

Company Update

Tuesday, April 30, 2024



I V Global Securities Public Company Limited

Krung Thai Bank Pcl (KTB)

Rating: BUY

Fair price: Bt20.0

Close price: Bt16.6

Benefiting from state spending resuming

Company Information

Ticker:	KTB TB
Sector:	Financials
Shares outstanding (m):	13,976.06
Market capitalization (Btm):	232,002.62
Trading vol/day (Btm):	1,075.67
Free float (%):	44.93
Beta:	0.53

Major Shareholders

FIDF	55.07%
Thai NVDR	7.93%

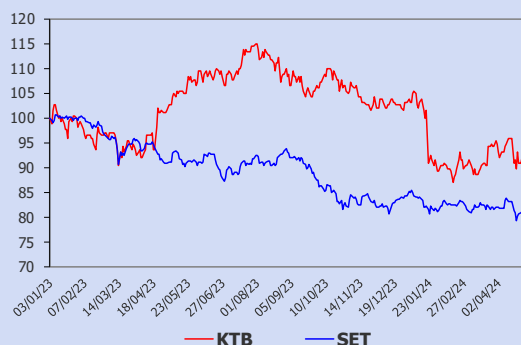
Consensus Bloomberg

2024F EPS (Bt):	2.81
Target price (Bt):	19.65

Price Performance

52 Wk high/low: 20.5 / 15.4

	1M	3M	1Y	YTD
Absolute (%)	-2.4	1.8	-7.8	-9.8
Relative (%)	-1.2	2.9	3.2	-6.0



- At the analyst meeting, KTB's management maintained its key financial guidance for its 2024 operations, while its 1Q24 performance suggested that most targets are on track. Loans in 1Q24 grew by 1.6% YTD, on track for full-year growth of c.3% this year. Excluding government loans, total loans declined slightly by 0.2% YTD. KTB expects the BOT to cut the policy rate at least once this year from a previous expectation of twice, lowering it from 2.5% to 2.0-2.5% with an unchanged GDP growth estimate of 2.7% for this year (vs. 1.9% in 2023).
- There's a possibility of the bank gaining a higher share of the government/state enterprise lending, assuming higher funding demand to support the government's investment budget, particularly in 4Q24. During 1Q24, the government sector was the key growth driver, while other groups registered flat growth or declined marginally. Government loans are low-risk and, therefore, have low returns. Stripping out government loans, total loans declined by 0.2% YTD. As of end-1Q24, government loans outstanding accounted for 16% of the total loan portfolio versus 15% for 2023.
- KTB will also join other local banks in cutting the MRR rate to help vulnerable sectors. We expect NIM to fall in the following quarter based on a higher cost of deposits as it has been shifted toward time deposits at a higher cost. KTB justly announced 25bps reduction on MLR, MOR and MRR for the vulnerable clients under specific criteria for six months during 16 May and 15 Nov. However, management does not expect the cut in rates to specific group to impact its annual NIM target of 3.00-3.3%, versus 1Q24's NIM of 3.31% and 2023's 3.22%.
- The loan-loss-coverage ratio target is comfortable at 170%-plus (versus 181.8% achieved at-end 1Q24). KTB has sold its off-balance sheet NPLs and booked a strong gain on bad debt recovery in other income, boosting non-fee income by 23% YoY (compared with fee income growth of 8.5% YoY).
- However, the bank also booked a high impairment loss from properties for sale of Bt3.8bn during 1Q24, with a further impairment loss likely to be booked in 2Q24. The cost-to-income ratio was managed at 43.6% versus the full-year target of the low-to-mid 40's.
- The credit cost target is maintained at 120-130bps of loans for 2024 (versus 124bps in 2023). The high contribution of loans to the government sector will limit the additional credit cost upside risk. NPL ratio is also expected at <3.25%, compared with 3.14% at end-1Q24.
- Maintain BUY.** We prefer to maintain our earnings and BUY rating with a revised price target of Bt20.0, based on 0.65x book at end-2024F. The stock currently trades at an undemanding P/E of 5.7x our 2024F estimate with a solid yield of 5.8%. The upside risk to our earnings lies with the potential booking of new government sector loans to support the government's economic stimulus packages, while the low yield offsets the low credit risk.

Investment summary

FY Dec 31	2021	2022	2023	2024F	2025F	2026F
Net profit (Btm)	21,588	33,698	36,616	40,581	41,707	42,585
Change (%)	29.0	56.1	8.7	10.8	2.8	2.1
PPOP (Btm)	63,055	70,620	87,309	91,892	91,096	91,472
Change (%)	-8.3	12.0	23.6	5.2	-0.9	0.4
EPS (Bt)	1.54	2.41	2.62	2.90	2.98	3.05
Change (%)	29.0	56.1	8.7	10.8	2.8	2.1
P/E (x)	10.8	6.9	6.3	5.7	5.6	5.5
DPS (Bt)	0.418	0.682	0.868	0.958	0.984	1.01
Yield (%)	2.5	4.1	5.2	5.8	5.9	6.1
BVPS (Bt)	25.75	26.91	28.78	30.82	32.84	34.82
P/BV (x)	0.6	0.6	0.6	0.5	0.5	0.5
ROAA (%)	0.6	0.9	1.0	1.1	1.1	1.1
ROAE (%)	6.1	9.2	9.4	9.7	9.4	9.0

Source: Company and IVG estimates

Analyst

Rattana Leenutaphong
rattanal@ivglobal.co.th
Tel: 662-658-5787

Rating	CGR	Thai CAC	SET ESG
KTB		Certified	AAA

Company Update

Tuesday, April 30, 2024



I V Global Securities Public Company Limited

Results

<i>Btm</i>	1Q24	1Q23	% YoY	4Q23	% QoQ	2023	2022	% YoY
Net-interest income	29,561	25,619	15.4	30,362	-2.6	113,419	90,405	25.5
Non-interest income								
Fee income	5,577	5,139	8.5	5,434	2.6	20,872	20,316	2.7
Others	5,564	4,514	23.3	3,794	46.7	15,174	14,671	3.4
Total	11,141	9,653	15.4	9,228	20.7	36,046	34,986	3.0
Operating expenses	17,731	13,650	29.9	17,745	-0.1	62,157	54,771	13.5
PPOP	22,972	21,622	6.2	21,845	5.2	87,309	70,620	23.6
ECL	8,029	8,104	-0.9	13,070	-38.6	37,085	24,338	52.4
Pre-tax profits	14,943	13,518	10.5	8,775	70.3	50,223	46,283	8.5
Tax	2,936	2,531	16.0	1,733	69.4	9,902	9,077	9.1
Net income	11,078	10,067	10.1	6,111	81.3	36,616	33,698	8.7
EPS (Bt)	0.79	0.72	10.1	0.44	81.3	2.62	2.41	8.7

Source: Company and IVG estimates

Key ratios

(%)	1Q23	2Q23	3Q23	4Q23	1Q24
Net loan growth, YTD	-0.4	-0.6	1.4	-0.6	1.6
Net loan growth, YoY	-2.9	-2.1	0.7	-0.6	1.4
NIM	3.00	3.20	3.38	3.41	3.31
Fee income, YoY	3.4	-2.3	2.6	7.1	8.5
Non-int income, YoY	12.3	3.9	6.0	-8.1	15.4
Cost to income	38.7	39.3	43.0	44.8	43.6
Loan-to-deposit	98.5	100.0	100.7	97.3	100.6
Credit cost (bps)	125.2	120.2	125.3	200.8	123.6
NPLs	3.22	3.11	3.10	3.08	3.14
LLR/NPL	183.2	177.4	180.4	181.2	181.8
Tier I	16.6	16.9	17.3	17.5	17.3
Total CAR	19.8	20.1	20.5	20.7	20.5

Source: Company and IVG estimates

Quarterly

<i>Btm</i>	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23
Net interest income	21,086	21,818	22,894	24,606	25,619	27,771	29,667	30,362
Non-interest income								
Fee income	4,968	4,911	5,363	5,073	5,139	4,797	5,503	5,434
Others	3,631	2,735	3,332	4,972	4,514	3,147	3,718	3,794
Total	8,599	7,646	8,695	10,046	9,653	7,944	9,221	9,228
Operating expenses	12,244	12,517	14,314	15,696	13,650	14,028	16,733	17,745
PPOP	17,441	16,947	17,276	18,956	21,622	21,686	22,155	21,845
ECL	5,470	5,669	5,667	7,532	8,104	7,754	8,157	13,070
Pre-tax profits	11,971	11,279	11,609	11,424	13,518	13,932	13,998	8,775
Tax	2,317	1,996	2,270	2,494	2,531	2,864	2,774	1,733
Net income	8,780	8,358	8,450	8,109	10,067	10,156	10,282	6,111
EPS (Bt)	0.63	0.60	0.60	0.58	0.72	0.73	0.74	0.44

Source: Company and IVG estimates

Key ratios

(%)	1Q22	2Q22	3Q22	4Q22	2021	2022	2023
Net loan growth, YTD	1.1	0.2	-0.6	-1.4	12.6	-1.4	-0.6
Net loan growth, YoY	12.7	6.0	2.0	-1.4	12.6	-1.4	-0.6
NIM	2.44	2.51	2.61	2.80	2.49	2.60	3.22
Fee income, YoY	-4.8	0.4	12.8	-1.7	-2.5	1.5	2.7
Non-int income, YoY	-1.2	-3.6	20.9	17.0	-4.4	7.9	3.0
Cost to income	41.2	42.5	45.3	45.3	45.5	43.7	41.6
Loan-to-deposit	98.0	101.2	100.4	100.1	100.5	100.1	97.3
Credit costs (bps)	82.8	85.7	86.4	115.7	131.0	93.2	142.6
NPLs	3.34	3.32	3.32	3.26	3.50	3.26	3.08
LLR/NPL	173.6	174.3	176.4	179.7	168.8	179.7	181.2
Tier I	16.3	16.0	16.5	16.5	16.5	16.5	17.5
Total CAR	19.7	20.1	20.6	19.7	19.9	19.7	20.7

Source: Company and IVG estimates

KTB

E: Environmental

KTB recognizes its crucial role as a commercial bank in driving the financial mechanism for the transition to a circular economy system. As part of its commitment to managing operational risks, the bank has developed a Sustainability Credit Framework. Moreover, KTB is dedicated to creating shared value with customers and entrepreneurs of all sizes by providing credit support to environmentally friendly businesses. The bank also strives to develop innovative products, services, and financial solutions that promote the transition to a low-carbon society.

S: Social

Since 2018, KTB has implemented a market conduct policy to ensure responsible practices and fair treatment of customers. Work systems and processes have been improved to meet the requirements set by the Bank of Thailand's market conduct rules. Internal schemes and projects have been rolled out to foster the right mindset and instill market conduct awareness in all of our employees, a.k.a. make it part of our DNA. For example, the Sustainable KTB Initiative or "Krungthai Kunnatham".

G: Governance

Good corporate governance practices are central to KTB's culture and business conduct. As a financial institution, we prioritize this for several reasons. Firstly, it establishes a proper risk management framework, which is essential for stability and sustainability. Secondly, it promotes transparency, accountability, and responsible decision-making, building stakeholder confidence. Thirdly, it ensures compliance with laws and regulations, mitigating reputational damage and legal action. Fourthly, it enhances the bank's reputation, establishing it as trustworthy, reliable, and responsible. Lastly, it focuses on promoting long-term sustainability by focusing on creating long-term value for stakeholders rather than short-term gains.

Comment

KTB has been awarded a SET ESG rating of AAA, indicating a strong commitment to Environmental, Social, and Governance (ESG) practices, as well as clear long-term objectives in this regard. Furthermore, the company demonstrates the ability to execute short-term goals effectively.

Source: Company and IVG estimates

I V Global Investment Research – Recommendation Definitions

Sector Recommendations

OVERWEIGHT: The industry, as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index by at least 10% over the next 12 months.

NEUTRAL: The industry, as defined by the analyst's coverage universe, is expected to perform in line with the relevant primary market index over the next 12 months.

UNDERWEIGHT: The industry, as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index by 10% over the next 12 months.

Stock Recommendations

BUY: Expecting positive total returns of 15% or more over the next 12 months.


HOLD: Expecting total returns of not more than -10% to +10% over the next 3 months.

SELL: Expecting negative total returns of 15% or more over the next 12 months.

Anti-corruption Progress Indicator Definitions

Level 5 Extended	Extension of the anti-corruption policy to business partners in the supply chain, and disclosure of any current investigations, prosecutions or closed cases
Level 4 Certified	Audit engagement by audit committee or auditors approved by the office of SEC, and receiving certification or assurance by independent external assurance providers (CAC etc.)
Level 3 Established	Carrying out preventive measures, risk assessment, communication and training for all employees, including consistent monitoring and review processes. (3A: Established by Declaration of Intent, 3B: Established by Internal Commitment and Policy)
Level 2 Declared	Public declaration statement to participate in Thailand's private sector Collective Action Coalition Against Corruption (CAC) or equivalent initiatives
Level 1 Committed	Organization's statement or board's resolution to work against corruption and to be in compliance with all relevant laws
Partially progress	Insufficient or not clearly defined policy
No progress	Data not available / no policy

Corporate Governance Report (CGR)

	Excellent
	Very good
	Good

Disclaimers

The disclosure of the survey result of corporate governance, which is surveyed by the Thai Institute of Directors Association ("IOD"), and the Anti-Corruption Progress Indicators, which is assessed by Thaipat Institute, are the disclosure of the survey or assessment result based on the information received from the listed company that was stipulated in the form for Annual Corporate Governance Report of Thai Listed Companies (CGR) and the form for the assessment of Anti-corruption that refers to the Annual Registration Statement (Form 56-1), Annual Report (Form 56-2) or other relevant documents or reports of such listed company (as the case may be). The survey or assessment result is based on the information of the listed company, which is disclosed to the public and can be accessed by all investors and is made in order to comply with the policy of the Office of the Stock Exchange of Thailand.

Nevertheless, the survey or assessment result is made from the perspective of the IOD or Thaipat Institute that are the third party only. It is not an assessment of operation of the listed company and is not based on any inside information."

Since this survey or assessment result is only the survey or assessment result as of the date appearing in the survey or assessment result only, it may be changed after that date or when there is any change to the relevant information. Nevertheless, I V Global Securities Plc. (IVG) does not confirm, verify, or certify the accuracy and completeness of the survey or assessment result.

