

Finance

1Q26 Results Preview: Credit Costs Are Expected To Decrease qoq in 1Q26 Due To A High Base In 4Q25

Highlights

- We expect the sector to report a net profit of Bt6.5b (+12% yoy, +4% qoq).
- Expect no significant changes in NPL ratio due to the oil price jump.
- Maintain OVERWEIGHT on the sector. Our top picks are MTC and KTC.

Analysis

- **Expect 1Q26 earnings to grow yoy and qoq.** We expect finance companies under our coverage to report a net profit of Bt6.5b for 1Q26, up 12% yoy and 4% qoq. We foresee the sector's pre-provision operating profit coming in at Bt11.5b in 1Q26, up 10% yoy but down 2% qoq.
- **Loan growth remains intact in 1Q26.** We forecast the sector's loan portfolio to grow 2% qoq in 1Q26 despite the seasonal low of the loan demand. Meanwhile, we expect the sector's loan portfolio to grow 10% yoy in 1Q26 as finance companies intend to grow their loan portfolio in 2026. In 2026, we forecast the sector's loan portfolio to grow 7% yoy, mainly driven by a loan growth target of at least double-digits in 2026.
- **Credit cost to decrease qoq in 1Q26 due to a high base in 4Q25.** While we still project a yoy increase in credit costs in 1Q26, we expect credit costs to dip 3bp qoq to 336bp in 1Q26 from 339bp in 4Q25. In 2026, we expect the finance companies under our coverage will add more provision expenses yoy, creating a buffer for potential uncertainties. As a result, we expect the sector's credit cost to increase 27bp yoy in 2026.
- **No significant changes in NPL ratio during the historical oil price jump.** We have studied historical finance companies under our coverage's data to determine whether past oil price spikes led to an increase in the finance sector's NPL ratio. Our research covered four significant historical events. First, OPEC+'s first coordinated production cuts (2017): OPEC+ or Organization of the Petroleum Exporting Countries (OPEC) and 10 non-OPEC oil-producing nations, most notably Russia, Mexico, and Kazakhstan, initiated production cuts. Second, US sanctions on Iranian oil (2019): Increased geopolitical tension led to supply constraints. Third, Russia-Ukraine war (2022): A major global energy disruption. Fourth, OPEC+'s aggressive production cuts (2023): Further supply-side tightening.
- Our findings indicate that when oil prices jump, the finance sector's NPL ratio increased with some magnitude but not significantly. In some cases, a lagged effect was observed, with some increases appearing in the following quarter. Therefore, we are cautiously monitoring the impact from the oil price jump but not extremely concerned about this issue. Meanwhile, finance companies indicated that they are maintaining good asset quality.

Peer Comparison

Company	Rec	Price	Target	Upside	Market Cap	Net Profit		PE		Net EPS Growth	P/B	Yield	ROE
		1 Apr 26 (Bt)	Price (Bt)	Downside (%)		2026F (Btm)	2027F (Btm)	2026F (x)	2027F (x)				
KTC TB	BUY	29.75	47.00	52.8	2,360	8,484	8,695	9.0	8.8	9.0	1.6	6.5	18.4
MTC TB	BUY	28.75	50.00	66.7	1,875	7,564	8,527	8.1	7.1	12.5	1.2	1.2	16.3
	(Prev BUY)		52.00										
SAWAD TB	BUY	22.20	35.00	48.9	1,135	5,363	5,832	6.9	6.3	6.8	0.9	3.2	13.6
TIDLOR TB	BUY	14.80	22.00	41.9	1,319	5,511	6,273	7.8	6.8	9.0	1.1	3.9	15.2
Avg					6,689	26,921	29,326	8.1	7.4	9.5	1.3	3.9	16.3

Source: UOB Kay Hian

OVERWEIGHT
(Maintained)

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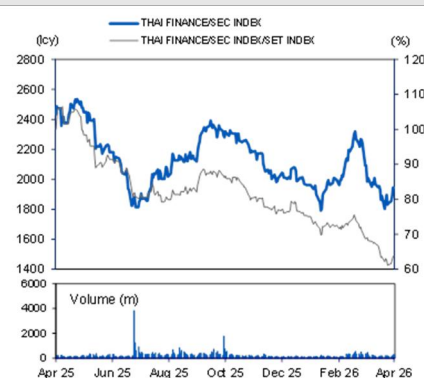
Panjarat Thaweeriprasert

Sector Picks

Company	Ticker	Rec	Share Price 1 Apr	Target Price (Bt)
Muangthai Capital	MTC TB	BUY	30.00	50.00
Krungthai Card	KTC TB	BUY	30.75	47.00

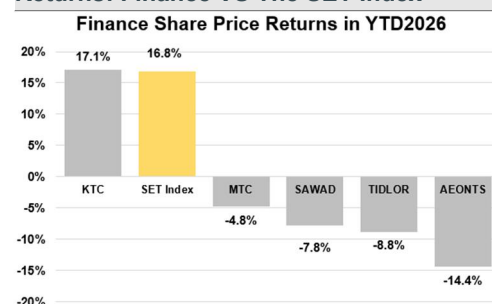
Source: Bloomberg, UOB Kay Hian

Returns: Finance VS The SET Index



Source: Bloomberg, UOB Kay Hian

Returns: Finance VS The SET Index



Source: Bloomberg, UOB Kay Hian

- MTC: To raise provisions against many uncertainties.** We anticipate MTC reporting a net profit of Bt1.68b in 1Q26, marking an increase of 7% yoy but a drop of 6% qoq. We project credit costs to rise 59bp qoq to 315bp in 1Q26. We expect MTC to add more provisions in 1Q26 ahead of many uncertainties, including the impact from the jump in oil prices.
- SAWAD: More positive on asset quality outlook but we remain cautious.** We expect SAWAD to report a net profit of Bt1.25b for 1Q26, up 14% yoy but down 6% qoq. We project its NPL ratio to stabilise at 3.9% in 1Q26. We expect credit costs to decrease 33bp qoq to 208bp in 1Q26 from 241bp in 4Q25. However, we are cautiously monitoring SAWAD's asset quality. We are concerned that we might see some negative surprise on asset quality similar to the past despite management reiterating that it is controlling its loan portfolio quality well.
- TIDLOR: Earnings recovery with easing credit cost and stable asset quality.** We expect TIDLOR to post a 1Q26 net profit of Bt1.4b, up 15% yoy and 38% qoq. We expect TIDLOR's loan portfolio to expand to Bt111.8b, up 6.7% yoy and 2% qoq. Loan growth is expected to be mainly driven by non-truck loans, while truck loans should see slight improvements in budget disbursement in 2H26. We expect TIDLOR to set aside provisions of Bt798m, up 3.4% yoy and down 18.7% qoq. The qoq decline is mainly due to TIDLOR setting aside high provisions during 4Q25 for flooding-related impacts and others, with no further reversal in credit costs expected in 2026. As a result, we estimate credit cost at 305bp in 1Q26, down from 325bp in 4Q25. TIDLOR's asset quality should remain stable, with an NPL ratio of 1.56%.
- KTC: Anticipate higher credit costs qoq.** We anticipate KTC reporting a 1Q26 net profit of Bt2.1b, up 14% yoy and 3% qoq. We expect KTC's loan portfolio to grow 2% yoy but contract 2% qoq in 1Q26 due to the high base from the seasonal high in Dec 25. KTC guided for a softer loan growth target of 1-2% in 2026. The CEO guided that the economic outlook in 2026 remains gloomy. We expect KTC to report a 118bp qoq increase in credit cost to 534bp in 1Q26 as we reckon the company will increase provision expenses to cushion against future uncertainties, including the spike in oil prices. We project a slight yoy increase in credit costs by 39bp yoy in 2026.

Valuation/Recommendation

- Maintain OVERWEIGHT.** The sector is currently trading at 1.2x 2026F P/B, which implies a valuation nearly -1SD to its five-year mean. Our top picks are MTC and KTC.

Sector Catalyst/Risk

- Government stimulus packages.

Earnings Revision

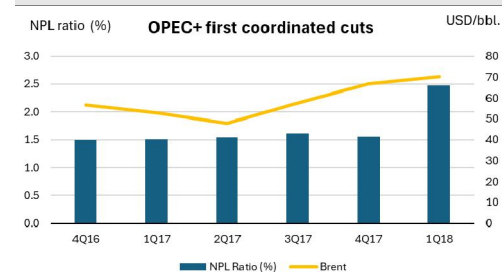
- We fine-tune our sector earnings forecasts by -0.9%, -0.4% and -0.5% for 2026-28 respectively. We are cautious monitoring the finance sector's credit cost outlook due to many uncertainties.

Earnings Revision

Net profit (Btm)	2026F			2027F			2028F		
	New	Old	% Chg	New	Old	% Chg	New	Old	% Chg
MTC	7,564	7,715	(2.0)	8,527	8,621	(1.1)	9,342	9,492	(1.6)
SAWAD	5,365	5,458	(1.7)	5,834	5,858	(0.4)	6,255	6,260	(0.1)
TIDLOR	5,511	5,511	-	6,273	6,273	-	7,063	7,063	-
KTC	8,484	8,484	-	8,695	8,695	-	8,999	8,999	-
Total	26,924	27,169	(0.9)	29,329	29,446	(0.4)	31,660	31,815	(0.5)

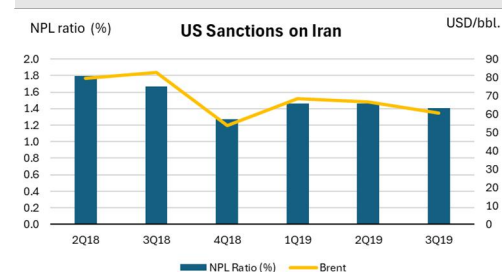
Source: Respective companies, UOB Kay Hian

Finance sector's NPL Ratio: During The Event Of OPEC+ First Coordinated Oil Production Cuts In 2017



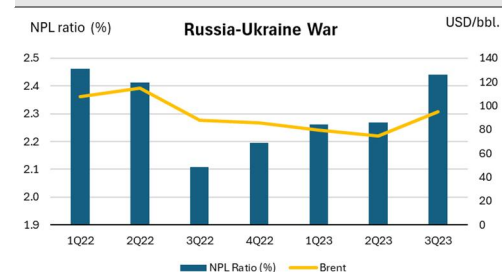
Source: Bloomberg, UOB Kay Hian

Finance sector's NPL Ratio: During The Event Of US Sanctions On Iranian Oil In 2019



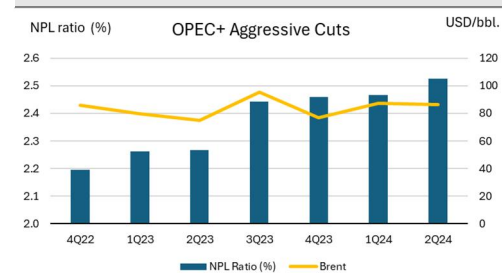
Source: Bloomberg, UOB Kay Hian

Finance sector's NPL Ratio: During The Event Of US Russia-Ukraine War In 2022



Source: Bloomberg, UOB Kay Hian

Finance sector's NPL Ratio: During The Event Of OPEC+'s Aggressive Oil Production Cuts



Source: Bloomberg, UOB Kay Hian

1Q26 Earnings Preview

	1Q26F	4Q25	1Q25	qoq (%)	yoy (%)	2026F	2025	yoy (%)
Net profit (Btm)								
MTC	1,680	1,781	1,571	(5.7)	6.9	7,564	6,723	12.5
SAWAD	1,254	1,329	1,100	(5.6)	14.0	5,365	5,021	6.9
TIDLOR	1,401	1,012	1,218	38.4	15.0	5,511	4,933	11.7
KTC	2,127	2,075	1,861	2.5	14.3	8,484	7,782	9.0
Total	6,462	6,197	5,750	4.3	12.4	26,924	24,459	10.1
Pre-provision operating profit (Btm)								
MTC	3,162	2,945	2,569	7.4	23.1	13,377	11,128	20.2
SAWAD	2,147	2,278	1,872	(5.8)	14.7	9,292	8,595	8.1
TIDLOR	2,198	2,116	1,990	3.9	10.5	8,772	8,087	8.5
KTC	3,980	4,368	3,992	(8.9)	(0.3)	16,448	16,363	0.5
Total	11,487	11,707	10,423	(1.9)	10.2	47,889	44,172	8.4
Total loans (Btm)								
MTC	192,770	183,223	167,560	5.2	15.0	201,309	183,223	9.9
SAWAD	96,169	94,964	93,397	1.3	3.0	99,982	94,964	5.3
TIDLOR	111,765	109,586	104,719	2.0	6.7	117,193	109,586	6.9
KTC	108,750	110,835	106,373	(1.9)	2.2	113,432	110,835	2.3
Total	509,454	498,608	472,050	2.2	7.9	531,916	498,608	6.7
NIM (%)								
MTC	14.4	13.8	13.6	55bp	77bp	14.7	13.9	84bp
SAWAD	14.8	14.7	14.2	6bp	59bp	14.8	14.2	53bp
TIDLOR	15.9	16.2	15.4	-28bp	50bp	15.9	15.7	13bp
KTC	14.1	13.8	13.1	31bp	100bp	13.9	13.2	71bp
Average	14.8	14.6	14.1	16bp	71bp	14.8	14.3	55bp
Credit cost (bp)								
MTC	315	256	241	59bp	75bp	302	254	49bp
SAWAD	208	241	184	-33bp	24bp	225	209	16bp
TIDLOR	288	362	296	-73bp	-8bp	288	284	4bp
KTC	534	496	588	38bp	-54bp	573	534	39bp
Average	336	339	327	-2bp	9bp	347	320	27bp
NPL ratio (%)								
MTC	2.5	2.5	2.7	-1bp	-17bp	2.5	2.5	-1bp
SAWAD	3.9	3.9	3.8	-1bp	13bp	3.9	3.9	-1bp
TIDLOR	1.6	1.5	1.8	2bp	-22bp	1.5	1.5	0bp
KTC	1.6	1.5	2.0	0bp	-42bp	1.5	1.5	-5bp
Average	2.38	2.38	2.6	0bp	-17bp	2.4	2.4	-2bp

Source: Respective companies, UOB Kay Hian

2026 Financial Targets

	MTC	SAWAD	TIDLOR	KTC
Loan Growth	10-15%	10-15%	5-10%	1-2%
Cost to Income	47 - 48%	N/A	55%	N/A
Cost of fund	4.45%	N/A	N/A	N/A
NPL Ratio	< 2.55%	N/A	1.5-1.8%	< 2.0%
Credit Cost	n.a.	1.8-2.0%	2.5-2.8%	n.a.

Source: Respective companies, UOB Kay Hian

Sector PE Band



Source: UOB Kay Hian

Sector P/B Band



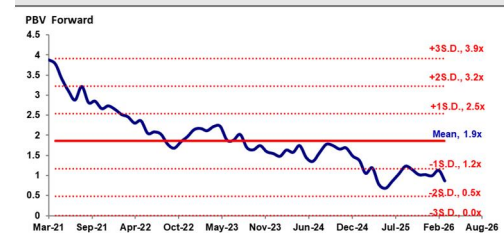
Source: UOB Kay Hian

MTC'S P/B Band



Source: UOB Kay Hian

SAWAD'S P/B Band



Source: UOB Kay Hian

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