

KASIKORNBANK Pcl (KBANK TB) - BUY

Sarachada Sornsong | Email: sarachada.sor@thanachartsec.co.th

Analyst Meeting**Short term pain for long term gains**

- **Overshooting credit costs were for balance sheet clean-up.**
 - **Provisions to fall and to reach normalized level from 2024.**
 - **A clear turnaround of PPOP to support profits.**
 - **We see downsides to our projection but still a BUY.**
- We joined KBANK's analyst meeting and below are our key takeaways.
- Loans grew only 3% because of active NPL outflows in 2H22. Excluding NPL management, loans grew 6% y-y in 2022 (3.5% from corporate, 1.5% from SME and the rest of retail lending).
 - Net fee income came in below its flat growth target because of weak capital mkt related fees in line with market conditions.
 - Insurance business is still slowing down due to higher paid-up of old policies than new policy books.
 - Asset quality is still manageable overall. Main reasons driving overshooting credit costs in 4Q22 were:
 - 1) Larger than expected NPL sales to JV from Bt50bn to Bt72bn due to more attractive selling prices. The bank also wrote off NPL of Bt7.9bn in the quarter.
 - 2) Speeding up the clean-up of Covid forbearance loans and legacy SME NPL.
 - 3) To proactively take care of rising formation of unsecured loans- the segment where the bank looks to aggressively penetrate into.
 - The balance sheet clean-up will end this year so credit costs would stay above normalized level of 1.4-1.6% in 2023 but will be lower than an average credit costs of 2.11% in 2022 as the bank sees it as at the peak of this cycle.
 - KBANK's incentives to accelerate balance sheet clean-up are because it has JVAMC to support the NPL sales at better pricing than selling them outright at lower costs like that of for the other banks.
 - Another thing is its intention to clean up the balance sheet as much as they can to have larger runway to support the bank's strategy to grow high yield segments to boost interest income to offset structural slowdown of fee income.
 - That being said we believe net fees and insurance contributions were also bottomed out last year.
 - In conclusion, we see downsides to our forecast but expect good earnings recovery this year backed by NIM expansion, a turnaround of non-NII and lower provisions. Maintain BUY.
 - The bank will release guidance for 2023 next Friday and more updated numbers to be followed.

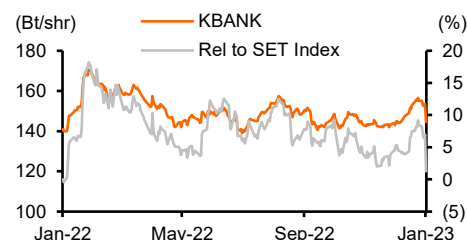
Key Valuations

Y/E Dec (Bt m)	2022A	2023F	2024F	2025F
Pre Prov. Profit	98,390	98,758	104,770	112,273
Net profit	35,769	48,272	53,880	58,406
Norm net profit	35,769	48,272	53,880	58,406
Norm EPS (Bt)	14.9	20.2	22.5	24.4
Norm EPS gr (%)	(6.0)	35.0	11.6	8.4
Norm PE (x)	9.7	7.2	6.4	5.9
P/BV (x)	0.7	0.6	0.6	0.5
Div. yield (%)	2.5	2.8	6.2	6.8
ROE (%)	7.3	9.1	9.4	9.5
ROA (%)	0.9	1.1	1.2	1.2

Source: Thanachart estimates

Stock Data

Closing price (Bt)	144.50
Target price (Bt)	178.00
Market cap (US\$ m)	10,434
Avg daily turnover (US\$ m)	63.43
12M H/L price (Bt)	170.50/139.00

Price Performance

Source: Bloomberg

General Disclaimers And Disclosures:

This report is prepared and issued by Thanachart Securities Public Company Limited (TNS) as a resource only for clients of TNS, Thanachart Capital Public Company Limited (TCAP) and its group companies. Copyright © Thanachart Securities Public Company Limited. All rights reserved. The report may not be reproduced in whole or in part or delivered to other persons without our written consent.

This report is prepared by analysts who are employed by the research department of TNS. While the information is from sources believed to be reliable, neither the information nor the forecasts shall be taken as a representation or warranty for which TNS or TCAP or its group companies or any of their employees incur any responsibility. This report is provided to you for informational purposes only and it is not, and is not to be construed as, an offer or an invitation to make an offer to sell or buy any securities. Neither TNS, TCAP nor its group companies accept any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

The information and opinions contained herein have been compiled or arrived at from sources believed reliable. However, TNS, TCAP and its group companies make no representation or warranty, express or implied, as to their accuracy or completeness. Expressions of opinion herein are subject to change without notice. The use of any information, forecasts and opinions contained in this report shall be at the sole discretion and risk of the user.

TNS, TCAP and its group companies perform and seek to perform business with companies covered in this report. TNS, TCAP, its group companies, their employees and directors may have positions and financial interest in securities mentioned in this report. TNS, TCAP or its group companies may from time to time perform investment banking or other services for, or solicit investment banking or other business from, any entity mentioned in this report. Therefore, investors should be aware of conflict of interest that may affect the objectivity of this report.

Note: Thanachart Securities Public Company Limited act as a Market Maker and Derivative Warrants Issuer. At present, TNS has issued 63 Derivative Warrants which are ADVANC16C2301A, ADVANC16C2302A, AOT16C2305A, AOT16C2302A, BANPU16C2303A, BANPU16C2302A, BBL16C2305A, BCP16C2305A, BEC16C2305A, BGRIM16C2301A, BGRIM16C2302A, BH16C2304A, BH16C2303A, BLA16C2302A, BTS16C2301A, CBG16C2301A, CBG16C2301B, CBG16C2302A, COM716C2302A, CPN16C2303A, CPN16C2301A, CRC16C2303A, DELTA16C2305A, DOHOME16C2301A, DOHOME16C2303A, EA16C2305A, EA16C2303A, ESSO16C2303A, ESSO16C2302A, GPSC16C2301A, GPSC16C2302A, GULF16C2301A, GULF16C2302A, GULF16C2302B, GUNKUL16C2301A, GUNKUL16C2302A, HANA16C2301A, HANA16C2303A, IVL16C2301A, JMART16C2303A, JMT16C2302A, KBANK16C2304A, KBANK16C2301A, KBANK16C2302A, KCE16C2305A, KCE16C2303A, KCE16C2301A, KCE16C2301B, KCE16C2302A, KTB16C2303A, MINT16C2301A, MINT16C2302A, MTC16C2301A, PTTEP16C2303A, RCL16C2303A, SAWAD16C2305A, SAWAD16C2302A, SCB16C2301A, SCGP16C2303A, SET5016P2303B, SET5016P2303A, SET5016C2303A, VGI16C2301A (underlying securities are (ADVANC, AOT, BANPU, BBL, BCP, BEC, BGRIM, BH, BLA, BTS, CBG, COM7, CPN, CRC, DELTA, DOHOME, EA, ESSO, GPSC, GULF, GUNKUL, HANA, IVL, JMART, JMT, KBANK, KCE, KTB, MINT, MTC, PTTEP, RCL, SAWAD, SCB, SCGP, SET50, VGI)). . before making investment decisions.

Note: Our major shareholder TCAP (Thanachart Capital Pcl) which holding 89.96% of Thanachart Securities and also TCAP holding 100% of Thanachart SPV1 Co. Ltd. TCAP and Thanachart SPV1 Co. Ltd has stake in THANI for 60% and being the major shareholder of THANI.

Note: Thanachart Capital Public Company Limited (TCAP), TMBThanachart Bank Public Company Limited (TTB), are related companies to Thanachart Securities Public Company Limited (TNS). Thanachart Securities Pcl is a subsidiary of Thanachart Capital Pcl (TCAP) which holds 24.33% of the shareholding in TMBThanachart Bank Pcl.

Note: Thanachart Capital Public Company Limited (TCAP), Ratchthani Leasing Public Company Limited (THANI), MBK PUBLIC COMPANY LIMITED (MBK) and PATUM RICE MILL AND GRANARY PUBLIC COMPANY LIMITED (PRG) are related companies to Thanachart Securities Public Company Limited (TNS) . Since TNS covers those securities in research report, consequently TNS incurs conflicts of interest.

Disclosure of Interest of Thanachart Securities**Investment Banking Relationship**

Within the preceding 12 months, Thanachart Securities has lead-managed public offerings and/or secondary offerings (excluding straight bonds) of the securities of the following companies: The One Enterprise Pcl. (ONEE TB)