

Krung Thai Bank Pcl (KTB TB) - BUY, Price Bt20.20, TP Bt19.00**Results Comment**

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Strong profits, better-than-expected

- KTB reported strong 2Q23 profits of Bt10.2bn, up 22% y-y and 1% q-q. Profits were higher than expected on higher interest income and investment gains.
- Despite the bank put aside more provisions in the quarter, 1H23 profits made up 58% of our full-year forecast. We see upsides to our forecast and TP.
- Dragged by corporate and SME, loans contracted 0.2% q-q and 0.6% YTD.
- NIM rose 23bps q-q to 3.1% on positive impact of rate hike.
- With increasing write-off, NPLs fell 4% q-q with falling NPL ratio to 3.1%. We also believe the bank has written-off accrued interest as % of accrued interest to gross loans fell from 0.78% in 2Q22 and 1% in 1Q23 to just 0.7% in the quarter.
- To maintain high LLR, KTB raised provisions 37% y-y but lowered it 4% q-q. Loan loss coverage ratio stood high at 171% versus 168% in 2Q22 and 177% in 1Q23.
- Dragged by mutual fund fees, fee income fell 2% y-y and 7% q-q. Thanks to higher investment gains, non-NII increased 5% y-y but dropped 16% q-q.
- With increasing IT expenses, opex rose 12% y-y and 3% q-q. Cost to income was stable at 39% due to higher income.

Income Statement (consolidated)					
Yr-end Dec (Bt m)	2Q22	3Q22	4Q22	1Q23	2Q23
Interest & dividend income	27,260	28,758	31,248	34,105	36,872
Interest expense	5,441	5,864	6,642	8,486	9,101
Net interest income	21,818	22,894	24,606	25,619	27,771
Non-interest income	7,446	8,321	9,913	9,254	7,810
Total income	29,264	31,215	34,519	34,873	35,581
Operating expense	12,517	14,314	15,696	13,650	14,028
Pre-provisioning profit	16,747	16,902	18,823	21,223	21,552
Provision for bad&doubtful debt	5,669	5,667	7,532	8,104	7,754
Profit before tax	11,079	11,235	11,291	13,120	13,798
Tax	1,996	2,270	2,494	2,531	2,864
Profit after tax	9,082	8,965	8,798	10,589	10,934
Equity income	200	374	133	399	134
Minority interests	(924)	(890)	(821)	(921)	(912)
Extra items	-	-	-	-	-
Net profit	8,358	8,450	8,109	10,067	10,156
Normalized profit	8,358	8,450	8,109	10,067	10,156
PPP/share (Bt)	1.2	1.2	1.3	1.5	1.5
EPS (Bt)	0.6	0.6	0.6	0.7	0.7
Norm EPS (Bt)	0.6	0.6	0.6	0.7	0.7
BV/share (Bt)	25.4	25.9	26.9	27.9	27.7

Income Statement 6M as					
(Bt m)	q-q%	y-y%	% 2023F	2023F	2024F
Interest & dividend income	8	35	56	125,745	131,820
Interest expense	7	67	53	32,909	34,325
Net interest income	8	27	58	92,836	97,496
Non-interest income	(16)	5	54	31,414	32,691
Total income	2	22	57	124,250	130,187
Operating expense	3	12	49	56,367	58,575
Pre-provisioning profit	2	29	63	67,883	71,612
Provision for bad&doubtful debt	(4)	37	76	20,948	19,467
Profit before tax	5	25	57	46,934	52,145
Tax	13	43	57	9,387	10,429
Profit after tax	3	20	57	37,548	41,716
Equity income	(66)	(33)	47	1,145	1,195
Minority interests	neg	neg	47	(3,936)	(4,330)
Extra items	neg	neg	-	-	-
Net profit	1	22	58	34,756	38,580
Normalized profit	1	22	58	34,756	38,580
PPP/share (Bt)	2	29	63	4.9	5.1
EPS (Bt)	1	22	58	2.5	2.8
Norm EPS (Bt)	1	22	58	2.5	2.8
BV/share (Bt)	(1)	9	28	28.6	30.5

Balance Sheet (consolidated)					
Yr-end Dec (Bt m)	2Q22	3Q22	4Q22	1Q23	2Q23
Cash and Interbank	598,387	639,960	612,531	702,948	685,551
Other liquid items	104,748	183,755	116,739	83,253	106,773
Total liquid items	703,134	823,715	729,270	786,201	792,325
Gross loans and accrued interest	2,655,556	2,634,402	2,618,211	2,608,623	2,596,483
Provisions	174,969	177,329	174,379	181,601	169,268
Net loans	2,480,587	2,457,073	2,443,832	2,427,022	2,427,215
Fixed assets	71,811	70,753	72,029	71,439	70,056
Other assets	48,150	69,161	57,904	54,949	57,434
Total assets	3,565,046	3,691,704	3,592,410	3,569,070	3,610,274
Deposits	2,603,600	2,601,631	2,590,236	2,620,709	2,579,084
Interbank	259,142	301,874	277,099	220,229	280,320
Other liquid items	4,969	5,089	5,019	5,500	4,515
Total liquid items	2,867,710	2,908,594	2,872,354	2,846,438	2,863,919
Borrowings	155,545	169,528	151,172	150,588	159,205
Other liabilities	171,855	236,198	176,321	165,188	183,210
Minority interest	14,548	15,438	16,267	17,188	16,596
Shareholders' equity	355,387	361,946	376,296	389,667	387,344
Total Liabilities & Equity	3,565,046	3,691,704	3,592,410	3,569,070	3,610,274

Financial Ratios (%)					
	2Q22	3Q22	4Q22	1Q23	2Q23
Gross loan growth (YTD)	0.2	(0.6)	(1.4)	(0.4)	(0.6)
Gross loan growth (q-q)	(0.9)	(0.9)	(0.7)	(0.4)	(0.2)
Deposit growth (YTD)	(0.4)	(0.5)	(0.9)	1.2	(0.4)
Deposit growth (q-q)	(4.0)	(0.1)	(0.4)	1.2	(1.6)
Non-interest income (y-y)	(2.0)	19.2	18.2	12.7	4.9
Non-interest income (q-q)	(9.3)	11.8	19.1	(6.6)	(15.6)
Fee income / Operating income	16.8	17.2	14.7	14.7	13.5
Cost-to-income	42.8	45.9	45.5	39.1	39.4
Net interest margin	2.44	2.52	2.70	2.86	3.09
Credit cost	0.86	0.87	1.16	1.26	1.20
ROE	9.3	9.4	8.8	10.5	10.5
Loan-to-deposit	101.2	100.4	100.1	98.5	100.0
Loan-to-deposit + S-T borrowing	101.2	100.4	100.1	98.5	100.0
NPLs (Bt m)	104,434	104,734	101,096	102,542	98,810
NPL increase	(2,115)	300	(3,638)	1,446	(3,732)
NPL ratio	3.32	3.32	3.26	3.22	3.11
Loan-loss-coverage ratio	167.5	169.3	172.5	177.1	171.3
CAR - total	20.2	20.6	19.7	19.8	20.1

Sources: Company data, Thanachart estimates

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