Kiatnakin Bank Pcl (KKP TB) - BUY, Price Bt60.50, TP Bt77.00

Results Comment

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

Strong profits, better than expectation

- KKP reported strong profits of Bt2bn, up 50% y-y but down 1% q-q. The strong profits were driven mainly by the banking operation on growing loans and lower provisions.
- Meanwhile, capital mkt biz was slowing down with profits contribution fell 55% y-y and 56% q-q due to weak market condition.
- Lower provisions and opex were larger than what we had assumed so earnings beat our expectation despite weaker fee income.
- Driven by all segments, loans grew 10% YTD. Net spread has come down on higher cost of funds.
- Non-NII fell 14% y-y and 22% q-q on lower capital market related fees and lower mark to market gains. However, banca and loan related fees still grew along with loans expansion.
- With manageable NPLs, KKP lowered provisions 41% y-y and 24% q-q. Losses from repossessed car sales increased 21% q-q to Bt332m in the quarter.
- NPLs increased from previous quarter but were still manageable and below target.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	2Q21	3Q21	4Q21	1Q22	2Q22
Interest & dividend income	4,744	4,749	5,181	5,270	5,547
Interest expense	950	926	928	967	1,071
Net interest income	**3,794**	**3,823**	**4,253**	**4,304**	**4,475**
Non-interest income	1,941	1,978	2,841	2,137	1,672
Total income	5,735	5,802	7,094	6,441	6,147
Operating expense	2,678	2,951	3,036	2,793	2,818
Pre-provisioning profit	**3,058**	**2,850**	**4,058**	**3,648**	**3,329**
Provision for bad&doubtful debt	1,378	1,007	1,582	1,066	812
Profit before tax	1,680	1,844	2,476	2,582	2,517
Tax	322	364	450	521	481
Profit after tax	1,358	1,479	2,026	2,062	2,036
Equity income	-	-	-	-	-
Minority interests	(4)	(1)	(3)	(6)	(2)
Extra items	-	-	-	-	-
Net profit	**1,354**	**1,478**	**2,023**	**2,055**	**2,033**
Normalized profit	**1,354**	**1,478**	**2,023**	**2,055**	**2,033**
PPP/share (Bt)	3.6	3.4	4.8	4.3	3.9
EPS (Bt)	1.6	1.7	2.4	2.4	2.4
Norm EPS (Bt)	1.6	1.7	2.4	2.4	2.4
BV/share (Bt)	56.6	57.8	60.3	62.6	62.6

Income Statement			6M as		
(Bt m)	q-q%	y-y%	% 2022F	2022F	2023F
Interest & dividend income	5	17	50	21,777	23,824
Interest expense	11	13	46	4,467	5,644
Net interest income	**4**	**18**	**51**	**17,311**	**18,180**
Non-interest income	(22)	(14)	46	8,221	8,914
Total income	(5)	7	49	25,531	27,095
Operating expense	1	5	46	12,323	13,453
Pre-provisioning profit	**(9)**	**9**	**53**	**13,208**	**13,642**
Provision for bad&doubtful debt	(24)	(41)	40	4,640	3,640
Profit before tax	(3)	50	60	8,568	10,002
Tax	(8)	50	62	1,628	1,900
Profit after tax	(1)	50	59	6,940	8,102
Equity income	neg	neg		-	-
Minority interests	neg	neg	21	(40)	(42)
Extra items	neg	neg		-	-
Net profit	**(1)**	**50**	**59**	**6,900**	**8,059**
Normalized profit	**(1)**	**50**	**59**	**6,900**	**8,059**
PPP/share (Bt)	(9)	9	53	15.6	16.1
EPS (Bt)	(1)	50	59	8.1	9.5
Norm EPS (Bt)	(1)	50	59	8.1	9.5
BV/share (Bt)	(0)	10	63	65.3	71.3

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	2Q21	3Q21	4Q21	1Q22	2Q22
Cash and Interbank	30,778	37,374	56,480	61,384	56,340
Other liquid items	32,544	37,760	29,846	26,979	41,516
Total liquid items	63,322	75,135	86,327	88,362	97,856
Gross loans and accrued interest	290,191	295,650	315,653	336,238	345,983
Provisions	15,287	15,759	16,505	17,060	17,360
Net loans	274,903	279,891	299,148	319,179	328,733
Fixed assets	6,312	7,542	7,483	7,381	7,693
Other assets	22,054	26,256	26,326	29,997	28,873
Total assets	**390,145**	**411,008**	**436,123**	**462,388**	**494,300**
Deposits	249,259	260,757	288,382	299,459	320,941
Interbank	18,100	18,071	16,664	21,368	14,486
Other liquid items	569	614	669	1,002	927
Total liquid items	267,928	279,442	305,715	321,829	336,354
Borrowings	42,855	42,435	43,805	50,101	59,961
Other liabilities	31,300	40,074	35,441	37,362	44,922
Minority interest	113	114	116	95	97
Shareholders' equity	**47,950**	**48,944**	**51,046**	**53,000**	**52,966**
Total Liabilities & Equity	**390,145**	**411,008**	**436,123**	**462,388**	**494,300**

Financial Ratios					
(%)	2Q21	3Q21	4Q21	1Q22	2Q22
Gross loan growth (YTD)	6.6	8.5	15.9	6.5	9.7
Gross loan growth (q-q)	4.4	1.8	6.8	6.5	3.0
Deposit growth (YTD)	(0.9)	3.7	14.7	3.8	11.3
Deposit growth (q-q)	(1.2)	4.6	10.6	3.8	7.2
Non-interest income (y-y)	56.9	54.2	43.6	19.8	(13.9)
Non-interest income (q-q)	8.8	1.9	43.6	(24.8)	(21.8)
Fee income / Operating income	28.1	25.1	22.1	24.1	22.7
Cost-to-income	46.7	50.9	42.8	43.4	45.8
Net interest margin	3.87	3.82	4.02	3.83	3.74
Credit cost	1.95	1.40	2.06	1.30	0.97
ROE	11.3	12.2	16.2	15.8	15.4
Loan-to-deposit	113.2	110.2	106.4	109.2	104.9
Loan-to-deposit + S-T borrowing	113.2	110.2	106.4	109.2	104.9
NPLs (Bt m)	10,578	11,098	10,638	10,677	11,550
NPL increase	1,073	520	(460)	39	873
NPL ratio	3.40	3.50	3.30	3.10	3.20
Loan-loss-coverage ratio	144.5	142.0	155.2	159.8	150.3
CAR - total	17.2	16.8	16.4	15.9	15.4

Sources: Company data, Thanachart estimates

General Disclaimers And Disclosures:

This report is prepared by analysts who are employed by the research department of TNS. While the information is from sources believed to be reliable, neither the information nor the forecasts shall be taken as a representation or warranty for which TNS or TCAP or its group companies or any of their employees incur any responsibility. This report is provided to you for informational purposes only and it is not, and is not to be construed as, an offer or an invitation to make an offer to sell or buy any securities. Neither TNS, TCAP nor its group companies accept any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

The information and opinions contained herein have been compiled or arrived at from sources believed reliable. However, TNS, TCAP and its group companies make no representation or warranty, express or implied, as to their accuracy or completeness. Expressions of opinion herein are subject to change without notice. The use of any information, forecasts and opinions contained in this report shall be at the sole discretion and risk of the user.

TNS, TCAP and its group companies perform and seek to perform business with companies covered in this report. TNS, TCAP, its group companies, their employees and directors may have positions and financial interest in securities mentioned in this report. TNS, TCAP or its group companies may from time to time perform investment banking or other services for, or solicit investment banking or other business from, any entity mentioned in this report. Therefore, investors should be aware of conflict of interest that may affect the objectivity of this report.

Note: Thanachart Securities Public Company Limited act as a Market Maker and Derivative Warrants Issuer. At present, TNS has issued 70 Derivative Warrants which are ADVANC16C2211A, ADVANC16C2210A, AMAT16C2209A, AOT16C2209A, AWC16C2207A, BAM16C2207A, BANP16C2207A, BANPU16C2210A, BCH16C2211A, BCH16C2207A, BEC16C2207A, BGRI16C2209A, BLA16C2208A, BLA16C2209A, CBG16C2207A, CBG16C2210A, CENTEL16C2209A, CHG16C2207A, COM716C2211C, COM716C2211B, COM716C2208A, COM716C2209A, COM716C2211A, DOHO16C2207A, EA16C2207A, EA16C2209A, ESSO16C2209A, ESSO16C2209B, GPSC16C2207A, GPSC16C2209A, GULF16C2207A, GULF16C2210A, GUNK16C2207A, GUNK16C2209A, HANA16C2211A, HANA16C2207A, HANA16C2209A, IVL16C2209A, JMART16C2210A, JMT16C2207A, JMT16C2210A, KBANK16C2211A, KBAN16C2208A, KBAN16C2209A, KCE16C2211A, KCE16C2208A, KCE16C2209A, KTC16C2209A, MEGA16C2207A, MINT16C2207A, MINT16C2211A, MTC16C2209A, PTG16C2209A, PTTE16C2209A, PTTG16C2207A, RBF16C2209A, RCL16C2208A, S5016C2209A, S5016P2209A, SAWA16C2209A, SCB16C2208A, SET5016P2209B, SPRC16C2209A, STEC16C2209A, TOP16C2211A, TTA16C2207A, TTA16C2208A, TTA16C2211A, TU16C2210A, WHA16C2209A (underlying securities are ADVANC, AMATA, AOT, AWC, BAM, BANPU, BCH, BEC, BGRIM, BLA, CBG, CENTEL, CHG, COM7, DOHOME, EA, ESSO, GPSC, GULF, GUNKUL, HANA, IVL, JMART, JMT, KBANK, KCE, KTC, MEGA, MINT, MTC, PTG, PTTEP, PTTGC, RBF, RCL, SAWAD, SCB, SET50, SPRC, STEC, TOP, TTA, TU, WHA). before making investment decisions.

Note: Our major shareholder TCAP (Thanachart Capital Pcl) which holding 50.96% of Thanachart Securities and also TCAP holding 100% of Thanachart SPV1 Co. Ltd. TCAP and Thanachart SPV1 Co. Ltd has stake in THANI for 60% and being the major shareholder of THANI.

Note: Thanachart Capital Public Company Limited (TCAP), TMBThanachart Bank Public Company Limited (TTB), are related companies to Thanachart Securities Public Company Limited (TNS). Thanachart Securities Pcl is a subsidiary of Thanachart Capital Pcl (TCAP) which holds 23% of the shareholding in TMBThanachart Bank Pcl.

Note: Thanachart Capital Public Company Limited (TCAP), Ratchthani Leasing Public Company Limited (THANI), MBK PUBLIC COMPANY LIMITED (MBK) and PATUM RICE MILL AND GRANARY PUBLIC COMPANY LIMTED (PRG) are related companies to Thanachart Securities Public Company Limited (TNS) . Since TNS covers those securities in research report, consequently TNS incurs conflicts of interest.

Disclosure of Interest of Thanachart Securities

Investment Banking Relationship

Within the preceding 12 months, Thanachart Securities has lead-managed public offerings and/or secondary offerings (excluding straight bonds) of the securities of the following companies: -