KASIKORNBANK Pcl (KBANK TB) - BUY, Price Bt141.5, TP Bt160

Results Comment

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Better results

- KBANK's 3Q21 profits came in better than expected of Bt8.6bn, up 29% y-y but down 3% q-q.
- The beat was due to lower opex and provisions. 9M21 profits made up 80% of our full-year forecast. Re-iterate BUY.
- Loans grew 2.5% q-q, pushing YTD growth to 9%. This was faster than expected but yield was lower than what we had assumed, net interest income was in line.
- Lending yield improved q-q to 3.74% from 3.7% in 2Q21. NIM held up at 3.11%
- Non-interest income fell 1% y-y and 17% q-q on mark to market investment loss and higher underwriting expenses of insurance biz. Fee income grew 10% y-y and was almost flat q-q despite of lockdown.
- Opex was under good control but the run rate could increase in 4Q on seasonal effect.
- With heavy write-off of Bt10bn in the quarter, NPL dipped 1% q-q to 3.85% of total loans.
- KBANK raised provisions by 4% y-y and 5% q-q to support the write-off. As a result, loan loss coverage ratio stayed healthy at 138%.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	**3Q20**	**4Q20**	**1Q21**	**2Q21**	**3Q21**
Interest & dividend income	31,386	30,473	31,972	33,605	34,828
Interest expense	4,131	3,870	3,840	3,888	4,087
Net interest income	**27,255**	**26,603**	**28,133**	**29,717**	**30,741**
Non-interest income	9,507	12,511	12,019	11,228	9,368
Total income	36,763	39,114	40,151	40,945	40,109
Operating expense	16,447	20,272	16,531	17,069	16,965
Pre-provisioning profit	**20,315**	**18,842**	**23,620**	**23,876**	**23,143**
Provision for bad&doubtful debt	10,815	669	8,650	10,807	11,296
Profit before tax	9,500	18,173	14,970	13,070	11,848
Tax	2,048	3,358	3,035	2,548	2,026
Profit after tax	7,453	14,814	11,935	10,522	9,821
Equity income	(9)	(203)	(124)	(90)	(166)
Minority interests	(765)	(1,353)	(1,184)	(1,537)	(1,025)
Extra items	-	-	-	-	-
Net profit	**6,679**	**13,258**	**10,627**	**8,894**	**8,631**
Normalized profit	**6,679**	**13,258**	**10,627**	**8,894**	**8,631**
PPP/share (Bt)	8.6	8.0	10.0	10.1	9.8
EPS (Bt)	2.8	5.6	4.5	3.8	3.6
Norm EPS (Bt)	2.8	5.6	4.5	3.8	3.6
BV/share (Bt)	172.5	185.6	190.8	192.8	196.0

Income Statement			9M as		
(Bt m)	**q-q%**	**y-y%**	**% 2021F**	**2021F**	**2022F**
Interest & dividend income	4	11	75	133,237	137,969
Interest expense	5	(1)	75	15,686	16,447
Net interest income	**3**	**13**	**75**	**117,551**	**121,521**
Non-interest income	(17)	(1)	71	45,872	48,121
Total income	(2)	9	74	163,423	169,643
Operating expense	(1)	3	72	70,050	71,578
Pre-provisioning profit	**(3)**	**14**	**76**	**93,373**	**98,064**
Provision for bad&doubtful debt	5	4	72	42,867	42,929
Profit before tax	(9)	25	79	50,506	55,135
Tax	(20)	(1)	75	10,101	11,027
Profit after tax	(7)	32	80	40,405	44,108
Equity income	neg	neg		(400)	(400)
Minority interests	neg	neg	75	(5,000)	(5,000)
Extra items	neg	neg		-	-
Net profit	**(3)**	**29**	**80**	**35,005**	**38,708**
Normalized profit	**(3)**	**29**	**80**	**35,005**	**38,708**
PPP/share (Bt)	(3)	14	76	39.0	41.0
EPS (Bt)	(3)	29	81	14.6	16.2
Norm EPS (Bt)	(3)	29	81	14.6	16.2
BV/share (Bt)	2	14	196	195.9	209.2

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	**3Q20**	**4Q20**	**1Q21**	**2Q21**	**3Q21**
Cash and Interbank	427,880	479,382	441,288	463,725	444,519
Other liquid items	-	-	-	-	-
Total liquid items	427,880	479,382	441,288	463,725	444,519
Gross loans and accrued interest	2,170,001	2,256,093	2,315,236	2,397,562	2,460,735
Provisions	137,215	134,393	139,688	145,923	146,518
Net loans	2,032,786	2,121,700	2,175,549	2,251,639	2,314,217
Fixed assets	83,110	85,664	85,332	83,944	88,285
Other assets	188,216	194,261	188,147	208,502	235,788
Total assets	**3,545,648**	**3,658,798**	**3,767,115**	**3,886,863**	**4,029,831**
Deposits	2,273,850	2,344,998	2,400,615	2,480,781	2,531,290
Interbank	113,938	87,797	137,649	150,158	181,890
Other liquid items	22,414	26,443	22,842	26,598	25,999
Total liquid items	2,410,202	2,459,239	2,561,106	2,657,537	2,739,179
Borrowings	73,406	69,390	69,254	74,328	100,362
Other liabilities	605,458	638,883	629,789	641,458	668,254
Minority interest	47,866	51,616	54,937	56,712	57,669
Shareholders' equity	**408,716**	**439,670**	**452,029**	**456,829**	**464,367**
Total Liabilities & Equity	**3,545,648**	**3,658,798**	**3,767,115**	**3,886,863**	**4,029,831**

Financial Ratios					
(%)	**3Q20**	**4Q20**	**1Q21**	**2Q21**	**3Q21**
Gross loan growth (YTD)	7.7	12.1	2.6	6.2	8.9
Gross loan growth (q-q)	1.4	4.1	2.6	3.5	2.5
Deposit growth (YTD)	9.7	13.2	2.4	5.8	7.9
Deposit growth (q-q)	(1.5)	3.1	2.4	3.3	2.0
Non-interest income (y-y)	(39.7)	(22.6)	20.7	(20.3)	(1.5)
Non-interest income (q-q)	(32.5)	31.6	(3.9)	(6.6)	(16.6)
Fee income / Operating income	21.2	21.2	23.5	20.9	21.3
Cost-to-income	44.7	51.8	41.2	41.7	42.3
Net interest margin	3.06	2.95	3.03	3.11	3.11
Credit cost	2.01	0.12	1.50	1.81	1.85
ROE	6.6	12.5	9.5	7.8	7.5
Loan-to-deposit	94.8	95.7	95.9	96.1	96.6
Loan-to-deposit + S-T borrowing	94.8	95.7	95.9	96.1	96.6
NPLs (Bt m)	96,743	101,007	102,316	106,920	105,930
NPL increase	2,302	4,264	1,309	4,604	(990)
NPL ratio	3.95	3.93	3.93	3.95	3.85
Loan-loss-coverage ratio	141.8	133.1	136.5	136.5	138.3
CAR - total	18.5	18.8	18.4	18.2	18.8

Sources: Company data, Thanachart estimates

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