Kiatnakin Bank Pcl (KKP TB) - BUY, Price Bt70.50, TP Bt77.00

Results Comment

Sarachada Sornsong | Email: sarachada.sor@thanachartsec.co.th

Strong profits, beat expectation

- KKP's 1Q22 profits of Bt2.1bn (up 41% y-y and 2% q-q) largely beat ours and consensus estimates. To us, the beat was due to lower from repossessed car sales and provisions. 1Q22 profits made up 30% of our full-year forecast.
- Interest income grew 12% y-y and 1% from loans expansions. Loans grew across all segments with total loans growth of 7% YTD.
- Spread has come down on lower lending yield but the bank was still able to lower cost of fund further.
- Non-interest income grew 20% y-y on higher investment gains, bancassurance and brokerage fees. The q-q drop was due to lower other income.
- Loss from repossessed car sales dropped nicely y-y q-q and this was driving lower opex from 4Q21. The y-y rise of opex was due to higher staff costs.
- NPLs were under good control with NPLs ratio fell to 3.1% from 3.3% in 4Q21. KKP's provisions fell 14% y-y and 33% q-q. Including loss from repossessed car sales, overall credit costs declined to 1.8% from 2.9% in 4Q21 and 2.8% in 1Q21. This is despite KKP has put aside management overlay provisions of Bt152m in the quarter.
- We see upsides to our numbers and re-iterate BUY on KKP.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	**1Q21**	**2Q21**	**3Q21**	**4Q21**	**1Q22**
Interest & dividend income	4,815	4,744	4,749	5,181	5,270
Interest expense	985	950	926	928	967
Net interest income	**3,830**	**3,794**	**3,823**	**4,253**	**4,304**
Non-interest income	1,785	1,941	1,978	2,841	2,137
Total income	5,615	5,735	5,802	7,094	6,441
Operating expense	2,583	2,678	2,951	3,036	2,793
Pre-provisioning profit	**3,032**	**3,058**	**2,850**	**4,058**	**3,648**
Provision for bad&doubtful debt	1,234	1,378	1,007	1,582	1,066
Profit before tax	1,798	1,680	1,844	2,476	2,582
Tax	305	322	364	450	521
Profit after tax	1,492	1,358	1,479	2,026	2,062
Equity income	-	-	-	-	-
Minority interests	(30)	(4)	(1)	(3)	(6)
Extra items	-	-	-	-	-
Net profit	**1,463**	**1,354**	**1,478**	**2,023**	**2,055**
Normalized profit	**1,463**	**1,354**	**1,478**	**2,023**	**2,055**
PPP/share (Bt)	3.6	3.6	3.4	4.8	4.3
EPS (Bt)	1.7	1.6	1.7	2.4	2.4
Norm EPS (Bt)	1.7	1.6	1.7	2.4	2.4
BV/share (Bt)	56.7	56.6	57.8	60.3	62.6

Income Statement			3M as		
(Bt m)	**q-q%**	**y-y%**	**% 2022F**	**2022F**	**2023F**
Interest & dividend income	2	9	24	21,777	23,824
Interest expense	4	(2)	22	4,467	5,644
Net interest income	**1**	**12**	**25**	**17,311**	**18,180**
Non-interest income	(25)	20	26	8,221	8,914
Total income	(9)	15	25	25,531	27,095
Operating expense	(8)	8	23	12,323	13,453
Pre-provisioning profit	**(10)**	**20**	28	**13,208**	**13,642**
Provision for bad&doubtful debt	(33)	(14)	23	4,640	3,640
Profit before tax	4	44	30	8,568	10,002
Tax	16	71	32	1,628	1,900
Profit after tax	2	38	30	6,940	8,102
Equity income	neg	neg		-	-
Minority interests	neg	neg	16	(40)	(42)
Extra items	neg	neg		-	-
Net profit	**2**	**41**	**30**	**6,900**	**8,059**
Normalized profit	**2**	**41**	**30**	**6,900**	**8,059**
PPP/share (Bt)	(10)	20	28	15.6	16.1
EPS (Bt)	2	41	30	8.1	9.5
Norm EPS (Bt)	2	41	30	8.1	9.5
BV/share (Bt)	4	10	63	65.3	71.3

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	**1Q21**	**2Q21**	**3Q21**	**4Q21**	**1Q22**
Cash and Interbank	41,044	30,778	37,374	56,480	61,384
Other liquid items	-	-	-	-	-
Total liquid items	41,044	30,778	37,374	56,480	61,384
Gross loans and accrued interest	277,757	290,191	295,650	315,653	336,238
Provisions	14,088	15,287	15,759	16,505	18,696
Net loans	263,669	274,903	279,891	299,148	319,179
Fixed assets	6,419	6,312	7,542	7,483	7,381
Other assets	59,821	54,597	64,016	56,172	56,976
Total assets	**393,443**	**390,145**	**411,008**	**436,123**	**462,388**
Deposits	252,388	249,259	260,757	288,382	299,459
Interbank	13,771	18,100	18,071	16,664	21,368
Other liquid items	756	569	614	669	1,002
Total liquid items	266,916	267,928	279,442	305,715	321,829
Borrowings	32,844	42,855	42,435	43,805	50,101
Other liabilities	45,521	31,300	40,074	35,441	37,362
Minority interest	114	113	114	116	95
Shareholders' equity	**48,048**	**47,950**	**48,944**	**51,046**	**53,000**
Total Liabilities & Equity	**393,443**	**390,145**	**411,008**	**436,123**	**462,388**

Financial Ratios					
(%)	**1Q21**	**2Q21**	**3Q21**	**4Q21**	**1Q22**
Gross loan growth (YTD)	2.1	6.6	8.5	15.9	6.6
Gross loan growth (q-q)	2.1	4.4	1.8	6.8	6.6
Deposit growth (YTD)	0.3	(0.9)	3.7	14.7	3.8
Deposit growth (q-q)	0.3	(1.2)	4.6	10.6	3.8
Non-interest income (y-y)	(13.2)	56.9	54.2	43.6	19.8
Non-interest income (q-q)	(9.8)	8.8	1.9	43.6	(24.8)
Fee income / Operating income	25.5	28.1	25.1	22.1	24.1
Cost-to-income	46.0	46.7	50.9	42.8	43.4
Net interest margin	4.05	3.87	3.82	4.02	3.83
Credit cost	1.83	1.95	1.40	2.06	1.30
ROE	12.4	11.3	12.2	16.2	15.8
Loan-to-deposit	107.1	113.2	110.2	106.4	109.3
Loan-to-deposit + S-T borrowing	107.1	113.2	110.2	106.4	109.3
NPLs (Bt m)	9,505	10,578	11,098	10,638	10,677
NPL increase	1,250	1,073	520	(460)	39
NPL ratio	3.40	3.40	3.50	3.30	3.10
Loan-loss-coverage ratio	148.2	144.5	142.0	155.2	175.1
CAR - total	16.8	17.2	16.8	16.4	15.9

Sources: Company data, Thanachart estimates

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