Finance

2Q26: Results In Line; Maintain Cautious Lending Policy For 2H26

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Highlights

- Finance companies under our coverage reported a combined net profit of Bt7.06b in 2Q26, up 16% yoy and 2% qoq.
- Credit costs were down significantly yoy in 2Q26.
- Maintain OVERWEIGHT on the sector. Top picks: MTC and KTC.

Analysis

- **Sector profit went up yoy and qoq.** In 2Q26, finance companies under our coverage reported a combined net profit of Bt7.06b, up 16% yoy and 2% qoq, beating our forecasts by 6% but in line with consensus estimates. The sector's pre-provision operating profit (PPOP) rose 7% yoy and 2% qoq.
- **Loan portfolio grew yoy and qoq.** Finance companies under our coverage reported a loan portfolio growth of 5% yoy and 2% qoq in 2Q26. Finance companies had a cautious tone regarding lending policies. MTC cut its 2026 loan growth target from 10-15% to 8-10%. MTC's CEO said they need to be prudent on lending as they see some risks ahead. Other finance companies also remain prudent on lending. In our view, there is a higher chance that finance companies will miss this year's loan growth target due to them prioritising loan quality.
- **Credit costs were down significantly yoy in 2Q26.** Finance companies under our coverage reported a reduction in credit costs by 46bp yoy in 2Q26. Meanwhile, there was a slight qoq increase of 5bp in credit cost in 2Q26. SAWAD and KTC reported a qoq decline in credit cost in 2Q26, which signals good asset quality outlook. Meanwhile, TIDLOR reported a qoq increase in credit cost due to the low base in 1Q26, in line with the previous guidance to see lower credit costs in 2Q26. However, MTC reported an increase in credit cost qoq in 2Q26. MTC's CEO was quite concerned about economic conditions and experienced difficulties in repayment from borrowers due to higher oil prices. However, MTC guided that its current collection efficiency has improved yoy. Overall, we believe finance companies will control their asset quality well by maintaining a prudent lending policy, as they have done in recent years.
- **Cash handouts have helped to stabilise domestic consumption and enhance debt collection.** Thai Help Thai Plus 60/40 grants a government subsidy, sponsoring 60% while citizens pay 40%, with a daily limit of Bt200 and a monthly budget of Bt1,000 for four months, totalling Bt4,000 (Jun-Sep 26). The total government budget for this campaign is Bt120b. Finance companies have stated that this campaign has helped to boost mid-to-low income earners and alleviate the cost of living. Further, the sellers and entrepreneurs participating in this campaign have benefitted from the higher sales volume during the softened economic conditions due to higher oil prices. According to finance companies, debt collection remained strong in Jul and Aug 26. Therefore, expect debt collection for the sector to remain good in 3Q26, supported by the cash handout programme.

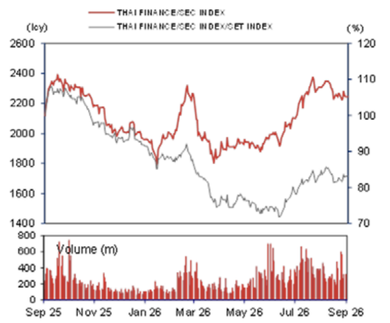
OVERWEIGHT (Maintained)

Sector Picks

Company	Ticker	Rec	Share Price (Bt)	Target Price (Bt)
Muagthai Capital	MTC TB	BUY	32.00	50.00
Krungthai Card	KTC TB	BUY	37.50	50.00

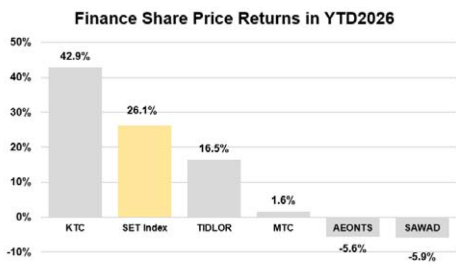
Source: Bloomberg, UOB Kay Hian

Returns: Finance vs SET Index



Source: UOB Kay Hian

Returns: Finance YTD (as of 28 Aug 26)



Source: Bloomberg, UOB Kay Hian

Peer Comparison

Ticker	Rec	Price 28 Aug 26 (Bt)	Target Price (Bt)	Upside To TP (%)	Net Profit 2026F (Btm)	Net Profit 2027F (Btm)	PE 2026F (x)	PE 2027F (x)	Net EPS Growth 2026F (%)	Yield 2026F (%)	ROE 2026F (%)	Market Cap. (US$m)	Price/ NAV (x)
KTC TB	BUY	37.50	50.00	33.3	8,634	9,029	11.2	10.7	10.9	5.1	18.7	2,895	2.0
MTC TB	BUY	32.00	50.00	56.3	7,553	8,325	9.0	8.1	12.3	1.0	16.3	2,031	1.4
SAWAD TB	BUY	24.00	35.00	45.8	5,408	5,828	7.4	6.8	7.7	2.9	13.7	1,194	1.0
TIDLOR TB	BUY	19.80	25.00	26.3	5,905	6,328	9.7	9.1	17.3	5.1	16.5	1,717	1.5
Avg					27,499	29,511	9.5	8.9	12.0	3.7	16.8	7,837	1.6

Source: Bloomberg, UOB Kay Hian

- **MTC: 2Q26 results beat with consensus.** MTC reported a 2Q26 net profit of Bt1.9b, in line with market expectations but beating our forecast by 8%. The company's net profit jumped 16% yoy and 5% qoq, and credit costs increased qoq. The NPL ratio increased slightly qoq in 2Q26. Excluding provision expenses, the company's pre-provision operating profit rose 11% yoy and 7% qoq in 2Q26.
- **Slightly negative tone at MTC's meeting.** The CEO addressed concerns over economic conditions due to the impact of Middle East tensions and higher oil prices. The CEO elaborated that they are concerned about both weak loan demand and the need to be more cautious on lending to maintain steady asset quality. Therefore, the company has cut its loan growth target for this year to below double-digits. The CEO was quite satisfied with the 2Q26 performance.
- **SAWAD: 2Q26 results in line.** SAWAD reported 2Q26 earnings of Bt1.4b, up 10% yoy and 4% qoq. The results are in line with our and consensus estimates. Excluding provision expenses, the company's pre-provision operating profit increased by 9% yoy but was flat qoq in 2Q26.
- **Slightly positive tone at SAWAD's meeting.** Management stated that the company has been cleaning up its loan portfolio for some time, and the current loan portfolio is quite healthy. The losses in the sales of foreclosed assets declined by 68% qoq to Bt35m in 2Q26. Meanwhile, used car prices remain stable qoq. There are no concerns about loss in sales and loan quality. SAWAD maintains its loan growth target of 10-15% for 2026. Management also guided that the 10% loan expansion target in 2026 should be achievable due to the low base in 2025. The company will maintain focus on loan expansion in the core portfolio which comprises car title loans and land title loans, which have collateral.
- **TIDLOR: 2Q26 results in line.** TIDLOR reported a net profit of Bt1.53b in 2Q26, up 18.3% yoy but down 5.0% qoq. The results were in line with our and consensus forecasts. Excluding provision expenses, TIDLOR's pre-provision operating profit (PPOP) increased 5.8% yoy and 1.1% qoq.
- **The tone during TIDLOR's meeting was slightly negative.** We remain cautious about TIDLOR's outlook as management was not confident in maintaining a good asset quality outlook during the meeting. The company maintained all of its financial targets, except for its credit cost target which was revised down from 2.2-2.8% to 2.0-2.5%, given the low credit cost in 1H26. Title loans remain the key focus for loan growth this year, especially for motorcycles and cars. For hire purchase (HP), the truck portfolio remained broadly stable, with the company remaining disciplined in HP lending. Overall, the company focuses on lending according to risk levels and risk-adjusted returns. Management expects loan growth to accelerate in 2H26, potentially driven by improving economic and business activity, with motorcycle and car loans remaining the key growth segments.
- **KTC: 2Q26 results in line with consensus.** KTC posted a 2Q26 net profit of Bt2.23b, up 17% yoy and 3% qoq. The results beat our and consensus estimates by 11% and 6% respectively. Excluding provisioning, the company's pre-provision operating profit rose 3% yoy and was flat qoq.
- **Positive tone at KTC's meeting.** Management guided that KTC's outlook should be similar to 1H26, while we should see loan demand and credit card spending improve hoh and finally achieve 2026 financial targets. The CEO guided that we should see a continuous yoy increase in net profit going forward.

2026 Financial Targets

	MTC	SAWAD	TIDLOR	KTC
Loan Growth	8-10%	10-15%	5-10%	1-2%
Cost to Income	47 - 48%	N/A	55%	36-37%
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.

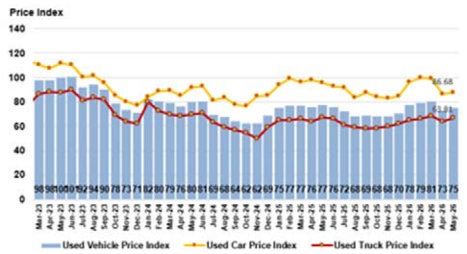
Source: Respective companies, UOB Kay Hian

1H26 Actual Results

	MTC	SAWAD	TIDLOR	KTC
Loan Growth	3%	0.9%	2.7%	0.6%
Cost to Income	47.9%	42.9%	54.8%	34.8%
Cost of fund	4.36%	4.22%	3.19%	2.73%
NPL Ratio	2.61%	4.0%	1.54%	1.86%
Credit Cost	2.23%.	2.14%	1.87%	5.0%

Source: Respective companies, UOB Kay Hian

Used-Vehicle Price Index (May 26)

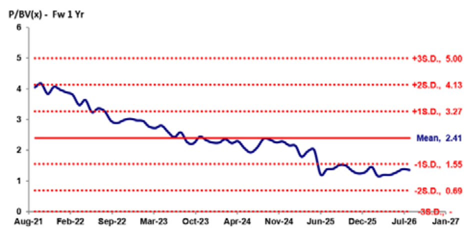


Source: BOT, UOB Kay Hian

Sector PE Band

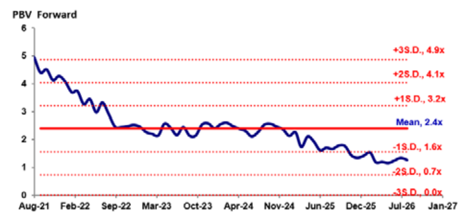
Source: UOB Kay Hian

Sector P/B Band



Source: UOB Kay Hian

MTC's P/B Band



Source: UOB Kay Hian

2Q26 Earnings Results: Actual vs Forecasts

	2Q26 Net profit (Btm)			Actual vs Forecast	
	Actual	UOBKH	Consensus	UOBKH	Consensus
MTC	1,905	1,758	1,847	Above	In-line
SAWAD	1,401	1,392	1,391	In-line	In-line
TIDLOR	1,533	1,491	1,489	In-line	In-line
KTC	2,225	2,005	2,106	Above	Above
Total	7,064	6,646	6,833	Above	In-line

Source: Bloomberg, UOB Kay Hian

SAWAD's P/B Band

Source: UOB Kay Hian

Valuation/Recommendation

- Maintain OVERWEIGHT. The sector is currently trading at 1.4x 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.
- Higher dividend payout ratio.
- Risks: Increase in minimum payment for credit cards from 8% to 10%.

Earnings Revision

- No earnings revision.

TIDLOR's P/B Band

Source: UOB Kay Hian

KTC's P/B Band

Source: UOB Kay Hian

2Q26 Earnings Results

	2Q26	1Q26	2Q25	qoq (%)	yoy (%)	2026F	2025	yoy (%)
Net profit (Btm)								
MTC	1,905	1,823	1,647	4.5	15.7	7,553	6,723	12.3
SAWAD	1,401	1,342	1,269	4.4	10.3	5,415	5,021	7.8
TIDLOR	1,533	1,614	1,296	(5.0)	18.3	5,907	4,913	20.2
KTC	2,225	2,171	1,895	2.5	17.4	8,634	7,782	10.9
Total	7,064	6,950	6,108	1.6	15.7	27,508	24,439	12.6
Pre-provision operating profit (Btm)								
MTC	2,996	2,794	2,708	7.2	10.6	12,679	11,128	13.9
SAWAD	2,396	2,397	2,204	(0.0)	8.7	9,509	8,595	10.6
TIDLOR	2,103	2,079	1,988	1.1	5.8	8,595	8,067	6.6
KTC	4,105	4,108	3,994	(0.1)	2.8	16,806	16,363	2.7
Total	11,600	11,378	10,895	1.9	6.5	47,589	44,152	7.8
Total loans (Btm)								
MTC	188,699	183,986	174,807	2.6	7.9	198,640	183,223	8.4
SAWAD	95,805	95,030	93,155	0.8	2.8	98,428	94,964	3.6
TIDLOR	112,538	109,926	105,906	2.4	6.3	117,240	109,586	7.0
KTC	107,010	107,106	106,388	(0.1)	0.6	113,210	110,835	2.1
Total	504,052	496,047	480,255	1.6	5.0	527,518	498,608	5.8
NIM (%)								
MTC	13.8	13.5	13.8	28bp	-3bp	14.2	13.9	28bp
SAWAD	14.8	15.1	14.8	-32bp	-7bp	14.7	14.2	45bp
TIDLOR	16.2	15.9	15.6	28bp	58bp	15.7	15.7	-3bp
KTC	13.7	13.3	13.5	42bp	23bp	13.2	13.2	7bp
Average	14.6	14.5	14.5	16bp	18bp	14.5	14.3	19bp
Credit cost (bp)								
MTC	234	211	248	23bp	-14bp	268	254	15bp
SAWAD	205	223	237	-17bp	-32bp	210	209	1bp
TIDLOR	206	171	263	35bp	-57bp	237	284	-47bp
KTC	490	509	572	-20bp	-83bp	533	534	-1bp
Average	284	278	330	5bp	-46bp	312	320	-8bp
NPL ratio (%)								
MTC	2.6	2.6	2.6	4bp	-1bp	2.5	2.5	-1bp
SAWAD	4.0	4.0	3.8	0bp	12bp	3.9	3.9	-1bp
TIDLOR	1.5	1.5	1.8	7bp	-25bp	1.5	1.5	-2bp
KTC	1.9	1.9	1.8	-7bp	3bp	1.8	1.8	1bp
Average	2.5	2.5	2.5	1bp	-3bp	2.4	2.4	-1bp

Source: Respective companies, UOB Kay Hian