

Kiatnakin Bank Pcl (KKP TB) - BUY, Price Bt57.50, TP Bt70

Results Comment

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Strong profits, beat expectation

- KKP's 3Q21 profits came in stronger than expected. The beat was mainly from capital market biz, contributing profits of Bt533m or 36% of total net profits of Bt1.48bn, up 10% y-y and 9% q-q. We see upsides to our forecast and re-iterate BUY.
- The bank continues to gain share of auto-HP and housing loans, registered retail loans growth of 14% YTD. Growths of corporate and Lombard loans remain strong while the bank seems to lower its exposure in real estate and SME loans.
- Shifting the port to higher-quality segments, yield dropped, leading to NIM contraction of 5bp from 3.87% in 2Q21.
- Driven by private wealth mgmt., fee income grew 42% y-y but came down 10% q-q on lower IB fees.
- Losses of repossessed car sales rose to Bt614m vs Bt425m in 2Q21 and Bt120m in 3Q20. But with lower normalized provisions, credit costs including loss of repossessed car sales came down to 2.4% from 2.75% in 2Q21.
- Excluding the losses of repossessed car sales, opex has been well-controlled and amounted to Bt2.4bn, a slight increase of 4.3% y-y due mainly to higher variable incentives on employee expenses.
- NPLs rose 5% q-q to 3.5% of total loans, from 3.4% in 2Q21. KKP's loan loss coverage ratio was ample at 153%.

Income Statement (consolidated)						Income Statement 9M as					
Yr-end Dec (Bt m)	3Q20	4Q20	1Q21	2Q21	3Q21	(Bt m)	q-q%	y-y%	% 2021F	2021F	2022F
Interest & dividend income	4,705	5,101	4,815	4,744	4,749	Interest & dividend income	0	1	76	18,930	20,274
Interest expense	1,175	1,106	985	950	926	Interest expense	(3)	(21)	74	3,854	4,037
Net interest income	3,530	3,996	3,830	3,794	3,823	Net interest income	1	8	76	15,076	16,237
Non-interest income	1,283	1,979	1,785	1,941	1,978	Non-interest income	2	54	78	7,327	7,583
Total income	4,813	5,974	5,615	5,735	5,802	Total income	1	21	77	22,404	23,820
Operating expense	2,130	2,545	2,583	2,678	2,951	Operating expense	10	39	76	10,845	11,709
Pre-provisioning profit	2,682	3,430	3,032	3,058	2,850	Pre-provisioning profit	(7)	6	77	11,558	12,110
Provision for bad&doubtful debt	1,017	2,077	1,234	1,378	1,007	Provision for bad&doubtful debt	(27)	(1)	78	4,640	4,140
Profit before tax	1,665	1,353	1,798	1,680	1,844	Profit before tax	10	11	77	6,918	7,970
Tax	310	235	305	322	364	Tax	13	17	72	1,384	1,594
Profit after tax	1,355	1,118	1,492	1,358	1,479	Profit after tax	9	9	78	5,535	6,376
Equity income	-	-	-	-	-	Equity income	neg	neg	-	-	-
Minority interests	(8)	(10)	(30)	(4)	(1)	Minority interests	neg	neg	69	(50)	(53)
Extra items	-	-	-	-	-	Extra items	neg	neg	-	-	-
Net profit	1,347	1,108	1,463	1,354	1,478	Net profit	9	10	78	5,485	6,323
Normalized profit	1,347	1,108	1,463	1,354	1,478	Normalized profit	9	10	78	5,485	6,323
PPP/share (Bt)	3.2	4.1	3.6	3.6	3.4	PPP/share (Bt)	(7)	6	77	13.7	14.3
EPS (Bt)	1.6	1.3	1.7	1.6	1.7	EPS (Bt)	9	10	78	6.5	7.5
Norm EPS (Bt)	1.6	1.3	1.7	1.6	1.7	Norm EPS (Bt)	9	10	78	6.5	7.5
BV/share (Bt)	53.1	54.9	56.7	56.6	57.8	BV/share (Bt)	2	9	58	59.1	64.0

Balance Sheet (consolidated)						Financial Ratios (%)					
Yr-end Dec (Bt m)	3Q20	4Q20	1Q21	2Q21	3Q21		3Q20	4Q20	1Q21	2Q21	3Q21
Cash and interbank	39,960	34,261	41,044	30,778	37,374	Gross loan growth (YTD)	7.5	11.7	2.1	6.6	8.7
Other liquid items	-	-	-	-	-	Gross loan growth (q-q)	2.9	3.8	2.1	4.4	2.0
Total liquid items	39,960	34,261	41,044	30,778	37,374	Deposit growth (YTD)	40.6	46.1	0.3	(0.9)	3.7
Gross loans and accrued interest	261,996	271,951	277,757	290,191	295,650	Deposit growth (q-q)	(1.9)	3.9	0.3	(1.2)	4.6
Provisions	11,249	13,105	14,088	15,287	16,997	Non-interest income (y-y)	(26.9)	4.6	(13.2)	56.9	54.2
Net loans	250,747	258,846	263,669	274,903	279,891	Non-interest income (q-q)	3.7	54.2	(9.8)	8.8	1.9
Fixed assets	5,559	6,222	6,419	6,312	7,542	Fee income / Operating income	21.3	19.3	25.5	28.1	25.1
Other assets	39,425	40,769	59,821	54,597	64,016	Cost-to-income	44.3	42.6	46.0	46.7	50.9
Total assets	357,660	363,411	393,443	390,145	411,008	Net interest margin	3.87	4.43	4.05	3.87	3.82
Deposits	242,032	251,526	252,388	249,259	260,757	Credit cost	1.60	3.14	1.83	1.95	1.40
Interbank	16,899	10,264	13,771	18,100	18,071	ROE	12.2	9.7	12.4	11.3	12.2
Other liquid items	426	393	756	569	614	Loan-to-deposit	105.3	105.3	107.1	113.2	110.4
Total liquid items	259,357	262,182	266,916	267,928	279,442	Loan-to-deposit + S-T borrowing	105.3	105.3	107.1	113.2	110.4
Borrowings	28,887	28,344	32,844	42,855	42,435	NPLs (Bt m)	7,883	8,256	9,505	10,578	11,098
Other liabilities	24,319	26,259	45,521	31,300	40,074	NPL increase	(853)	373	1,250	1,073	520
Minority interest	110	109	114	113	114	NPL ratio	2.90	3.20	3.40	3.40	3.50
Shareholders' equity	44,987	46,517	48,048	47,950	48,944	Loan-loss-coverage ratio	142.7	158.7	148.2	144.5	153.2
Total Liabilities & Equity	357,660	363,411	393,443	390,145	411,008	CAR - total	18.2	17.4	16.8	17.2	16.8

Sources: Company data, Thanachart estimates

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