

**Kiatnakin Phatra Bank Pcl (KKP TB) - BUY, Price Bt71.25, TP Bt80****Results Comment**

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**Hit by extra provisions**

- KKP reported weak 4Q22 profits of Bt1.4bn, down 29% y-y and 31% q-q. 2022's profits were Bt7.6bn, up 20% y-y on higher loans and lower provisions.
- Capital market business was hit by trading incident that led to extra provision expenses of Bt708m to be booked in 4Q22. The banking business performed decently thanks to higher loans and fees.
- Driven by all segments, loans grew 21% YTD. The slowdown q-q was due to repayments of corporate loans.
- NPLs rose 11% q-q, bringing NPL ratio to 3.4%. As a precautionary measure, KKP put aside extra provisions of Bt252m in 4Q22. Comparing to 2021, provisions fell 3% as Covid situation improves.
- Non-NII declined of 1.0% from 2021. Net fees and services income expanded by 1.5% driven by strong increase in bancassurance fee and higher fee income from brokerage business and asset management business. However, wealth business was weak in line with market condition.
- Operating expenses jumped drastically on provisions related to capital market business. While losses on sales rose to Bt741m from Bt497m in 3Q22 on seasonal factor.
- Despite with extra provisions at the bank and capital market business, 2022's profits were in line with our forecast. We maintain our forecast but see limited share price upside.

| Income Statement                |              |              |              |              |              | Income Statement                |             |             |            |               |               |
|---------------------------------|--------------|--------------|--------------|--------------|--------------|---------------------------------|-------------|-------------|------------|---------------|---------------|
| (consolidated)                  |              |              |              |              |              | 12M as                          |             |             |            |               |               |
| Yr-end Dec (Bt m)               | 4Q21         | 1Q22         | 2Q22         | 3Q22         | 4Q22         | (Bt m)                          | q-q%        | y-y%        | % 2022F    | 2022A         | 2023F         |
| Interest & dividend income      | 5,181        | 5,270        | 5,547        | 5,967        | 6,886        | Interest & dividend income      | 15          | 33          | 106        | 23,671        | 25,977        |
| Interest expense                | 928          | 967          | 1,071        | 1,192        | 1,359        | Interest expense                | 14          | 46          | 107        | 4,589         | 6,599         |
| <b>Net interest income</b>      | <b>4,253</b> | <b>4,304</b> | <b>4,475</b> | <b>4,775</b> | <b>5,527</b> | <b>Net interest income</b>      | <b>16</b>   | <b>30</b>   | <b>105</b> | <b>19,081</b> | <b>19,378</b> |
| Non-interest income             | 2,841        | 2,137        | 1,672        | 2,028        | 2,620        | Non-interest income             | 29          | (8)         | 113        | 8,457         | 8,002         |
| Total income                    | 7,094        | 6,441        | 6,147        | 6,804        | 8,146        | Total income                    | 20          | 15          | 108        | 27,539        | 27,381        |
| Operating expense               | 3,036        | 2,793        | 2,818        | 3,106        | 4,295        | Operating expense               | 38          | 41          | 109        | 13,013        | 12,781        |
| <b>Pre-provisioning profit</b>  | <b>4,058</b> | <b>3,648</b> | <b>3,329</b> | <b>3,698</b> | <b>3,851</b> | <b>Pre-provisioning profit</b>  | <b>4</b>    | <b>(5)</b>  | <b>107</b> | <b>14,526</b> | <b>14,600</b> |
| Provision for bad&doubtful debt | 1,582        | 1,066        | 812          | 1,089        | 2,069        | Provision for bad&doubtful debt | 90          | 31          | 113        | 5,036         | 4,240         |
| Profit before tax               | 2,476        | 2,582        | 2,517        | 2,608        | 1,782        | Profit before tax               | (32)        | (28)        | 104        | 9,490         | 10,360        |
| Tax                             | 450          | 521          | 481          | 523          | 349          | Tax                             | (33)        | (23)        | 108        | 1,873         | 1,968         |
| Profit after tax                | 2,026        | 2,062        | 2,036        | 2,086        | 1,434        | Profit after tax                | (31)        | (29)        | 103        | 7,616         | 8,391         |
| Equity income                   | -            | -            | -            | -            | -            | Equity income                   | neg         | neg         | -          | -             | -             |
| Minority interests              | (3)          | (6)          | (2)          | (2)          | (4)          | Minority interests              | neg         | neg         | 72         | (14)          | (21)          |
| Extra items                     | -            | -            | -            | -            | -            | Extra items                     | neg         | neg         | -          | -             | -             |
| <b>Net profit</b>               | <b>2,023</b> | <b>2,055</b> | <b>2,033</b> | <b>2,083</b> | <b>1,430</b> | <b>Net profit</b>               | <b>(31)</b> | <b>(29)</b> | <b>103</b> | <b>7,602</b>  | <b>8,370</b>  |
| <b>Normalized profit</b>        | <b>2,023</b> | <b>2,055</b> | <b>2,033</b> | <b>2,083</b> | <b>1,430</b> | <b>Normalized profit</b>        | <b>(31)</b> | <b>(29)</b> | <b>103</b> | <b>7,602</b>  | <b>8,370</b>  |
| PPP/share (Bt)                  | 4.8          | 4.3          | 3.9          | 4.4          | 4.5          | PPP/share (Bt)                  | 4           | (5)         | 107        | 17.2          | 17.2          |
| EPS (Bt)                        | 2.4          | 2.4          | 2.4          | 2.5          | 1.7          | EPS (Bt)                        | (31)        | (29)        | 103        | 9.0           | 9.9           |
| Norm EPS (Bt)                   | 2.4          | 2.4          | 2.4          | 2.5          | 1.7          | Norm EPS (Bt)                   | (31)        | (29)        | 103        | 9.0           | 9.9           |
| BV/share (Bt)                   | 60.3         | 62.6         | 62.6         | 63.3         | 68.3         | BV/share (Bt)                   | 8           | 13          | 68         | 68.3          | 71.9          |

| Balance Sheet                         |                |                |                |                |                | Financial Ratios                |        |        |        |        |        |
|---------------------------------------|----------------|----------------|----------------|----------------|----------------|---------------------------------|--------|--------|--------|--------|--------|
| (consolidated)                        |                |                |                |                |                | 12M as                          |        |        |        |        |        |
| Yr-end Dec (Bt m)                     | 4Q21           | 1Q22           | 2Q22           | 3Q22           | 4Q22           | (%)                             | 4Q21   | 1Q22   | 2Q22   | 3Q22   | 4Q22   |
| Cash and Interbank                    | 56,480         | 61,384         | 56,340         | 55,256         | 46,733         | Gross loan growth (YTD)         | 15.9   | 6.5    | 9.6    | 17.2   | 21.4   |
| Other liquid items                    | 29,846         | 26,979         | 41,516         | 46,583         | 29,241         | Gross loan growth (q-q)         | 6.8    | 6.5    | 2.9    | 7.0    | 3.6    |
| Total liquid items                    | 86,327         | 88,362         | 97,856         | 101,839        | 75,974         | Deposit growth (YTD)            | 14.7   | 3.8    | 11.3   | 16.7   | 14.9   |
| Gross loans and accrued interest      | 315,653        | 336,238        | 345,983        | 369,851        | 383,839        | Deposit growth (q-q)            | 10.6   | 3.8    | 7.2    | 4.9    | (1.5)  |
| Provisions                            | 16,505         | 17,060         | 17,250         | 17,675         | 18,968         | Non-interest income (y-y)       | 43.6   | 19.8   | (13.9) | 2.5    | (7.8)  |
| Net loans                             | 299,148        | 319,179        | 328,733        | 352,176        | 364,871        | Non-interest income (q-q)       | 43.6   | (24.8) | (21.8) | 21.3   | 29.2   |
| Fixed assets                          | 7,483          | 7,381          | 7,693          | 8,032          | 13,200         | Fee income / Operating income   | 22.1   | 24.1   | 22.7   | 23.1   | 20.2   |
| Other assets                          | 26,326         | 29,997         | 28,873         | 35,584         | 21,745         | Cost-to-income                  | 42.8   | 43.4   | 45.8   | 45.7   | 52.7   |
| <b>Total assets</b>                   | <b>436,123</b> | <b>462,388</b> | <b>494,300</b> | <b>526,758</b> | <b>507,637</b> | Net interest margin             | 4.02   | 3.83   | 3.74   | 3.74   | 4.27   |
| Deposits                              | 288,382        | 299,459        | 320,941        | 336,610        | 331,464        | Credit cost                     | 2.06   | 1.30   | 0.97   | 1.21   | 2.22   |
| Interbank                             | 16,664         | 21,368         | 14,486         | 20,743         | 20,175         | ROE                             | 16.2   | 15.8   | 15.4   | 15.6   | 10.3   |
| Other liquid items                    | 669            | 1,002          | 927            | 1,026          | 340            | Loan-to-deposit                 | 106.4  | 109.2  | 104.8  | 106.9  | 112.4  |
| Total liquid items                    | 305,715        | 321,829        | 336,354        | 358,378        | 351,979        | Loan-to-deposit + S-T borrowing | 106.4  | 109.2  | 104.8  | 106.9  | 112.4  |
| Borrowings                            | 43,805         | 50,101         | 59,961         | 56,250         | 61,354         | NPLs (Bt m)                     | 10,638 | 10,677 | 11,550 | 12,584 | 13,947 |
| Other liabilities                     | 35,441         | 37,362         | 44,922         | 58,464         | 36,192         | NPL increase                    | (460)  | 39     | 873    | 1,034  | 1,363  |
| Minority interest                     | 116            | 95             | 97             | 99             | 288            | NPL ratio                       | 3.30   | 3.10   | 3.20   | 3.20   | 3.40   |
| <b>Shareholders' equity</b>           | <b>51,046</b>  | <b>53,000</b>  | <b>52,966</b>  | <b>53,567</b>  | <b>57,824</b>  | Loan-loss-coverage ratio        | 155.2  | 159.8  | 149.4  | 140.5  | 136.0  |
| <b>Total Liabilities &amp; Equity</b> | <b>436,123</b> | <b>462,388</b> | <b>494,300</b> | <b>526,758</b> | <b>507,637</b> | CAR - total                     | 16.4   | 15.9   | 15.4   | 15.1   | 15.1   |

Sources: Company data, Thanachart estimates

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