

25 OCTOBER 2021

THAILAND / BANKS

KASIKORNBANK

KBANK TB

BUY

UNCHANGED

TARGET PRICE	THB172.00
CLOSE	THB141.50
UP/DOWNSIDE	+21.6%
PRIOR TP	THB168.00
CHANGE IN TP	+2.4%
TP vs CONSENSUS	+8.6%

ประสบความสำเร็จในท่ามกลางความผันผวน

ผลประกอบการ 3Q21 สูงกว่าคาดจากสินเชื่อที่โตดีและรายได้ค่าธรรมเนียม

KBANK รายงานกำไรสุทธิ 3Q21 ที่ 8.63 พัน ลบ. (+29% y-y, -3% q-q) เราเห็นจุดแข็ง 2 ประการจากผลประกอบการดังกล่าว ข้อแรกแม้ว่าจะมีมาตรการปิดเมือง รายได้ค่าธรรมเนียมยังทรงตัว q-q ข้อสอง KBANK สามารถควบคุมค่าใช้จ่ายในการดำเนินงาน (OPEX) ได้อย่างมีประสิทธิภาพ ในด้านรายได้ดอกเบี้ยสุทธิ (NII) KBANK รายงาน NII โตดีที่ 13% y-y และ 3% q-q จากปริมาณสินเชื่อที่เพิ่ม 2.5% q-q และ 8.9% YTD อย่างไรก็ตามกำไรประมาณ 35% ของสินเชื่อที่โตมาจากสินเชื่อปรับโครงสร้างและโครงการบรรเทาหนี้ เราคิดว่า KBANK อาจรายงานการรับรู้ EIR บางส่วนไว้สูงเกินไป ซึ่งทำให้เรามองมองเป็นกลางต่อ NII ที่เพิ่มขึ้น

สินทรัพย์ที่เสื่อมลงเล็กน้อยอาจกระทบต่อราคาหุ้น

เราเห็นสัญญาณ 3 ประการที่บ่งชี้ว่าสินทรัพย์เสื่อมลงเล็กน้อยใน 3Q21 ข้อแรกและเป็นข้อที่สำคัญที่สุดคือดอกเบี้ยค้างรับต่อสินเชื่อรวมเพิ่มต่อเนื่องเป็น 0.68% จาก 0.5% ใน 4Q20 ข้อสองจากการคำนวณของเรา NPL formation เพิ่มขึ้น 1.59% จาก 1.54% ใน 2Q21 ข้อสามสินเชื่อภายใต้โครงการบรรเทาหนี้คิดเป็น 15% ของสินเชื่อรวม เพิ่มขึ้น 6% q-q จากพอร์ตสินเชื่อรายย่อย ซึ่งทำให้เราคิดว่าคุณภาพสินทรัพย์เป็นประเด็นที่ต้องจับตาและอาจกระทบต่อราคาหุ้นในระยะสั้นถึงกลาง อย่างไรก็ตามการขยายมาตรการผ่อนคลายการจัดชั้นหนี้และเกณฑ์จัดสรรสำรองของ ธปท. ให้เวลาแก่ธนาคารฯ เพิ่มขึ้นในการจัดการปัญหาคุณภาพสินทรัพย์ เราเชื่อว่า KBANK จะไม่ประสบปัญหาสินทรัพย์เสื่อมลงคุณภาพอย่างรวดเร็ว เราคิดว่าสินทรัพย์ที่เสื่อมลงเล็กน้อยอาจกระทบราคาหุ้นในระยะสั้น แต่จะไม่ทำให้การเติบโตหลัง Covid เสียหายในระยะยาว

การเติบโตระยะยาวที่ดีมีน้ำหนักมากกว่าความกังวลในด้านคุณภาพสินทรัพย์

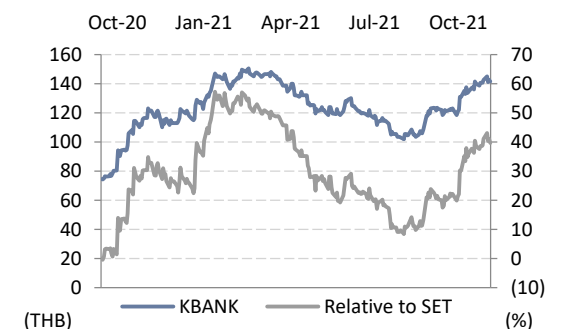
ในที่ประชุมนักวิเคราะห์ ผู้บริหารให้ข้อมูลว่า KBANK ตั้งใจเพิ่มการกระจายความเสี่ยงไปสู่สินเชื่อรายย่อยในปีหน้า ธนาคารฯ จะสร้างสมดุลการเติบโตระหว่างการทำธุรกิจธนาคารแบบดั้งเดิมและระบบดิจิทัล KBANK กำลังศึกษาความเป็นไปได้ในการปลดข้อจำกัดมูลค่าของบริษัทย่อย ซึ่งทำให้เมื่อการแพร่ระบาด Covid-19 สงบลง เราคาดว่า KBANK จะรายงานการเติบโตที่ดีในระยะยาว เนื่องจากธนาคารฯ ได้วางรากฐานไว้เป็นอย่างดี เราคิดว่ากลยุทธ์ทางธุรกิจในการเจาะตลาดที่มีโอกาสโตสูงเช่น สินเชื่อที่ไม่มีหลักทรัพย์ค้ำประกันและด้านดิจิทัลจะมีน้ำหนักมากกว่าความกังวลเกี่ยวกับคุณภาพสินทรัพย์ของธนาคารฯ

คงเลือก KBANK เป็นหุ้นเด่นที่ราคาเป้าหมายปี 2022 ที่ 172 บาท (GGM)

เราปรับเพิ่มราคาเป้าหมายเป็น 172 บาทหลังปรับเพิ่มประมาณการกำไรต่อหุ้นปี 2021-23 อีก 5.7%/3.3%/5.5% เราคงเลือก KBANK เป็นหนึ่งในหุ้นเด่นของเรา เราเชื่อว่าธนาคารฯ จะรายงานการเติบโตที่ดีในปี 2022 นอกจากนี้เรายังคิดว่าธนาคารฯ พร้อมเปลี่ยนแปลงอย่างเต็มตัวเพื่อปลดข้อจำกัดมูลค่าและเพิ่มผลตอบแทนของผู้ถือหุ้น

KEY STOCK DATA

YE Dec (THB m)	2020	2021E	2022E	2023E
Operating profit	41,540	49,462	54,449	60,748
Net profit	29,487	35,028	38,568	43,040
EPS (THB)	12.45	14.78	16.28	18.17
vs Consensus (%)	-	3.4	2.6	0.5
Core net profit	29,487	35,028	38,568	43,040
Core EPS (THB)	12.45	14.78	16.28	18.17
Chg. In EPS est. (%)	-	5.7	3.3	5.5
EPS growth (%)	(23.1)	18.8	10.1	11.6
Core P/E (x)	11.4	9.6	8.7	7.8
Dividend yield (%)	1.8	1.9	2.5	2.8
Price/book (x)	0.8	0.7	0.7	0.6
ROE (%)	7.0	7.6	7.7	8.1
ROA (%)	1.0	1.0	1.1	1.2



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	16.9	34.8	86.8
Relative to country (%)	15.2	27.3	37.9
Mkt cap (USD m)	10,040		
3m avg. daily turnover (USD m)	118.7		
Free float (%)	50		
Major shareholder	Thai NVDR (18%)		
12m high/low (THB)	153.00/73.50		
Issued shares (m)	2,393		

Sources: Bloomberg consensus; FSSIA estimates



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PREPARED BY FSS INTERNATIONAL INVESTMENT ADVISORY SECURITIES CO LTD (FSSIA). ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES CAN BE FOUND AT THE END OF THIS REPORT

บทวิเคราะห์ฉบับนี้แปลมาจากบทวิเคราะห์ของ FSSIA ฉบับวันที่ 25 ตุลาคม 2021

Investment thesis

We maintain KBANK as one of our top picks, as we believe that the extension of the relaxed loan classification and provision setup rules will allow the bank to have more time to deal with its trouble debts.

Moreover, once the Covid-19 dust has settled, we expect KBANK to post sustainable long-term growth, as it has laid a strong foundation for such. First, KBANK has been heavily investing in digital platforms for more than a decade – we believe it will utilise its digital platform to generate more revenue while reducing operating and funding costs. Second, KBANK is one of the first movers to have expanded into the Asean Economic Community +3. Therefore, its digital investment and international expansion should be a game changer, helping it to become a regional digital bank.

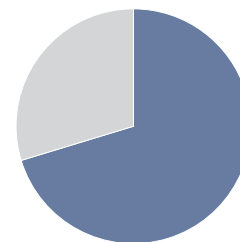
Company profile

Established on 8 June 1945, Kasikornbank was listed on the Stock Exchange of Thailand in 1976. At the end of 2020, KBANK operated 860 branches, down from 886 in 2019 and 10,981 ATMs, up from 8,168 in 2019. In addition, the bank has an international network that includes 16 establishments in eight countries.

www.kasikornbank.com

Principal activities (revenue, 2020)

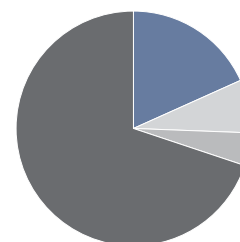
- Net interest income - 70.3 %
- Non-interest income - 29.7 %



Source: Kasikornbank

Major shareholders

- Thai NVDR - 18.3 %
- State Street Europe Ltd. - 7.3 %
- South East Asia UK (Type C) Nominees - 4.5 %
- Others - 69.9 %



Source: Kasikornbank

Catalysts

Potential share price catalysts for KBANK include:

- Lower credit cost from fewer new NPLs;
- Faster expansion in the digital lending space than expected;
- The return of foreign fund flows into the Thai stock market.

Risks to our call

Downside risks to our GGM-based TP are 1) prolonged economic sluggishness and further waves of the Covid-19 pandemic affecting loan growth and asset quality; and 2) the impact of further interest rate cuts on NIM and potential new regulations from the Bank of Thailand on debt-servicing programs.

Event calendar

Date	Event
21 Jan 2022	4Q21 results announcement

Key assumptions

	2021E	2022E	2023E
	(%)	(%)	(%)
Net profit (THB m)	35,028	38,568	43,040
Net profit growth	18.8	10.1	11.6
NIM	3.25	3.07	3.07
Loan growth	9.0	5.0	5.0
Fee growth	9.2	5.0	5.0
Non-NII growth*	(2.0)	8.9	5.9
Credit cost (bp)	180	170	155
Cost to income*	44.0	42.7	42.2

*Including share of profits from associates

Source: FSSIA estimates

Earnings sensitivity

		2021E		
		7.0	9.0	11.0
Loan growth	±2ppt			
% change in net profit		(1.2)	-	1.2
NIM (%)	±5bp	3.20	3.25	3.30
% change in net profit		(4.1)	-	4.1
Credit cost (bp)	±10bp	170	180	190
% change in net profit		3.2	-	(3.2)

Source: FSSIA estimates

3Q21 results beat due to strong loan growth and fee income

KBANK reported a 3Q21 net profit of THB8,631m (+29% y-y, -3% q-q), which was higher than Bloomberg consensus' estimate by 5% and our forecast by 20% due to the better-than-expected loan growth and fee income. We see two positives. First, amid the lockdown measures, its fee income was stable q-q. Second, KBANK was able to control its OPEX effectively. Regarding its NII, KBANK delivered strong NII growth of 13% y-y and 3% q-q due to a 2.5% q-q and 8.9% YTD rise in its loan volume. However, c35% of its loan growth came from rehabilitation loans and the forbearance program. We think KBANK might have partially overstated its EIR recognition. Thus, we have a neutral view on its NII increase. We see a slight deterioration in its asset quality with a rise in its accrued interest, an increase in its non-performing loan (NPL) formation rate, and a rise in its forbearance program loans. Thus, the bank still set an elevated credit cost of 187 bps.

3Q21 key highlights

- The total loan volume increased robustly by 2.5% q-q from a rise in business and housing loans;
- The NIM was relatively stable q-q at 3.24%;
- Non-NII dropped by 17% q-q due mainly to a mark to market loss of financial assets. However, its fee income was stable q-q amid the lockdown measures;
- Outstanding NPLs slightly decreased by 1% q-q due to accelerated NPL write-offs. Its coverage ratio slightly increased q-q to 138%.

Exhibit 1: KBANK – 3Q21/9M21 results summary

Year-end Dec 31	3Q20	2Q21	3Q21			9M21			2021E		3Q21 Comments
	(THB m)	(THB m)	(THB m)	(y-y %)	(q-q %)	(THB m)	(y-y %)	%21E	(THB m)	(y-y %)	
Net interest income	27,255	29,717	30,741	13	3	88,590	7	75	118,467	9	A decline in gains on financial assets
Non-interest income*	9,498	11,138	9,202	(3)	(17)	32,235	(4)	72	44,952	(2)	
Operating income*	36,754	40,855	39,943	9	(2)	120,825	4	74	163,420	6	
Operating expenses	16,447	17,069	16,965	3	(1)	50,566	2	70	71,945	3	
PPOP before tax*	20,306	23,786	22,978	13	(3)	70,260	6	77	91,474	8	
Provision	10,815	10,807	11,296	4	5	30,753	(28)	73	42,225	(3)	
Income tax	2,048	2,548	2,026	(1)	(20)	7,609	77	82	9,308	22	
Minority interest	765	1,537	1,025			3,747	31		4,913	17	
Normalised profit	6,679	8,894	8,631	29	(3)	28,152	73	80	35,028	19	
Extraordinary items	0	0	0			0			0		
Net profit	6,679	8,894	8,631	29	(3)	28,152	73	80	35,028	19	
EPS (THB)	2.82	3.75	3.64	29	(3)	11.88	74	80	14.78	19	
Asset quality ratio											
Gross NPLs (THB m)	96,743	106,920	105,930	9	(1)				112,118	11	
NPL ratios (%)	3.95	3.95	3.85						4.00		
LLR/NPLs (%)	142	136	138						131		
Credit cost (bp)	202	185	187						180		
Profitability ratio	(%)	(%)	(%)						(%)		
Cost to income ratio*	44.7	41.8	42.5						44.0		
Average yield	3.7	3.7	3.7						3.7		
Cost of fund	0.7	0.6	0.6						0.6		
Net interest margin (NIM)	3.2	3.2	3.2						3.2		
Non-int inc/total income	25.8	27.3	23.0						27.5		
Liquidity ratio	(%)	(%)	(%)						(%)		
Loan to deposit ratio	94.8	96.1	96.6						100.0		
Capital adequacy ratio	(%)	(%)	(%)						(%)		
CAR	18.4	18.2	18.8						18.2		
CET 1/ Risk assets	15.7	15.3	0.0						15.8		
Tier 2 / Risk assets	2.7	2.3	2.3						2.5		
Loan growth	(%)	(%)	(%)						(%)		
Year-to-date	7.7	6.2	8.9								
y-y	10.7	12.1	13.3						9.0		
q-q	1.4	3.5	2.5								

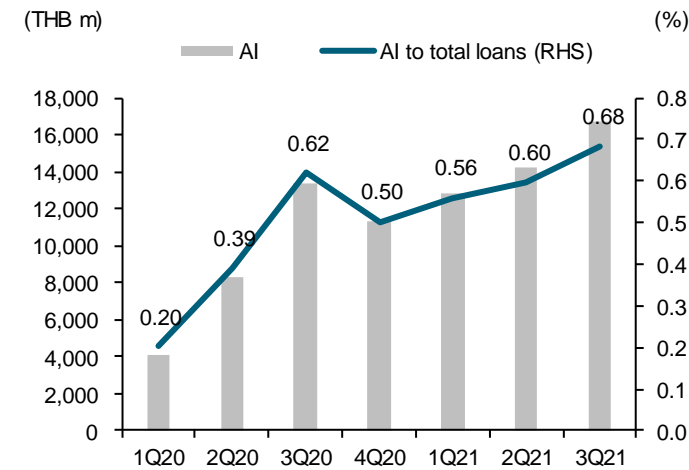
*Including share of profits from associates

Sources: KBANK; FSSIA estimates

Slight asset deterioration might make noise for its share price

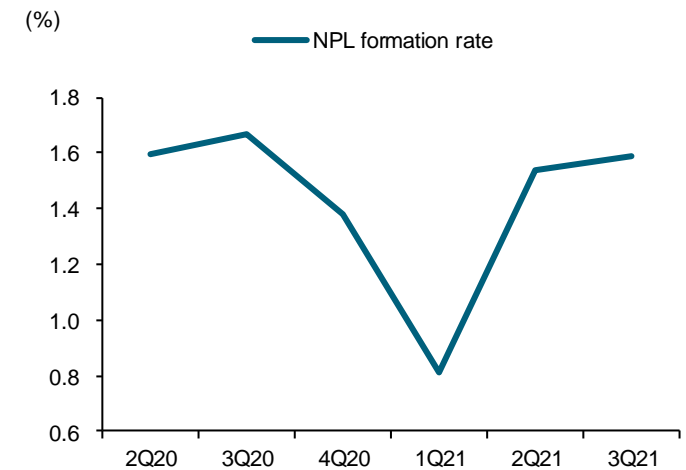
Due to its large exposure to the SME and retail segments, KBANK's loan portfolios are at higher risk of an NPL increase due to the prolonged pandemic. We see three signs of a slight asset deterioration in 3Q21. First and most importantly, its accrued interest to total loans increased continuously to 0.68% from 0.5% in 4Q20. According to management, the THB5.5b YTD increase in accrued interest breaks down to 25% from new lending and 75% from support measures. Second, its NPL formation rate (based on our calculation) increased to 1.59% from 1.54% in 2Q21. Third, its forbearance loans made up 15% of its total loans, up 6% q-q from its retail portfolio. Thus, we think its asset quality is an issue to keep an eye on.

Exhibit 2: Accrued interest (AI)



Source: KBANK; FSSIA's compilation

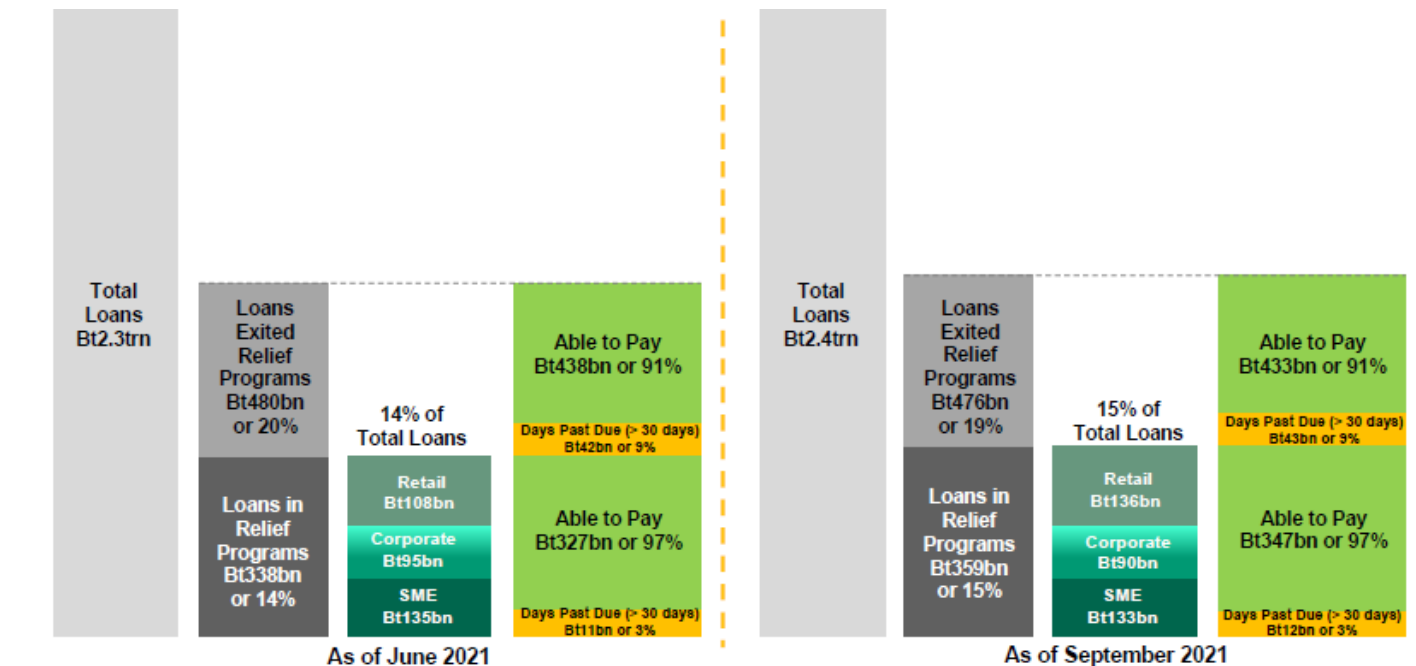
Exhibit 3: NPL formation rate



Source: FSSIA's calculation

However, the extension of the relaxed loan classification and provision rules by the Bank of Thailand (BoT) gives the bank more time to resolve its asset quality. We believe that KBANK will not face a cliff effect. To us, a slight asset deterioration might impact its share price in the short term, but should not disadvantage its long-term post-Covid growth.

Exhibit 4: Loans under relief measures



Source: KBANK

Net profit and TP revisions

We revise up our net profit forecasts for 2021-23 by 5.7%/3.3%/5.5% to reflect our higher loan growth and NIM assumptions, along with the bank's better OPEX control.

1. We increase our 2021 loan growth assumption to 9.0% from 7.0% to reflect the strong demand for new loans and the relief measures;
2. We raise our 2021-23 NIM assumptions to 3.25%/ 3.07%/3.07% from 3.19%/3.00%/3.02% to reflect the higher-than-expected loan yield;
3. We slightly trim our OPEX estimate for 2023 by 1%.

We also raise our 2022-23 credit cost estimates to 170/155 bps from 160/150 bps to reflect the slight asset deterioration. However, the three positives above outweigh the increase in credit cost.

Exhibit 5: KBANK – change of key assumptions

	2021E				2022E			2023E		
	2020	Old	New	Change	Old	New	Change	Old	New	Change
	(THB m)	(THB m)	(THB m)	(%)	(THB m)	(THB m)	(%)	(THB m)	(THB m)	(%)
Net interest income	109,022	114,513	118,467	3.5	113,616	120,033	5.6	117,376	123,463	5.2
Non-interest income*	45,869	45,847	44,952	(2.0)	50,357	48,936	(2.8)	53,646	51,800	(3.4)
Operating income*	154,891	160,360	163,420	1.9	163,973	168,969	3.0	171,022	175,263	2.5
Operating expenses	69,997	71,945	71,945	-	72,107	72,107	-	74,885	73,931	(1.3)
PPOP before tax*	84,895	88,415	91,474	3.5	91,865	96,862	5.4	96,137	101,332	5.4
Expected credit loss (Reversal)	43,548	41,821	42,225	1.0	39,392	42,636	8.2	38,777	40,818	5.3
Tax expenses	7,656	8,806	9,308	5.7	9,917	10,249	3.3	10,841	11,437	5.5
Minority interest	4,203	4,648	4,913	5.7	5,234	5,409	3.3	5,722	6,036	5.5
Normalised profit	29,487	33,139	35,028	5.7	37,321	38,568	3.3	40,797	43,040	5.5
Extraordinary items	-	-	-	-	-	-	-	-	-	-
Net profit	29,487	33,139	35,028	5.7	37,321	38,568	3.3	40,797	43,040	5.5
EPS (THB)	12.45	13.99	14.78	5.7	15.75	16.28	3.3	17.22	18.17	5.5
Key statistics and ratios										
Asset quality ratio										
Gross NPLs (THB m)	101,007	112,118	112,118	-	117,724	117,724	-	121,255	121,255	-
Gross NPLs/Loans (%)	3.93	4.08	4.00		4.08	4.00		4.00	3.93	
Loan loss reserve/NPLs (%)	133	131	131		129	131		126	129	
Credit cost (bps)	205	180	180		160	170		150	155	
Profitability ratio (%)										
Cost to income ratio*	45.2	44.9	44.0		44.0	42.7		43.8	42.2	
Average yield	3.86	3.60	3.67		3.40	3.48		3.58	3.63	
Cost of funds	0.78	0.58	0.58		0.55	0.58		0.77	0.81	
Net interest margin (NIM)	3.30	3.19	3.25		3.00	3.07		3.02	3.07	
Loan growth (%)										
y-y	12.1	7.0	9.0		5.0	5.0		5.0	5.0	

*Including share of profits from associates

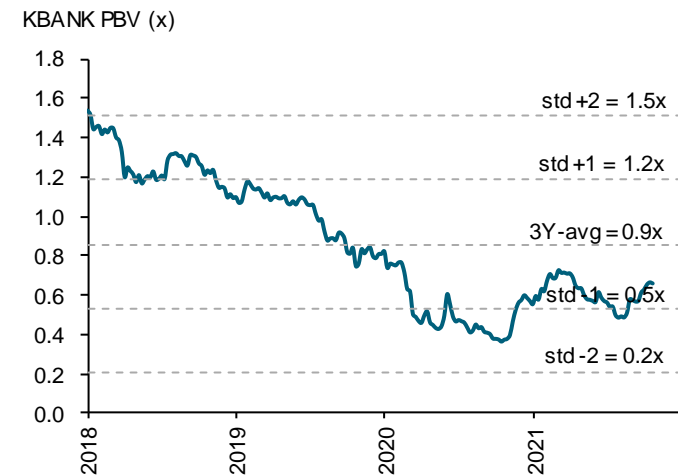
Source: FSSIA estimates

We revise up our 2022 GGM-based TP to THB172 from THB168, as we 1) increase our EPS forecast, leading to a higher book value; and 2) revise up our target 2022 P/BV to 0.80x from 0.78x as a result of our higher average long-term ROE target of 7.7% from 7.6%.

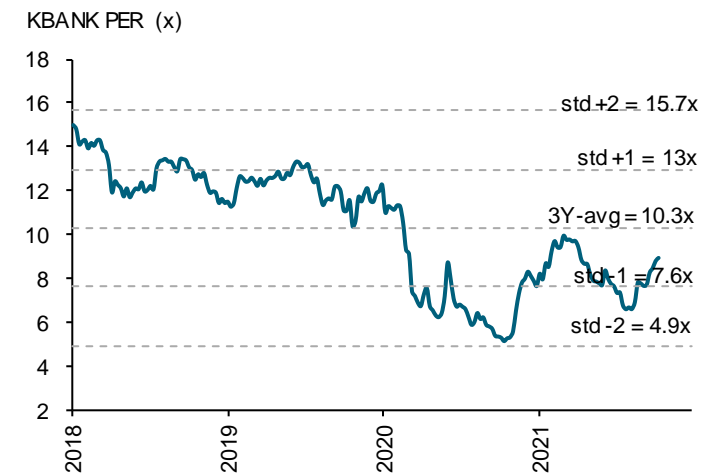
Exhibit 6: KBANK – GGM-derived target price

Target price	THB 172 (from THB168)
Recommendation	BUY (unchanged)
Risk-free rate (%)	3.0 (unchanged)
Market risk premium (%)	8.0 (unchanged)
Cost to equity (%)	8.4 (unchanged)
Terminal growth (%)	4.5 (from 4.0)
ROE target (%)	7.7 (from 7.6)
Risk to TP	Downside risks to our GGM-based TP are 1) prolonged economic sluggishness and further waves of the Covid-19 pandemic affecting loan growth and asset quality; and 2) the impact of further interest rate cuts on NIM and potential new regulations from the Bank of Thailand on debt-servicing programs.

Source: FSSIA estimates

Exhibit 7: KBANK – one-year forward rolling P/BV

Sources: Bloomberg; FSSIA estimates

Exhibit 8: KBANK – one-year forward rolling P/E

Sources: Bloomberg; FSSIA estimates

Exhibit 9: Peers comparison

Company name	BBG	Rec	--- Share price ---		Up	Market	EPS growth		----- PE -----		---- ROE ----		--- PBV ---	
	code		Current	Target	side	Cap	21E	22E	21E	22E	21E	22E	21E	22E
			(THB)	(THB)	(%)	(USD m)	(%)	(%)	(x)	(x)	(%)	(%)	(x)	(x)
Bangkok Bank	BBL TB	HOLD	122.00	134.00	10	6,974	27.1	8.6	8.7	8.0	5.9	6.2	0.5	0.5
Kasikornbank	KBANK TB	BUY	141.50	172.00	22	10,040	18.8	10.1	9.6	8.7	7.6	7.7	0.7	0.7
Kiatnakin Bank	KKP TB	BUY	59.00	68.00	15	1,496	8.2	20.9	9.0	7.5	11.6	13.0	1.0	0.9
Krung Thai Bank	KTB TB	HOLD	11.80	12.20	3	4,939	21.5	5.5	8.1	7.7	5.8	5.8	0.5	0.4
Siam Commercial Bank	SCB TB	BUY	124.00	160.00	29	12,609	28.7	8.9	12.0	11.0	8.3	8.6	1.0	0.9
Tisco Financial	TISCO TB	BUY	93.00	110.00	18	2,230	6.7	9.0	11.5	10.6	16.1	16.7	1.8	1.7
TMBThanachart	TTB TB	BUY	1.13	1.40	24	3,270	(1.1)	32.1	10.9	8.2	4.8	6.1	0.5	0.5
Coverage						41,557	20.2	10.8	10.0	9.0	7.0	7.4	0.7	0.6

Share prices as of 21 Oct 2021

Sources: Company data; FSSIA estimates

Financial Statements

Kasikornbank

Profit and Loss (THB m) Year Ending Dec	2019	2020	2021E	2022E	2023E
Interest Income	130,178	127,592	133,658	135,937	146,401
Interest expense	(27,490)	(18,570)	(15,190)	(15,904)	(22,937)
Net interest income	102,688	109,022	118,467	120,033	123,463
Net fees & commission	36,740	33,004	36,029	37,830	39,722
Foreign exchange trading income	8,362	0	0	0	0
Securities trading income	8,412	9,428	5,939	6,011	6,087
Dividend income	2,817	2,384	2,623	2,754	2,892
Other income	1,428	1,246	574	2,564	3,334
Non interest income	57,759	46,063	45,165	49,160	52,034
Total income	160,447	155,085	163,632	169,192	175,497
Staff costs	(33,261)	(32,143)	(32,786)	(31,803)	(32,439)
Other operating costs	(39,468)	(37,853)	(39,159)	(40,305)	(41,492)
Operating costs	(72,729)	(69,997)	(71,945)	(72,107)	(73,931)
Pre provision operating profit	87,718	85,088	91,687	97,085	101,566
Provision for bad and doubtful debt	(34,012)	(43,548)	(42,225)	(42,636)	(40,818)
Other provisions	-	-	-	-	-
Operating profit	53,706	41,540	49,462	54,449	60,748
Recurring non operating income	44	(193)	(213)	(223)	(234)
Associates	44	(193)	(213)	(223)	(234)
Goodwill amortization	-	-	-	-	-
Non recurring items	0	0	0	0	0
Profit before tax	53,750	41,347	49,249	54,225	60,514
Tax	(10,309)	(7,656)	(9,308)	(10,249)	(11,437)
Profit after tax	43,441	33,690	39,941	43,977	49,077
Minority interests	(4,714)	(4,203)	(4,913)	(5,409)	(6,036)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	38,727	29,487	35,028	38,568	43,040
Non recurring items & goodwill (net)	-	-	0	0	0
Recurring net profit	38,727	29,487	35,028	38,568	43,040
Per share (THB)					
Recurring EPS *	16.18	12.45	14.78	16.28	18.17
Reported EPS	16.18	12.45	14.78	16.28	18.17
DPS	5.00	2.50	2.70	3.50	4.00
Growth					
Net interest income (%)	4.2	6.2	8.7	1.3	2.9
Non interest income (%)	1.5	(20.3)	(1.9)	8.8	5.8
Pre provision operating profit (%)	0.7	(3.0)	7.8	5.9	4.6
Operating profit (%)	(1.6)	(22.7)	19.1	10.1	11.6
Reported net profit (%)	0.7	(23.9)	18.8	10.1	11.6
Recurring EPS (%)	0.7	(23.1)	18.8	10.1	11.6
Reported EPS (%)	0.7	(23.1)	18.8	10.1	11.6
Income Breakdown					
Net interest income (%)	64.0	70.3	72.4	70.9	70.4
Net fees & commission (%)	22.9	21.3	22.0	22.4	22.6
Foreign exchange trading income (%)	5.2	-	-	-	-
Securities trading income (%)	5.2	6.1	3.6	3.6	3.5
Dividend income (%)	1.8	1.5	1.6	1.6	1.6
Other income (%)	0.9	0.8	0.4	1.5	1.9
Operating performance					
Gross interest yield (%)	4.20	3.86	3.67	3.48	3.63
Cost of funds (%)	1.24	0.78	0.58	0.58	0.81
Net interest spread (%)	2.96	3.08	3.09	2.90	2.82
Net interest margin (%)	3.3	3.3	3.2	3.1	3.1
Cost/income(%)	45.3	45.1	44.0	42.6	42.1
Cost/assets(%)	2.3	2.0	1.9	1.8	1.8
Effective tax rate (%)	19.2	18.5	18.9	18.9	18.9
Dividend payout on recurring profit (%)	30.9	20.1	18.3	21.5	22.0
ROE (%)	9.9	7.0	7.6	7.7	8.1
ROE - COE (%)	(0.1)	(3.0)	(2.3)	(2.2)	(1.8)
ROA (%)	1.3	1.0	1.0	1.1	1.2
RORWA (%)	2.0	1.5	1.6	1.6	1.7
* Pre-exceptional, pre-goodwill and fully diluted					

Sources: Kasikornbank; FSSIA estimates

Financial Statements

Kasikornbank

Balance Sheet (THB m) Year Ending Dec	2019	2020	2021E	2022E	2023E
Gross customer loans	2,001,956	2,244,821	2,446,855	2,569,198	2,697,658
Total provisions	(124,879)	(134,393)	(147,256)	(153,924)	(156,974)
interest in suspense	2,830	11,272	17,128	20,554	21,581
Net customer loans	1,879,907	2,121,700	2,316,727	2,435,828	2,562,264
Bank loans	385,940	417,420	397,872	381,622	362,615
Government securities	-	-	-	-	-
Trading securities	-	-	-	-	-
Investment securities	776,700	777,790	1,008,107	1,017,599	1,027,200
Cash & equivalents	61,385	61,962	22,855	42,254	41,634
Other interesting assets	-	-	-	-	-
Tangible fixed assets	77,686	85,664	87,471	89,928	93,034
Associates	-	-	-	-	-
Goodwill	-	-	-	-	-
Other intangible assets	-	-	-	-	-
Other assets	112,272	194,261	139,022	122,698	126,394
Total assets	3,293,889	3,658,798	3,972,055	4,089,929	4,213,142
Customer deposits	2,072,049	2,344,998	2,446,904	2,599,071	2,677,043
Bank deposits	-	-	-	-	-
Other interest bearing liabilities	185,132	183,631	284,016	213,776	220,190
Non interest bearing liabilities	582,994	638,883	702,771	702,771	702,771
Hybrid Capital	-	-	-	-	-
Total liabilities	2,840,174	3,167,512	3,433,690	3,515,618	3,600,003
Share capital	23,933	23,693	23,693	23,693	23,693
Reserves	382,425	415,976	458,108	490,279	525,026
Total equity	406,358	439,670	481,802	513,972	548,720
Minority interests	47,357	51,616	56,563	60,339	64,419
Total liabilities & equity	3,293,889	3,658,798	3,972,055	4,089,929	4,213,142
Supplementary items					
Risk weighted assets (RWA)	2,210,881	2,404,276	2,620,661	2,751,694	2,889,279
Average interest earning assets	3,101,614	3,302,313	3,646,433	3,910,627	4,027,946
Average interest bearing liabilities	2,214,536	2,368,844	2,602,898	2,744,164	2,826,489
Tier 1 capital	357,975	387,854	413,004	443,405	475,916
Total capital	433,753	452,095	477,245	507,646	540,157
Gross non performing loans (NPL)	84,038	101,007	112,118	117,724	121,255
Per share (THB)					
Book value per share	169.79	185.57	203.35	216.93	231.59
Tangible book value per share	169.79	185.57	203.35	216.93	231.59
Growth					
Gross customer loans	4.6	12.1	9.0	5.0	5.0
Average interest earning assets	6.9	6.5	10.4	7.2	3.0
Total asset (%)	4.4	11.1	8.6	3.0	3.0
Risk weighted assets (%)	6.2	8.7	9.0	5.0	5.0
Customer deposits (%)	3.9	13.2	4.3	6.2	3.0
Leverage & capital measures					
Customer loan/deposits (%)	90.7	90.5	94.7	93.7	95.7
Equity/assets (%)	12.3	12.0	12.1	12.6	13.0
Tangible equity/assets (%)	12.3	12.0	12.1	12.6	13.0
RWA/assets (%)	67.1	65.7	66.0	67.3	68.6
Tier 1 CAR (%)	16.2	16.1	15.8	16.1	16.5
Total CAR (%)	19.6	18.8	18.2	18.4	18.7
Asset Quality					
Change in NPL (%)	13.0	20.2	11.0	5.0	3.0
NPL/gross loans (%)	4.2	4.5	4.6	4.6	4.5
Total provisions/gross loans (%)	6.2	6.0	6.0	5.7	5.8
Total provisions/NPL (%)	148.6	133.1	131.3	130.7	129.5
Valuation					
Recurring P/E (x) *	8.7	11.4	9.6	8.7	7.8
Recurring P/E @ target price (x) *	10.6	13.8	11.6	10.6	9.5
Reported P/E (x)	8.7	11.4	9.6	8.7	7.8
Dividend yield (%)	3.5	1.8	1.9	2.5	2.8
Price/book (x)	0.8	0.8	0.7	0.7	0.6
Price/tangible book (x)	0.8	0.8	0.7	0.7	0.6
Price/tangible book @ target price (x)	1.0	0.9	0.8	0.8	0.7

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Kasikornbank; FSSIA estimates

Corporate Governance report of Thai listed companies 2020

EXCELLENT LEVEL										
AAV	ADVANC	AF	AIRA	AKP	AKR	ALT	AMA	AMATA	AMATAV	ANAN
AOT	AP	ARIP	ARROW	ASP	BAFS	BANPU	BAY	BCP	BCPG	BDMS
BEC	BEM	BGRIM	BIZ	BKI	BLA	BOL	BPP	BRR	BTS	BWG
CENTEL	CFRESH	CHEWA	CHO	CIMBT	CK	CKP	CM	CNT	COL	COMAN
COTTO	CPALL	CPF	CPI	CPN	CSS	DELTA	DEMCO	DRT	DTAC	DTC
DV8	EA	EASTW	ECF	ECL	EGCO	EPG	ETE	FNS	FPI	FPT
FSMART	GBX	GC	GCAP	GEL	GFPT	GGC	GPSC	GRAMMY	GUNKUL	HANA
HARN	HMPRO	ICC	ICHI	III	ILINK	INTUCH	IRPC	IVL	JKN	JSP
JWD	K	KBANK	KCE	KKP	KSL	KTB	KTC	LANNA	LH	LHFG
LIT	LPN	MAKRO	MALEE	MBK	MBKET	MC	MCOT	METCO	MFEC	MINT
MONO	MOONG	MSC	MTC	NCH	NCL	NEP	NKI	NOBLE	NSI	NVD
NYT	OISHI	ORI	OTO	PAP	PCSGH	PDJ	PG	PHOL	PLANB	PLANET
PLAT	PORT	PPS	PR9	PREB	PRG	PRM	PSH	PSL	PTG	PTT
PTTEP	PTTGC	PYLON	Q-CON	QH	QTC	RATCH	RS	S	S & J	SAAM
SABINA	SAMART	SAMTEL	SAT	SC	SCB	SCC	SCCC	SCG	SCN	SDC
SEAFCO	SEOIL	SE-ED	SELIC	SENA	SIRI	SIS	SITHAI	SMK	SMPC	SNC
SONIC	SORKON	SPALI	SPI	SPRC	SPVI	SSSC	SST	STA	SUSCO	SUTHA
SVI	SYMC	SYNTEC	TACC	TASCO	TCAP	TFMAMA	THANA	THANI	THCOM	THG
THIP	THRE	THREL	TIP	TIPCO	TISCO	TK	TKT	TTB	TMILL	TNDT
TNL	TOA	TOP	TPBI	TQM	TRC	TSC	TSR	TSTE	TSTH	TTA
TTCL	TTW	TU	TVD	TVI	TVO	TWPC	U	UAC	UBIS	UV
VGI	VIH	WACOAL	WAVE	WHA	WHAUP	WICE	WINNER	TRUE		

VERY GOOD LEVEL										
2S	ABM	ACE	ACG	ADB	AEC	AEONTS	AGE	AH	AHC	AIT
ALLA	AMANAHA	AMARIN	APCO	APCS	APURE	AQUA	ASAP	ASEFA	ASIA	ASIAN
ASIMAR	ASK	ASN	ATP30	AUCT	AWC	AYUD	B	BA	BAM	BBL
BFIT	BGC	BJC	BJCHI	BROOK	BTW	CBG	CEN	CGH	CHARAN	CHAYO
CHG	CHOTI	CHOW	CI	CIG	CMC	COLOR	COM7	CPL	CRC	CRD
CSC	CSP	CWT	DCC	DCON	DDD	DOD	DOHOME	EASON	EE	ERW
ESTAR	FE	FLOYD	FN	FORTH	FSS	FTE	FVC	GENCO	GJS	GL
GLAND	GLOBAL	GLOCON	GPI	GULF	GYT	HPT	HTC	ICN	IFS	ILM
IMH	INET	INSURE	IRC	IRCP	IT	ITD	ITEL	J	JAS	JCK
JCKH	JMART	JMT	KBS	KCAR	KGI	KIAT	KOOL	KTIS	KWC	KWM
L&E	LALIN	LDC	LHK	LOXLEY	LPH	LRH	LST	M	MACO	MAJOR
MBAX	MEGA	META	MFC	MGT	MILL	MITSIB	MK	MODERN	MTI	MVP
NETBAY	NEX	NINE	NTV	NWR	OCC	OGC	OSP	PATO	PB	PDG
PDI	PICO	PIMO	PJW	PL	PM	PPP	PRIN	PRINC	PSTC	PT
QLT	RCL	RICHY	RML	RPC	RWI	S11	SALEE	SAMCO	SANKO	SAPPE
SAWAD	SCI	SCP	SE	SEG	SFP	SGF	SHR	SIAM	SINGER	SKE
SKR	SKY	SMIT	SMT	SNP	SPA	SPC	SPCG	SR	SRICHA	SSC
SSF	STANLY	STI	STPI	SUC	SUN	SYNEX	T	TAE	TAKUNI	TBSP
TCC	TCMC	TEAM	TEAMG	TFG	TIGER	TITLE	TKN	TKS	TM	TMC
TMD	TMI	TMT	TNITY	TNP	TNR	TOG	TPA	TPAC	TPCORP	TPOLY
TPS	TRITN	TRT	TRU	TSE	TVT	TWP	UEC	UMI	UOBKH	UP
UPF	UPOIC	UT	UTP	UWC	VL	VNT	VPO	WIIK	WP	XO
YUASA	ZEN	ZIGA	ZMICO							

GOOD LEVEL										
7UP	A	ABICO	AJ	ALL	ALUCON	AMC	APP	ARIN	AS	AU
B52	BC	BCH	BEAUTY	BGT	BH	BIG	BKD	BLAND	BM	BR
BROCK	BSBM	BSM	BTNC	CAZ	CCP	CGD	CITY	CMAN	CMO	CMR
CPT	CPW	CRANE	CSR	D	EKH	EP	ESSO	FMT	GIFT	GREEN
GSC	GTB	HTECH	HUMAN	HL	INOX	INSET	IP	JTS	JUBILE	KASET
KCM	KKC	KUMWEL	KUN	KWG	KYE	LEE	MATCH	MATI	M-CHAI	MCS
MDX	MJD	MM	MORE	NC	NDR	NER	NFC	NNCL	NPK	NUSA
OCEAN	PAF	PF	PK	PLE	PMTA	POST	PPM	PRAKIT	PRECHA	PRIME
PROUD	PTL	RBF	RCI	RJH	ROJNA	RP	RPH	RSP	SF	SFLEX
SGP	SISB	SKN	SLP	SMART	SOLAR	SPG	SQ	SSP	STARK	STC
SUPER	SVOA	TC	TCCC	THMUI	TIW	TNH	TOPP	TPCH	TIPIP	TPLAS
TTI	TYCN	UKEM	UMS	VCOM	VRANDA	WIN	WORK	WPH		

Description

Score Range

Excellent

90-100

Very Good

80-89

Good

70-79

Disclaimer:

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* CGR scoring should be considered with news regarding wrong doing of the company or director or executive of the company such unfair practice on securities trading, fraud, and corruption SEC imposed a civil sanction against insider trading of director and executive; ** delisted

Source: Thai Institute of Directors Association (IOD); FSSIA's compilation

Anti-corruption Progress Indicator 2020

CERTIFIED										
2S	ADVANC	AI	AIE	AIRA	AKP	AMA	AMANA	AP	AQUA	ARROW
ASK	ASP	AYUD	B	BAFS	BANPU	BAY	BBL	BCH	BCP	BCPG
BGC	BGRIM	BJCHI	BKI	BLA	BPP	BROOK	BRR	BSBM	BTS	BWG
CEN	CENTEL	CFRESH	CGH	CHEWA	CHOTI	CHOW	CIG	CIMBT	CM	CMC
COL	COM7	CPALL	CPF	CPI	CPN	CSC	DCC	DELTA	DEMCO	DIMET
DRT	DTAC	DTC	EASTW	ECL	EGCO	FE	FNS	FPI	FPT	FSS
FTE	GBX	GC	GCAP	GEL	GFPT	GGC	GJS	GPSC	GSTEEL	GUNKUL
HANA	HARN	HMPRO	HTC	ICC	ICHI	IFS	INET	INSURE	INTUCH	IRPC
ITEL	IVL	K	KASET	KBANK	KBS	KCAR	KCE	KGI	KKP	KSL
KTB	KTC	KWC	L&E	LANNA	LHFG	LHK	LPN	LRH	M	MAKRO
MALEE	MBAX	MBK	MBKET	MC	MCOT	MFC	MFEC	MINT	MONO	MOONG
MPG	MSC	MTC	MTI	NBC	NEP	NINE	NKI	NMG	NNCL	NSI
NWR	OCC	OCEAN	OGC	ORI	PAP	PATO	PB	PCSGH	PDG	PDI
PDJ	PE	PG	PHOL	PL	PLANB	PLANET	PLAT	PM	PPP	PPPM
PPS	PREB	PRG	PRINC	PRM	PSH	PSL	PSTC	PT	PTG	PTT
PTTEP	PTTGC	PYLON	Q-CON	QH	QLT	QTC	RATCH	RML	RWI	S & J
SABINA	SAT	SC	SCB	SCC	SCCC	SCG	SCN	SEAOL	SE-ED	SELIC
SENA	SGP	SIRI	SITHAI	SMIT	SMK	SMPC	SNC	SNP	SORKON	SPACK
SPC	SPI	SPRC	SRICHA	SSF	SSSC	SST	STA	SUSCO	SVI	SYNTEC
TAE	TAKUNI	TASCO	TBSP	TCAP	TCMC	TFG	TFI	TFMAMA	THANI	THCOM
THIP	THRE	THREL	TIP	TIPCO	TISCO	TKT	TTB	TMD	TMILL	TMT
TNITY	TNL	TNP	TNR	TOG	TOP	TPA	TPCORP	TPP	TRU	TSC
TSTH	TTCL	TU	TVD	TVI	TVO	TWPC	U	UBIS	UEC	UKEM
UOBKH	UWC	VGI	VIH	VNT	WACOAL	WHA	WHAUP	WICE	WIJK	XO
ZEN	TRUE									
DECLARED										
7UP	ABICO	AF	ALT	AMARIN	AMATA	AMATAV	ANAN	APURE	B52	BKD
BM	BROCK	BUI	CHO	CI	COTTO	DDD	EA	EFORL	EP	ERW
ESTAR	ETE	EVER	FSMART	GPI	ILINK	IRC	J	JKN	JMART	JMT
JSP	JTS	KWG	LDC	MAJOR	META	NCL	NOBLE	NOK	PK	PLE
ROJNA	SAAM	SAPPE	SCI	SE	SHANG	SINGER	SKR	SPALI	SSP	STANLY
SUPER	SYNEX	THAI	TKS	TOPP	TRITN	TTA	UPF	UV	WIN	ZIGA

Level	
Certified	This level indicates practical participation with thoroughly examination in relation to the recommended procedures from the audit committee or the SEC's certified auditor, being a certified member of Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) or already passed examination to ensure independence from external parties.
Declared	This level indicates determination to participate in the Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC)

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Note: Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of June 24, 2019) are categorised into: 1) companies that have declared their intention to join CAC, and; 2) companies certified by CAC.

Source: The Securities and Exchange Commission, Thailand; * FSSIA's compilation

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Yuvanart Suwanumphai FSS International Investment Advisory Securities Co., Ltd

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Company	Ticker	Price	Rating	Valuation & Risks
Kasikornbank	KBANK TB	THB 141.50	BUY	Downside risks to our GGM-based TP are 1) prolonged economic sluggishness and further waves of the Covid-19 pandemic affecting loan growth and asset quality; and 2) the impact of further interest rate cuts on NIM and potential new regulations from the Bank of Thailand on debt-servicing programs.
Bangkok Bank	BBL TB	THB 122.00	HOLD	Downside risks to our GGM-based TP are 1) prolonged economic sluggishness and further waves of the Covid-19 pandemic affecting loan growth and asset quality; and 2) the impact of further interest rate cuts on its NIM and potential new regulations from the Bank of Thailand on debt-servicing programs. The upside risk would be better-than-expected synergies with Permata.
Kiatnakin Bank	KKP TB	THB 59.00	BUY	Downside risks to our GGM-based target price include weakening asset quality and lower fee income.
Krung Thai Bank	KTB TB	THB 11.80	HOLD	Downside risks to our GGM-based TP are 1) prolonged economic sluggishness and further waves of the Covid-19 pandemic affecting loan growth and asset quality; and 2) the impact of further interest rate cuts on NIM and potential new regulations from the Bank of Thailand on debt-servicing programs. The upside risk is the better-than-expected ability to control cost of funds.
Siam Commercial Bank	SCB TB	THB 124.00	BUY	Downside risks to our SOTP-based TP are 1) prolonged economic sluggishness and further waves of the Covid-19 pandemic affecting loan growth and asset quality; and 2) the impact of further interest rate cuts on its NIM.
Tisco Financial	TISCO TB	THB 93.00	BUY	Downside risks to our GGM-based TP are 1) prolonged economic sluggishness and further waves of the Covid-19 pandemic affecting loan growth and asset quality; 2) the impact of new regulations from the Bank of Thailand on debt-servicing programs; and 3) the slow expansion of its high-yield auto cash portfolio.
TMBThanachart Bank	TTB TB	THB 1.13	BUY	Downside risks to our GGM-based TP are 1) prolonged economic sluggishness and further waves of the Covid-19 pandemic affecting loan growth and asset quality; and 2) the impact of further interest rate cuts on NIM and potential new regulations from the Bank of Thailand on debt-servicing programs.

Source: FSSIA estimates

Additional Disclosures

Target price history, stock price charts, valuation and risk details, and equity rating histories applicable to each company rated in this report is available in our most recently published reports. You can contact the analyst named on the front of this note or your representative at Finansia Syrus Securities Public Company Limited

FSSIA may incorporate the recommendations and target prices of companies currently covered by FSS Research into equity research reports, denoted by an 'FSS' before the recommendation. FSS Research is part of Finansia Syrus Securities Public Company Limited, which is the parent company of FSSIA.

All share prices are as at market close on 21-Oct-2021 unless otherwise stated.

RECOMMENDATION STRUCTURE

Stock ratings

Stock ratings are based on absolute upside or downside, which we define as (target price* - current price) / current price.

BUY (B). The upside is 10% or more.

HOLD (H). The upside or downside is less than 10%.

REDUCE (R). The downside is 10% or more.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause a temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.

* In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

Industry Recommendations

Overweight. The analyst expects the fundamental conditions of the sector to be positive over the next 12 months.

Neutral. The analyst expects the fundamental conditions of the sector to be maintained over the next 12 months.

Underweight. The analyst expects the fundamental conditions of the sector to be negative over the next 12 months.

Country (Strategy) Recommendations

Overweight (O). Over the next 12 months, the analyst expects the market to score positively on two or more of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Neutral (N). Over the next 12 months, the analyst expects the market to score positively on one of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Underweight (U). Over the next 12 months, the analyst does not expect the market to score positively on any of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.