1,946)	(2,008)	(2,152)
Earnings before taxes	1,732	1,735	1,517	1,375
Income taxes	(357)	(355)	(312)	(243)
Net profit	1,376	1,381	1,205	1,132
EPS (B)	0.65	0.65	0.57	0.53
Normalized profit	1,376	1,381	1,205	1,132
Normalized EPS (B)	0.65	0.65	0.57	0.53
Credit cost	0.71%	2.03%	3.32%	4.11%

Financial Ratio

Ended 31 Dec.	2022	2023F	2024F	2025F
Yield	18.06%	18.00%	18.00%	18.00%
Funding cost	3.36%	4.00%	4.00%	4.20%
Spread	14.70%	14.00%	14.00%	13.80%
NIM	15.41%	14.84%	14.85%	14.69%
Debt / Equity	3.30	3.60	3.74	3.88
Cost to income ratio	46.8%	46.0%	45.5%	45.0%
ROAA	18.9%	15.3%	16.4%	16.9%
ROAE	4.5%	3.4%	3.4%	3.4%

Source : ASPS Research



2022-2024F EARNINGS FORECAST (CONT.)

Balance Sheet (Million B)

Ended 31 Dec.	2022	2023F	2024F	2025F
Cash & bank deposits	3,213	1,458	1,545	1,520
Loans	120,956	143,083	171,700	206,039
Less Deferred interest income	(198)	2,474	2,969	3,563
Less Allowance for doubtful accounts	(3,686)	(5,305)	(6,366)	(7,639)
Net loans	117,073	140,252	168,303	201,963
Other assets	7,781	7,723	8,094	8,523
Total assets	128,066	149,434	177,942	212,006
Borrowings	96,143	114,572	137,676	165,352
Other liabilities	2,833	3,007	3,466	4,001
Total liabilities	98,976	117,579	141,142	169,353
Paid-up share capital	2,120	2,120	2,120	2,120
Other reserves	2,468	2,592	2,592	2,592
Retained earnings	24,502	27,143	32,088	37,941
Shareholders' equity	29,091	31,855	36,800	42,653
Total liabilities and shareholders' equity	128,066	149,434	177,942	212,006

Quarterly Balance Statement

Ended 31 Dec.	1Q22	2Q22	3Q22	4Q22
Cash & bank deposits	1,652	2,879	3,654	3,213
Loans	99,637	108,304	115,256	120,956
Less Deferred interest income	(944)	(805)	(538)	(198)
Less Allowance for doubtful accounts	(1,840)	(2,025)	(2,671)	(3,686)
Net loans	96,853	105,473	112,047	117,073
Other assets	7,306	7,470	7,519	7,781
Total assets	105,811	115,822	123,220	128,066
Borrowings	77,335	86,946	93,232	96,143
Other liabilities	2,232	2,036	1,974	2,833
Total liabilities	79,567	88,982	95,206	98,976
Paid-up share capital	2,120	2,120	2,120	2,120
Other reserves	2,592	2,592	2,560	2,468
Retained earnings	21,532	22,128	23,334	24,502
Shareholders' equity	26,244	26,840	28,014	29,091
Total liabilities and shareholders' equity	105,811	115,822	123,220	128,066

Financial Assumption

Ended 31 Dec.	2022	2023F	2024F	2025F
Loans growth	31.4%	20.5%	20.0%	20.0%
Net interest income growth	25.4%	20.6%	20.4%	18.7%
Other income growth	3.1%	1.8%	4.0%	6.5%
Credit cost	19.9%	20.0%	20.0%	20.0%
NPL/TL	2.90%	3.40%	3.30%	3.20%
LLR/NPL	105.1%	107.2%	110.4%	113.9%
LLR/TL	3.05%	3.64%	3.64%	3.64%
STL/TL	8.3%	3.1%	4.9%	2.1%

Source : ASPS Research