KASIKORNBANK Pcl (KBANK TB) - BUY

Analyst Meeting

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Modest guidance, still a firmed recovery

- **Lending will be key growth driver.**
- **Still feeling a pinch of declining transaction fees.**
- **Manageable NPLs with lower credit costs.**
- **Too wide P/BV gap to SCB; re-iterate BUY.**

- The bank expects lending to remain key growth driver. From 8% last year, it looks for 6-8%, driven mainly by retail, selected SME and digital lending. Loans to support Covid relief programs will continue but should grow at slower pace than 2021's. Of the 8% loans growth last year, 4-5% from new demand of which 1% of the growth being from the overseas, the rest 3-4% was from Covid-19 relief measures. KBANK started to see more meaningful contribution of overseas loans and this will continue.
- On the fee side, the flat growth guidance is backed by further reduction of ATM/Debit card fees due to change in consumer lifestyle toward more online and larger base of capital market related fees (+22% y-y in 2021). Having transaction fees at 17% of total or around Bt6bn, it is still challenging for KBANK to grow other product to offset the decline in the so-called traditional fees. This answers the question of why the bank sees NII as more promiising growth driver.
- Asset quality is manageable through relief programs. However, the bank still prefers to be prudent on provisions. Credit costs guidance for 2022 is up to 160bps, lower from 1.73% in 2021, but still higher than normalized level of 1.3-1.5%. KBANK sees 130% LLR as a comfortable level. This versus the 2021's level of 159%.
- Opex to stay at low to mid-40%, sililar guidance to last year.
- In addition to drivers mentioned above, we see additional two positive factors to bottom line. 1) is lower minority interest reduction on the recognition of Bt1.27bn access fees from its 10-year exclusive banca agreement with MTL and 2) lower equity loss of LINE BK as the JV is gaining meaningful momentum, expecting loans expansion from Bt15bn last year to Bt21bn in 2022, Bt31bn in 2023 and over Bt50bn in 2025.
- KBANK'S 2021 profits beat our expectation on lower provisions and higher loans. Despite the bank's modest financial guidance, we see upsides to our projection. In light of a firmed recovery and too wide P/BV gav to SCB, we still like KBANK and re-iterate BUY.

Key Valuations

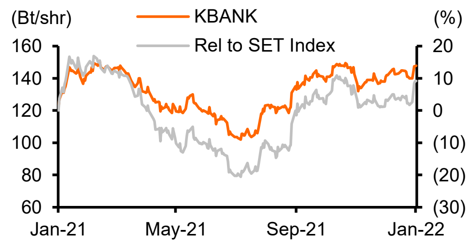
Y/E Dec (Bt m)	2021A	2022F	2023F	2024F
Pre Prov. Profit	92,999	98,064	100,186	105,610
Net profit	38,053	38,708	40,452	44,949
Norm net profit	38,053	38,708	40,452	44,949
Norm EPS (Bt)	15.9	16.2	16.9	18.8
Norm EPS gr (%)	29.0	1.7	4.5	11.1
Norm PE (x)	9.3	9.2	8.8	7.9
P/BV (x)	0.7	0.7	0.7	0.6
Div. yield (%)	2.0	2.2	4.6	5.1
ROE (%)	8.3	7.9	7.8	8.2
ROA (%)	1.0	0.9	1.0	1.0

Source: Thanachart estimates

Stock Data

Closing price (Bt)	148.00
Target price (Bt)	160.00
Market cap (US$ m)	10,502
Avg daily turnover (US$ m)	112.03
12M H/L price (Bt)	150.50/102.00

Price Performance



Source: Bloomberg

Ex 1: Financial Targets

KASIKORNBANK (Consolidated)	Y2021 (Actual) (Unaudited)	Y2022 Financial Targets
ROE *	8.44%	na
ROA	0.98%	na
Net Interest Margin (NIM)	3.21%	3.15 - 3.30%
Loan Growth	7.88%	6 - 8%
Net Fee Income Growth	7.01%	Flat growth
Cost to Income Ratio	43.49%	Low to Mid-40s
Credit Cost per Year (bps)	173 bps	Up to 160bps
NPL Ratio (Gross)	3.78%	3.7 - 4.0%

Source: Company data

Note: ROE = Net Profit deducted Additional Tier 1 dividend after tax / Average total equity excluded Additional Tier 1

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