Krung Thai Bank Pcl (KTB TB) - BUY, Price Bt13.10, TP Bt15.00

Results Comment

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Strong profits, beat expectation

- KTB's 1Q22 profits came in very strong at Bt8.8bn, up 57% y-y and 78% q-q. Profits beat our estimates on lower opex and provisions. We see upsides to our earnings forecast and re-iterate BUY.
- Boosted by government segment, loans grew 1.1% q-q. With low yield of this segment in nature, NIM contracted further to 2.36%.
- In light of lower transaction fees, fee income dropped 5% y-y and 4% q-q. Partly supported by mark-to-market gains, non-interest income fell only 2% y-y and q-q.
- As a result of early retire program offered during 2H21, personnel expenses fell 11% y-y and 8% q-q. Opex was then coming down larger than what we had expected.
- Thanks to the bank's focus to government and captive retail lending, asset quality was solid and the bank lowered credit costs to 0.8% in the quarter.
- Nevertheless, loan loss coverage ratio stood higher at over 160%.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	1Q21	2Q21	3Q21	4Q21	1Q22
Interest & dividend income	25,297	26,349	26,419	26,767	26,209
Interest expense	5,328	5,433	5,277	5,423	5,123
Net interest income	**19,969**	**20,916**	**21,142**	**21,345**	**21,086**
Non-interest income	8,404	7,598	6,979	8,386	8,212
Total income	28,373	28,514	28,121	29,731	29,297
Operating expense	12,688	12,235	13,093	14,714	12,244
Pre-provisioning profit	**15,685**	**16,279**	**15,028**	**15,017**	**17,053**
Provision for bad&doubtful debt	8,058	8,097	8,137	8,233	5,470
Profit before tax	7,627	8,183	6,891	6,784	11,583
Tax	1,519	1,657	1,382	1,418	2,317
Profit after tax	6,108	6,526	5,509	5,366	9,266
Equity income	299	337	213	197	388
Minority interests	(828)	(852)	(668)	(620)	(873)
Extra items	-	-	-	-	-
Net profit	**5,578**	**6,011**	**5,055**	**4,944**	**8,780**
Normalized profit	**5,578**	**6,011**	**5,055**	**4,944**	**8,780**
PPP/share (Bt)	1.1	1.2	1.1	1.1	1.2
EPS (Bt)	0.4	0.4	0.4	0.4	0.6
Norm EPS (Bt)	0.4	0.4	0.4	0.4	0.6
BV/share (Bt)	24.4	24.5	25.3	25.8	25.9

Income Statement			3M as		
(Bt m)	q-q%	y-y%	% 2022F	2022F	2023F
Interest & dividend income	(2)	4	23	112,388	122,265
Interest expense	(6)	(4)	22	23,283	29,022
Net interest income	**(1)**	**6**	**24**	**89,105**	**93,243**
Non-interest income	(2)	(2)	26	31,331	33,184
Total income	(1)	3	24	120,435	126,427
Operating expense	(17)	(4)	22	55,501	56,157
Pre-provisioning profit	**14**	**9**	26	**64,934**	**70,271**
Provision for bad&doubtful debt	(34)	(32)	19	28,289	29,417
Profit before tax	71	52	32	36,645	40,854
Tax	63	53	32	7,329	8,171
Profit after tax	73	52	32	29,316	32,683
Equity income	96	30	39	1,000	1,100
Minority interests	neg	neg	29	(2,965)	(3,262)
Extra items	neg	neg		-	-
Net profit	**78**	**57**	**32**	**27,351**	**30,521**
Normalized profit	**78**	**57**	**32**	**27,351**	**30,521**
PPP/share (Bt)	14	9	26	4.6	5.0
EPS (Bt)	78	57	32	2.0	2.2
Norm EPS (Bt)	78	57	32	2.0	2.2
BV/share (Bt)	0	6	26	27.3	29.0

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	1Q21	2Q21	3Q21	4Q21	1Q22
Cash and Interbank	646,638	574,878	541,325	532,760	631,220
Other liquid items	-	-	-	-	-
Total liquid items	646,638	574,878	541,325	532,760	631,220
Gross loans and accrued interest	2,376,098	2,502,774	2,579,103	2,649,542	2,679,341
Provisions	155,827	163,414	167,201	173,322	177,008
Net loans	2,220,271	2,339,360	2,411,902	2,476,220	2,502,333
Fixed assets	57,144	56,965	65,563	70,745	72,559
Other assets	148,754	162,314	183,943	113,002	108,858
Total assets	**3,371,666**	**3,404,847**	**3,497,161**	**3,556,744**	**3,581,447**
Deposits	2,438,992	2,493,121	2,582,228	2,614,747	2,712,691
Interbank	294,859	267,143	248,699	296,344	226,663
Other liquid items	4,677	4,588	4,899	4,210	5,661
Total liquid items	2,738,528	2,764,851	2,835,827	2,915,302	2,945,016
Borrowings	131,697	131,899	133,069	133,817	131,638
Other liabilities	147,745	152,235	160,928	133,514	128,364
Minority interest	12,426	12,622	13,290	14,059	14,932
Shareholders' equity	**341,270**	**343,239**	**354,047**	**360,053**	**361,497**
Total Liabilities & Equity	**3,371,666**	**3,404,847**	**3,497,161**	**3,556,744**	**3,581,447**

Financial Ratios					
(%)	1Q21	2Q21	3Q21	4Q21	1Q22
Gross loan growth (YTD)	1.1	6.5	9.6	12.6	1.1
Gross loan growth (q-q)	1.1	5.3	3.0	2.7	1.1
Deposit growth (YTD)	(1.0)	1.2	4.8	6.2	3.7
Deposit growth (q-q)	(1.0)	2.2	3.6	1.3	3.7
Non-interest income (y-y)	9.0	(12.9)	(8.9)	8.1	(2.3)
Non-interest income (q-q)	8.3	(9.6)	(8.1)	20.2	(2.1)
Fee income / Operating income	18.4	17.2	16.9	17.4	17.0
Cost-to-income	44.7	42.9	46.6	49.5	41.8
Net interest margin	2.38	2.47	2.45	2.42	2.36
Credit cost	1.37	1.30	1.27	1.25	0.82
ROE	6.5	7.0	5.8	5.5	9.7
Loan-to-deposit	96.8	99.7	99.1	100.5	98.0
Loan-to-deposit + S-T borrowing	96.8	99.7	99.1	100.5	98.0
NPLs (Bt m)	105,981	105,737	106,367	106,809	106,549
NPL increase	(1,157)	(244)	630	442	(260)
NPL ratio	3.66	3.54	3.57	3.50	3.34
Loan-loss-coverage ratio	147.0	154.5	157.2	162.3	166.1
CAR - total	19.2	19.4	19.4	19.9	19.7

Sources: Company data, Thanachart estimates

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