

## Kiatnakin Bank Pcl (KKP TB) - BUY, Price Bt66.00, TP Bt70.00

## Results Comment

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## Very strong profits

- KKP's profits were better than our estimates. This is amid elevated provisions to boost cushion and LLR. 2021's profits were up 23% y-y and 15% higher than our forecast.
- Of KKP's total profits in 2021, 29% was from capital market.
- Loans grew 7% q-q and 17% YTD. This was driven mainly by corporate, auto-HP and housing loans. NIM widened nicely on both yield expansion and falling cost of funds.
- On the non-interest income side, net fee grew nicely 36% y-y and 8% q-q in 4Q21. The bank also booked higher investment gains of Bt1.26bn in the quarter.
- OPEX rose sharply y-y on larger loss of repossessed car sales on increasing foreclosure activities as some relief plans got expired. Meanwhile, gains on NPA sales were recovered strongly q-q.
- Along with growing loans, NPL rose from 3.2% of total loans in 2020 to 3.3%. That said, NPLs dropped q-q on better collection after lockdown easing.
- However, KKP has set aside extra and released some management overlay provisions to support qualitative NPLs classification. The bank's LLR has then improved to 160% from 142% in 3Q21.

| Income Statement                |              |              |              |              |              | Income Statement                |           |           |            |               |               |
|---------------------------------|--------------|--------------|--------------|--------------|--------------|---------------------------------|-----------|-----------|------------|---------------|---------------|
| (consolidated)                  |              |              |              |              |              | 12M as                          |           |           |            |               |               |
| Yr-end Dec (Bt m)               | 4Q20         | 1Q21         | 2Q21         | 3Q21         | 4Q21         | (Bt m)                          | q-q%      | y-y%      | % 2021F    | 2021A         | 2022F         |
| Interest & dividend income      | 5,101        | 4,815        | 4,744        | 4,749        | 5,181        | Interest & dividend income      | 9         | 2         | 103        | 19,489        | 20,274        |
| Interest expense                | 1,106        | 985          | 950          | 926          | 928          | Interest expense                | 0         | (16)      | 98         | 3,788         | 4,037         |
| <b>Net interest income</b>      | <b>3,996</b> | <b>3,830</b> | <b>3,794</b> | <b>3,823</b> | <b>4,253</b> | <b>Net interest income</b>      | <b>11</b> | <b>6</b>  | <b>104</b> | <b>15,701</b> | <b>16,237</b> |
| Non-interest income             | 1,979        | 1,785        | 1,941        | 1,978        | 2,841        | Non-interest income             | 44        | 44        | 117        | 8,545         | 7,583         |
| Total income                    | 5,974        | 5,615        | 5,735        | 5,802        | 7,094        | Total income                    | 22        | 19        | 108        | 24,246        | 23,820        |
| Operating expense               | 2,545        | 2,583        | 2,678        | 2,951        | 3,036        | Operating expense               | 3         | 19        | 104        | 11,248        | 11,709        |
| <b>Pre-provisioning profit</b>  | <b>3,430</b> | <b>3,032</b> | <b>3,058</b> | <b>2,850</b> | <b>4,058</b> | <b>Pre-provisioning profit</b>  | <b>42</b> | <b>18</b> | <b>112</b> | <b>12,998</b> | <b>12,110</b> |
| Provision for bad&doubtful debt | 2,077        | 1,234        | 1,378        | 1,007        | 1,582        | Provision for bad&doubtful debt | 57        | (24)      | 112        | 5,201         | 4,140         |
| Profit before tax               | 1,353        | 1,798        | 1,680        | 1,844        | 2,476        | Profit before tax               | 34        | 83        | 113        | 7,797         | 7,970         |
| Tax                             | 235          | 305          | 322          | 364          | 450          | Tax                             | 24        | 92        | 104        | 1,442         | 1,594         |
| Profit after tax                | 1,118        | 1,492        | 1,358        | 1,479        | 2,026        | Profit after tax                | 37        | 81        | 115        | 6,355         | 6,376         |
| Equity income                   | -            | -            | -            | -            | -            | Equity income                   | neg       | neg       | -          | -             | -             |
| Minority interests              | (10)         | (30)         | (4)          | (1)          | (3)          | Minority interests              | neg       | neg       | 75         | (37)          | (53)          |
| Extra items                     | -            | -            | -            | -            | -            | Extra items                     | neg       | neg       | -          | -             | -             |
| <b>Net profit</b>               | <b>1,108</b> | <b>1,463</b> | <b>1,354</b> | <b>1,478</b> | <b>2,023</b> | <b>Net profit</b>               | <b>37</b> | <b>83</b> | <b>115</b> | <b>6,318</b>  | <b>6,323</b>  |
| <b>Normalized profit</b>        | <b>1,108</b> | <b>1,463</b> | <b>1,354</b> | <b>1,478</b> | <b>2,023</b> | <b>Normalized profit</b>        | <b>37</b> | <b>83</b> | <b>115</b> | <b>6,318</b>  | <b>6,323</b>  |
| PPP/share (Bt)                  | 4.1          | 3.6          | 3.6          | 3.4          | 4.8          | PPP/share (Bt)                  | 42        | 18        | 112        | 15            | 14.3          |
| EPS (Bt)                        | 1.3          | 1.7          | 1.6          | 1.7          | 2.4          | EPS (Bt)                        | 37        | 83        | 115        | 7             | 7.5           |
| Norm EPS (Bt)                   | 1.3          | 1.7          | 1.6          | 1.7          | 2.4          | Norm EPS (Bt)                   | 37        | 83        | 115        | 7             | 7.5           |
| BV/share (Bt)                   | 54.9         | 56.7         | 56.6         | 57.8         | 60.3         | BV/share (Bt)                   | 4         | 10        | 60         | 60            | 64.0          |

| Balance Sheet                         |                |                |                |                |                | Financial Ratios                 |       |        |        |        |        |
|---------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------------------------|-------|--------|--------|--------|--------|
| (consolidated)                        |                |                |                |                |                |                                  |       |        |        |        |        |
| Yr-end Dec (Bt m)                     | 4Q20           | 1Q21           | 2Q21           | 3Q21           | 4Q21           | (%)                              | 4Q20  | 1Q21   | 2Q21   | 3Q21   | 4Q21   |
| Cash and Interbank                    | 34,261         | 41,044         | 30,778         | 37,374         | 56,480         | Gross loan growth (YTD)          | 11.7  | 2.1    | 6.6    | 8.5    | 16.5   |
| Other liquid items                    | -              | -              | -              | -              | -              | Gross loan growth (q-q)          | 3.8   | 2.1    | 4.4    | 1.8    | 7.3    |
| Total liquid items                    | 34,261         | 41,044         | 30,778         | 37,374         | 56,480         | Deposit growth (YTD)             | 46.1  | 0.3    | (0.9)  | 3.7    | 14.7   |
| Gross loans and accrued interest      | 271,951        | 277,757        | 290,191        | 295,650        | 315,653        | Deposit growth (q-q)             | 3.9   | 0.3    | (1.2)  | 4.6    | 10.6   |
| Provisions                            | 13,105         | 14,088         | 15,287         | 15,759         | 17,019         | Non-interest income (y-y)        | 4.6   | (13.2) | 56.9   | 54.2   | 43.6   |
| Net loans                             | 258,846        | 263,669        | 274,903        | 279,891        | 299,148        | Non-interest income (q-q)        | 54.2  | (9.8)  | 8.8    | 1.9    | 43.6   |
| Fixed assets                          | 6,222          | 6,419          | 6,312          | 7,542          | 7,483          | Fee income / Operating income    | 19.3  | 25.5   | 28.1   | 25.1   | 22.1   |
| Other assets                          | 40,769         | 59,821         | 54,597         | 64,016         | 56,172         | Cost-to-income                   | 42.6  | 46.0   | 46.7   | 50.9   | 42.8   |
| <b>Total assets</b>                   | <b>363,411</b> | <b>393,443</b> | <b>390,145</b> | <b>411,008</b> | <b>436,123</b> | Net interest margin              | 4.43  | 4.05   | 3.87   | 3.82   | 4.02   |
| Deposits                              | 251,526        | 252,388        | 249,259        | 260,757        | 288,382        | Credit cost                      | 3.14  | 1.83   | 1.95   | 1.40   | 2.05   |
| Interbank                             | 10,264         | 13,771         | 18,100         | 18,071         | 16,664         | ROE                              | 9.7   | 12.4   | 11.3   | 12.2   | 16.2   |
| Other liquid items                    | 393            | 756            | 569            | 614            | 669            | Loan-to-deposit                  | 105.3 | 107.1  | 113.2  | 110.2  | 107.0  |
| Total liquid items                    | 262,182        | 266,916        | 267,928        | 279,442        | 305,715        | Loan-to-deposit + S-T borrow ing | 105.3 | 107.1  | 113.2  | 110.2  | 107.0  |
| Borrowings                            | 28,344         | 32,844         | 42,855         | 42,435         | 43,805         | NPLs (Bt m)                      | 8,256 | 9,505  | 10,578 | 11,098 | 10,638 |
| Other liabilities                     | 26,259         | 45,521         | 31,300         | 40,074         | 35,441         | NPL increase                     | 373   | 1,250  | 1,073  | 520    | (460)  |
| Minority interest                     | 109            | 114            | 113            | 114            | 116            | NPL ratio                        | 3.20  | 3.40   | 3.40   | 3.50   | 3.30   |
| <b>Shareholders' equity</b>           | <b>46,517</b>  | <b>48,048</b>  | <b>47,950</b>  | <b>48,944</b>  | <b>51,046</b>  | Loan-loss-coverage ratio         | 158.7 | 148.2  | 144.5  | 142.0  | 160.0  |
| <b>Total Liabilities &amp; Equity</b> | <b>363,411</b> | <b>393,443</b> | <b>390,145</b> | <b>411,008</b> | <b>436,123</b> | CAR - total                      | 17.4  | 16.8   | 17.2   | 16.8   | 16.4   |

Sources: Company data, Thanachart estimates