

Kiatnakin Bank Pcl (KKP TB) - BUY, Price Bt70.50, TP Bt80.00**Results Comment**

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Stronger-than-expected profits

- KKP reported strong net profits of Bt2.1bn, up 41% y-y and flat q-q. Profits beat our estimates on higher non-NII mainly from capital market business. The capital market biz made Bt336m profits in the quarter, a strong bounce 63% q-q.
- 9M22 profits made up 84% of our full-year forecast. We see upsides to our projection and re-iterate BUY.
- Driven by all segments, loans grew strongly 7% q-q and 17% YTD. Yield has improved along with rising cost of fund so NIM was held well from 2Q22.
- Boosted by capital market and banking fees, net fee income grew 8% y-y and 12% q-q. Along with investment gains, non-NII expanded 3% y-y and 21% q-q.
- NPL increased mainly from auto-HP segment. Auto HP NPL rose to 2.3% of total loans from 2% in 2Q22.
- Rising NPLs and higher losses from repossessed sales led to higher credit costs of 1.9% in the quarter vs 1.5% in 2Q22. This was still lower than 3Q21's level of 2.4% while KKP's LLR stood healthy at 141%.

Income Statement (consolidated)						Income Statement 9M as					
Yr-end Dec (Bt m)	3Q21	4Q21	1Q22	2Q22	3Q22	(Bt m)	q-q%	y-y%	% 2022F	2022F	2023F
Interest & dividend income	4,749	5,181	5,270	5,547	5,967	Interest & dividend income	8	26	75	22,392	25,977
Interest expense	926	928	967	1,071	1,192	Interest expense	11	29	75	4,298	6,599
Net interest income	3,823	4,253	4,304	4,475	4,775	Net interest income	7	25	75	18,094	19,378
Non-interest income	1,978	2,841	2,137	1,672	2,028	Non-interest income	21	3	78	7,474	8,002
Total income	5,802	7,094	6,441	6,147	6,804	Total income	11	17	76	25,568	27,381
Operating expense	2,951	3,036	2,793	2,818	3,106	Operating expense	10	5	73	11,993	12,781
Pre-provisioning profit	2,850	4,058	3,648	3,329	3,698	Pre-provisioning profit	11	30	79	13,575	14,600
Provision for bad&doubtful debt	1,007	1,582	1,066	812	1,089	Provision for bad&doubtful debt	34	8	67	4,440	4,240
Profit before tax	1,844	2,476	2,582	2,517	2,608	Profit before tax	4	41	84	9,135	10,360
Tax	364	450	521	481	523	Tax	9	43	88	1,736	1,968
Profit after tax	1,479	2,026	2,062	2,036	2,086	Profit after tax	2	41	84	7,399	8,391
Equity income	-	-	-	-	-	Equity income	neg	neg	-	-	-
Minority interests	(1)	(3)	(6)	(2)	(2)	Minority interests	neg	neg	54	(20)	(21)
Extra items	-	-	-	-	-	Extra items	neg	neg	-	-	-
Net profit	1,478	2,023	2,055	2,033	2,083	Net profit	2	41	84	7,379	8,370
Normalized profit	1,478	2,023	2,055	2,033	2,083	Normalized profit	2	41	84	7,379	8,370
PPP/share (Bt)	3.4	4.8	4.3	3.9	4.4	PPP/share (Bt)	11	30	79	16.0	17.2
EPS (Bt)	1.7	2.4	2.4	2.4	2.5	EPS (Bt)	2	41	84	8.7	9.9
Norm EPS (Bt)	1.7	2.4	2.4	2.4	2.5	Norm EPS (Bt)	2	41	84	8.7	9.9
BV/share (Bt)	57.8	60.3	62.6	62.6	63.3	BV/share (Bt)	1	9	63	65.8	71.9

Balance Sheet (consolidated)						Financial Ratios (%)					
Yr-end Dec (Bt m)	3Q21	4Q21	1Q22	2Q22	3Q22		3Q21	4Q21	1Q22	2Q22	3Q22
Cash and Interbank	37,374	56,480	61,384	56,340	55,256	Gross loan growth (YTD)	8.5	15.9	6.5	9.6	17.3
Other liquid items	37,760	29,846	26,979	41,516	46,583	Gross loan growth (q-q)	1.8	6.8	6.5	2.9	7.0
Total liquid items	75,135	86,327	88,362	97,856	101,839	Deposit growth (YTD)	3.7	14.7	3.8	11.3	16.7
Gross loans and accrued interest	295,650	315,653	336,238	345,983	368,954	Deposit growth (q-q)	4.6	10.6	3.8	7.2	4.9
Provisions	15,759	16,505	17,060	17,250	17,796	Non-interest income (y-y)	54.2	43.6	19.8	(13.9)	2.5
Net loans	279,891	299,148	319,179	328,733	352,176	Non-interest income (q-q)	1.9	43.6	(24.8)	(21.8)	21.3
Fixed assets	7,542	7,483	7,381	7,693	8,032	Fee income / Operating income	25.1	22.1	24.1	22.7	23.1
Other assets	26,256	26,326	29,997	28,873	35,584	Cost-to-income	50.9	42.8	43.4	45.8	45.7
Total assets	411,008	436,123	462,388	494,300	526,758	Net interest margin	3.82	4.02	3.83	3.74	3.74
Deposits	260,757	288,382	299,459	320,941	336,610	Credit cost	1.40	2.06	1.30	0.97	1.21
Interbank	18,071	16,664	21,368	14,486	20,743	ROE	12.2	16.2	15.8	15.4	15.6
Other liquid items	614	669	1,002	927	1,026	Loan-to-deposit	110.2	106.4	109.2	104.8	107.0
Total liquid items	279,442	305,715	321,829	336,354	358,378	Loan-to-deposit + S-T borrowing	110.2	106.4	109.2	104.8	107.0
Borrowings	42,435	43,805	50,101	59,961	56,250	NPLs (Bt m)	11,098	10,638	10,677	11,550	12,584
Other liabilities	40,074	35,441	37,362	44,922	58,464	NPL increase	520	(460)	39	873	1,034
Minority interest	114	116	95	97	99	NPL ratio	3.50	3.30	3.10	3.20	3.20
Shareholders' equity	48,944	51,046	53,000	52,966	53,567	Loan-loss-coverage ratio	142.0	155.2	159.8	149.4	141.4
Total Liabilities & Equity	411,008	436,123	462,388	494,300	526,758	CAR - total	16.8	16.4	15.9	15.4	15.1

Sources: Company data, Thanachart estimates

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