Krung Thai Bank Pcl (KTB TB) - BUY, Price Bt11.70, TP Bt15

Results Comment

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Profits were in-line

- KTB's 3Q21 came in Bt5bn, up 65% y-y but down 16% q-q. The y-y jump was due to lower provisions as asset quality were better managed. The q-q drop was owing to lower fees, higher IT-related expenses and lower equity income contribution from insurance business.
- 9M21 profits were 74% of our full-year forecast. We maintain our projection and re-iterate BUY.
- NPLs rose 1% q-q to 3.6% of total loans versus a 3.8% level in 4Q20. With falling NPL ratio amid decent provision cushions, KTB lowered provisions 34% y-y. Credit costs were 1.27% vs 1.3% in 2Q21 and 2.2% in 3Q20.
- However, we take note on higher proportion of loans in stage 2 and rising accrued interest. We expect the bank's forbearance loans to rise from a 4% level in 2Q21.
- Loans expanded nicely of 3% q-q and 10% YTD. Drivers were government and corporate sectors. This put pressure on yield but with lower cost of funds, NIM dipped marginally from 2Q21.
- Fee income growth was weak and along with lower investment gains, non-interest income fell 9% y-y and 8% q-q.
- In light of higher impairment loss of properties for sale and IT-related expenses, opex jumped 7% q-q. Cost to income ratio rose to 47% from 43% in 2Q21.
- Equity income contribution from insurance affiliate fell sharply 79% y-y and 37% q-q. We believe this was due to higher claim expenses.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	3Q20	4Q20	1Q21	2Q21	3Q21
Interest & dividend income	27,212	25,842	25,297	26,349	26,419
Interest expense	5,610	5,523	5,328	5,433	5,277
Net interest income	**21,602**	**20,320**	**19,969**	**20,916**	**21,142**
Non-interest income	7,659	7,758	8,404	7,598	6,979
Total income	29,261	28,078	28,373	28,514	28,121
Operating expense	13,702	13,936	12,688	12,235	13,093
Pre-provisioning profit	**15,559**	**14,142**	**15,685**	**16,279**	**15,028**
Provision for bad&doubtful debt	12,414	9,254	8,058	8,097	8,137
Profit before tax	3,145	4,888	7,627	8,183	6,891
Tax	482	1,257	1,519	1,657	1,382
Profit after tax	2,663	3,631	6,108	6,526	5,509
Equity income	1,013	492	299	337	213
Minority interests	(619)	(670)	(828)	(852)	(668)
Extra items	-	-	-	-	-
Net profit	**3,057**	**3,452**	**5,578**	**6,011**	**5,055**
Normalized profit	**3,057**	**3,452**	**5,578**	**6,011**	**5,055**
PPP/share (Bt)	1.1	1.0	1.1	1.2	1.1
EPS (Bt)	0.2	0.2	0.4	0.4	0.4
Norm EPS (Bt)	0.2	0.2	0.4	0.4	0.4
BV/share (Bt)	24.2	24.6	24.4	24.5	25.3

Income Statement			9M as		
(Bt m)	q-q%	y-y%	% 2021F	2021F	2022F
Interest & dividend income	0	(3)	75	104,662	111,747
Interest expense	(3)	(6)	74	21,738	22,304
Net interest income	**1**	**(2)**	**75**	**82,924**	**89,443**
Non-interest income	(8)	(9)	74	30,860	31,487
Total income	(1)	(4)	75	113,784	120,930
Operating expense	7	(4)	74	51,286	51,923
Pre-provisioning profit	**(8)**	**(3)**	**75**	**62,498**	**69,007**
Provision for bad&doubtful debt	0	(34)	72	33,619	32,830
Profit before tax	(16)	119	79	28,879	36,177
Tax	(17)	187	79	5,776	7,235
Profit after tax	(16)	107	79	23,103	28,941
Equity income	(37)	(79)	33	2,560	3,060
Minority interests	neg	neg	76	(3,100)	(3,565)
Extra items	neg	neg		-	-
Net profit	**(16)**	**65**	**74**	**22,563**	**28,436**
Normalized profit	**(16)**	**65**	**74**	**22,563**	**28,436**
PPP/share (Bt)	(8)	(3)	75	4.5	4.9
EPS (Bt)	(16)	65	74	1.6	2.0
Norm EPS (Bt)	(16)	65	74	1.6	2.0
BV/share (Bt)	3	4	25	25.9	27.5

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	3Q20	4Q20	1Q21	2Q21	3Q21
Cash and Interbank	432,459	587,793	646,638	574,878	541,325
Other liquid items	-	-	-	-	-
Total liquid items	432,459	587,793	646,638	574,878	541,325
Gross loans and accrued interest	2,294,841	2,351,041	2,376,098	2,502,774	2,579,103
Provisions	145,221	150,528	155,827	163,414	167,201
Net loans	2,149,620	2,200,513	2,220,271	2,339,360	2,411,902
Fixed assets	57,131	57,421	57,144	56,965	65,563
Other assets	157,347	135,665	148,754	162,314	183,943
Total assets	**3,137,914**	**3,327,780**	**3,371,666**	**3,404,847**	**3,497,161**
Deposits	2,312,538	2,463,225	2,438,992	2,493,121	2,582,228
Interbank	221,601	274,566	294,859	267,143	248,699
Other liquid items	5,748	4,732	4,677	4,588	4,899
Total liquid items	2,539,887	2,742,524	2,738,528	2,764,851	2,835,827
Borrowings	88,631	86,564	131,697	131,899	133,069
Other liabilities	159,646	143,629	147,745	152,235	160,928
Minority interest	10,877	11,561	12,426	12,622	13,290
Shareholders' equity	**338,873**	**343,503**	**341,270**	**343,239**	**354,047**
Total Liabilities & Equity	**3,137,914**	**3,327,780**	**3,371,666**	**3,404,847**	**3,497,161**

Financial Ratios					
(%)	3Q20	4Q20	1Q21	2Q21	3Q21
Gross loan growth (YTD)	9.2	11.7	1.1	6.5	9.6
Gross loan growth (q-q)	(0.2)	2.3	1.1	5.3	3.0
Deposit growth (YTD)	7.3	14.3	(1.0)	1.2	4.8
Deposit growth (q-q)	(1.6)	6.5	(1.0)	2.2	3.6
Non-interest income (y-y)	(13.0)	(27.7)	9.0	(12.9)	(8.9)
Non-interest income (q-q)	(12.2)	1.3	8.3	(9.6)	(8.1)
Fee income / Operating income	17.2	18.8	18.4	17.2	16.9
Cost-to-income	46.8	49.6	44.7	42.9	46.6
Net interest margin	2.74	2.51	2.38	2.47	2.45
Credit cost	2.18	1.59	1.37	1.30	1.27
ROE	3.6	4.0	6.5	7.0	5.8
Loan-to-deposit	98.7	94.8	96.8	99.7	99.1
Loan-to-deposit + S-T borrowing	98.7	94.8	96.8	99.7	99.1
NPLs (Bt m)	110,622	107,138	105,981	105,737	106,367
NPL increase	(4,415)	(3,484)	(1,157)	(244)	630
NPL ratio	4.21	3.81	3.66	3.54	3.57
Loan-loss-coverage ratio	131.3	140.5	147.0	154.5	157.2
CAR - total	18.4	18.8	19.2	19.4	19.4

Sources: Company data, Thanachart estimates

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