Krung Thai Bank Pcl (KTB TB) - BUY, Price Bt13.70, TP Bt15.00

Results Comment

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Softer-than-expected profits

- KTB reported lower-than-expected profits of Bt4.9bn (up 43% y-y but down 2% q-q). 2021's profits of Bt21.6bn were up 29% y-y and made up 96% of our full-year forecast.
- The profits growth was driven mainly by 13% loans growth but profits were lower than our estimates on higher impairment losses and employee expenses.
- Pre-provision profit in 2021 was Bt63bn, a decrease of 8.3% y-y. The compression was attributable to the interest income from loan in relation to partial payment from the auction of mortgaged guarantee assets in 2020.
- If excluding interest income received from the auction, pre-provision profit declined by 1.5% y-y in response to the low interest rate environment.
- Led by government loans of 50% growth y-y, total loans grew 13% y-y in 2021. This was also main contribution of the bank's lower NIM despite funding cost reduction.
- In light of growing guarantee and card-related fees, net fee income improved 9% q-q in 4Q21. However, it dropped 3% y-y on the full-year basis which was due to the slowdown of economic situation and customers' shift in service channel toward digital transactions.
- NPLs inched up q-q but with growing loans, NPL ratio came down to 3.5%. Provisions were down 11% y-y and flat q-q in 4Q21. KTB's LLR is very healthy at 162%.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	4Q20	1Q21	2Q21	3Q21	4Q21
Interest & dividend income	25,842	25,297	26,349	26,419	26,767
Interest expense	5,523	5,328	5,433	5,277	5,423
Net interest income	**20,320**	**19,969**	**20,916**	**21,142**	**21,345**
Non-interest income	7,758	8,404	7,598	6,979	8,386
Total income	28,078	28,373	28,514	28,121	29,731
Operating expense	13,936	12,688	12,235	13,093	14,714
Pre-provisioning profit	**14,142**	**15,685**	**16,279**	**15,028**	**15,017**
Provision for bad&doubtful debt	9,254	8,058	8,097	8,137	8,233
Profit before tax	4,888	7,627	8,183	6,891	6,784
Tax	1,257	1,519	1,657	1,382	1,418
Profit after tax	3,631	6,108	6,526	5,509	5,366
Equity income	492	299	337	213	197
Minority interests	(670)	(828)	(852)	(668)	(620)
Extra items	-	-	-	-	-
Net profit	**3,452**	**5,578**	**6,011**	**5,055**	**4,944**
Normalized profit	**3,452**	**5,578**	**6,011**	**5,055**	**4,944**
PPP/share (Bt)	1.0	1.1	1.2	1.1	1.1
EPS (Bt)	0.2	0.4	0.4	0.4	0.4
Norm EPS (Bt)	0.2	0.4	0.4	0.4	0.4
BV/share (Bt)	24.6	24.4	24.5	25.3	25.8

Income Statement				12M as		
(Bt m)	q-q%	y-y%	% 2021F	2021A	2022F	
Interest & dividend income	1	4	100	104,832	111,747	
Interest expense	3	(2)	99	21,460	22,304	
Net interest income	**1**	**5**	**101**	**83,372**	**89,443**	
Non-interest income	20	8	102	31,368	31,487	
Total income	6	6	101	114,739	120,930	
Operating expense	12	6	103	52,731	51,923	
Pre-provisioning profit	**(0)**	**6**	**99**	**62,009**	**69,007**	
Provision for bad&doubtful debt	1	(11)	97	32,524	32,830	
Profit before tax	(2)	39	102	29,485	36,177	
Tax	3	13	103	5,975	7,235	
Profit after tax	(3)	48	102	23,510	28,941	
Equity income	(7)	(60)	41	1,046	3,060	
Minority interests	neg	neg	96	(2,968)	(3,565)	
Extra items	neg	neg		-	-	
Net profit	**(2)**	**43**	**96**	**21,588**	**28,436**	
Normalized profit	**(2)**	**43**	**96**	**21,588**	**28,436**	
				-		
PPP/share (Bt)	(0)	6	99	4	4.9	
EPS (Bt)	(2)	43	96	2	2.0	
Norm EPS (Bt)	(2)	43	96	2	2.0	
BV/share (Bt)	2	5	26	26	27.5	

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	4Q20	1Q21	2Q21	3Q21	4Q21
Cash and Interbank	587,793	646,638	574,878	541,325	532,760
Other liquid items	-	-	-	-	-
Total liquid items	587,793	646,638	574,878	541,325	532,760
Gross loans and accrued interest	2,351,041	2,376,098	2,502,774	2,579,103	2,649,542
Provisions	150,528	155,827	163,414	167,201	173,322
Net loans	2,200,513	2,220,271	2,339,360	2,411,902	2,476,220
Fixed assets	57,421	57,144	56,965	65,563	70,745
Other assets	135,665	148,754	162,314	183,943	113,002
Total assets	**3,327,780**	**3,371,666**	**3,404,847**	**3,497,161**	**3,556,744**
Deposits	2,463,225	2,438,992	2,493,121	2,582,228	2,614,747
Interbank	274,566	294,859	267,143	248,699	296,344
Other liquid items	4,732	4,677	4,588	4,899	4,210
Total liquid items	2,742,524	2,738,528	2,764,851	2,835,827	2,915,302
Borrowings	86,564	131,697	131,899	133,069	133,817
Other liabilities	143,629	147,745	152,235	160,928	133,514
Minority interest	11,561	12,426	12,622	13,290	14,059
Shareholders' equity	**343,503**	**341,270**	**343,239**	**354,047**	**360,053**
Total Liabilities & Equity	**3,327,780**	**3,371,666**	**3,404,847**	**3,497,161**	**3,556,744**

Financial Ratios					
(%)	4Q20	1Q21	2Q21	3Q21	4Q21
Gross loan growth (YTD)	11.7	1.1	6.5	9.6	12.6
Gross loan growth (q-q)	2.3	1.1	5.3	3.0	2.7
Deposit growth (YTD)	14.3	(1.0)	1.2	4.8	6.2
Deposit growth (q-q)	6.5	(1.0)	2.2	3.6	1.3
Non-interest income (y-y)	(27.7)	9.0	(12.9)	(8.9)	8.1
Non-interest income (q-q)	1.3	8.3	(9.6)	(8.1)	20.2
Fee income / Operating income	18.8	18.4	17.2	16.9	17.4
Cost-to-income	49.6	44.7	42.9	46.6	49.5
Net interest margin	2.51	2.38	2.47	2.45	2.42
Credit cost	1.59	1.37	1.30	1.27	1.25
ROE	4.0	6.5	7.0	5.8	5.5
Loan-to-deposit	94.8	96.8	99.7	99.1	100.5
Loan-to-deposit + S-T borrowing	94.8	96.8	99.7	99.1	100.5
NPLs (Bt m)	107,138	105,981	105,737	106,367	106,809
NPL increase	(3,484)	(1,157)	(244)	630	442
NPL ratio	3.81	3.66	3.54	3.57	3.50
Loan-loss-coverage ratio	140.5	147.0	154.5	157.2	162.3
CAR - total	18.8	19.2	19.4	19.4	19.9

Sources: Company data, Thanachart estimates

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