

Kiatnakin Phatra Bank Pcl (KKP TB) - BUY, Price Bt60.5, TP Bt80**Results Comment**

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Weaker-than-expected profits

- KKP reported very weak 2Q23 profits of Bt1.4bn, down 32% y-y and 31% q-q. Weak profits were led by the banking performance due mainly higher loss on sales and provisions.
- Capital market profits improved to Bt413m from Bt309 and Bt206m in 1Q23 and 2Q22.
- 1H23 profits made up 42% of our full-year forecast. We need to incorporate higher loss on sales and provisions and see downsides to our earnings forecast.
- Loans grew slower at 3% q-q and 6% YTD. The growth was driven by commercial and retail segments. With rising yield, NIM improved q-q to 4.2%.
- NPLs increased 9% q-q with rising NPL ratio to 3.7%. Loss on sales were Bt978m, slightly lower q-q but were up almost three-fold y-y. Including the losses, credit costs were 3% in the quarter versus 2.4% in 1Q23 and 1.5% in 2Q22.
- Loan loss coverage ratio was down to 127% from 133% in 1Q23.
- Driven by IB and banca, net fees grew 5% y-y and 9% q-q. Boosted further by non-NII rose 14% y-y and 11% q-q in the quarter.
- Excluding loss on sales, operating expenses were managed efficiently with low cost to income ratio of 38%, declining y-y.

Income Statement (consolidated)						Income Statement 6M as					
Yr-end Dec (Bt m)	2Q22	3Q22	4Q22	1Q23	2Q23	(Bt m)	q-q%	y-y%	% 2023F	2023F	2024F
Interest & dividend income	5,547	5,967	6,886	6,996	7,474	Interest & dividend income	7	35	52	27,895	31,205
Interest expense	1,071	1,192	1,359	1,772	1,952	Interest expense	10	82	51	7,251	8,918
Net interest income	4,475	4,775	5,527	5,223	5,521	Net interest income	6	23	52	20,644	22,287
Non-interest income	1,672	2,028	2,620	1,718	1,902	Non-interest income	11	14	42	8,701	8,618
Total income	6,147	6,804	8,146	6,941	7,423	Total income	7	21	49	29,345	30,906
Operating expense	2,818	3,106	4,295	3,239	3,791	Operating expense	17	35	53	13,277	13,777
Pre-provisioning profit	3,329	3,698	3,851	3,702	3,632	Pre-provisioning profit	(2)	9	46	16,068	17,129
Provision for bad&doubtful debt	812	1,089	2,069	1,097	1,878	Provision for bad&doubtful debt	71	131	53	5,640	5,440
Profit before tax	2,517	2,608	1,782	2,605	1,754	Profit before tax	(33)	(30)	42	10,428	11,689
Tax	481	523	349	517	342	Tax	(34)	(29)	41	2,086	2,338
Profit after tax	2,036	2,086	1,434	2,088	1,411	Profit after tax	(32)	(31)	42	8,342	9,351
Equity income	-	-	-	-	-	Equity income	neg	neg	-	-	-
Minority interests	(2)	(2)	(4)	(3)	(3)	Minority interests	neg	neg	na	(20)	(21)
Extra items	-	-	-	-	-	Extra items	neg	neg	-	-	-
Net profit	2,033	2,083	1,430	2,085	1,408	Net profit	(32)	(31)	42	8,322	9,330
Normalized profit	2,033	2,083	1,430	2,085	1,408	Normalized profit	(32)	(31)	42	8,322	9,330
PPP/share (Bt)	3.9	4.4	4.5	4.4	4.3	PPP/share (Bt)	(2)	9	46	19.0	20.2
EPS (Bt)	2.4	2.5	1.7	2.5	1.7	EPS (Bt)	(32)	(31)	42	9.8	11.0
Norm EPS (Bt)	2.4	2.5	1.7	2.5	1.7	Norm EPS (Bt)	(32)	(31)	42	9.8	11.0
BV/share (Bt)	62.6	63.3	68.3	70.8	70.9	BV/share (Bt)	0	13	71	74.5	81.4

Balance Sheet (consolidated)						Financial Ratios (%)					
Yr-end Dec (Bt m)	2Q22	3Q22	4Q22	1Q23	2Q23		2Q22	3Q22	4Q22	1Q23	2Q23
Cash and Interbank	56,340	55,256	46,733	55,240	54,248	Gross loan grow th (YTD)	9.6	17.2	21.7	2.8	5.7
Other liquid items	41,516	46,583	29,241	20,953	20,298	Gross loan grow th (q-q)	2.9	7.0	3.8	2.8	2.8
Total liquid items	97,856	101,839	75,974	76,193	74,546	Deposit grow th (YTD)	11.3	16.7	14.9	4.2	0.7
Gross loans and accrued interest	345,983	369,851	383,839	394,715	406,287	Deposit grow th (q-q)	7.2	4.9	(1.5)	4.2	(3.3)
Provisions	17,250	17,675	18,969	19,486	20,414	Non-interest income (y-y)	(13.9)	2.5	(7.8)	(19.6)	13.7
Net loans	328,733	352,176	364,871	375,229	385,873	Non-interest income (q-q)	(21.8)	21.3	29.2	(34.4)	10.7
Fixed assets	7,693	8,032	13,200	13,751	13,939	Fee income / Operating income	22.7	23.1	20.2	19.4	19.7
Other assets	28,873	35,584	21,745	24,297	28,956	Cost-to-income	45.8	45.7	52.7	46.7	51.1
Total assets	494,300	526,758	507,637	522,566	530,508	Net interest margin	3.74	3.74	4.27	4.06	4.19
Deposits	320,941	336,610	331,464	345,242	333,856	Credit cost	0.97	1.21	2.22	1.14	1.90
Interbank	14,486	20,743	20,175	18,018	23,155	ROE	15.4	15.6	10.3	14.2	9.4
Other liquid items	927	1,026	340	550	623	Loan-to-deposit	104.8	106.9	112.7	111.2	118.2
Total liquid items	336,354	358,378	351,979	363,810	357,634	Loan-to-deposit + S-T borrowing	104.8	106.9	112.7	111.2	118.2
Borrowings	59,961	56,250	61,354	66,508	73,439	NPLs (Bt m)	11,550	12,584	13,947	14,669	16,040
Other liabilities	44,922	58,464	36,192	31,994	39,136	NPL increase	873	1,034	1,363	722	1,371
Minority interest	97	99	288	291	294	NPL ratio	3.20	3.20	3.40	3.50	3.70
Shareholders' equity	52,966	53,567	57,824	59,963	60,004	Loan-loss-coverage ratio	149.4	140.5	136.0	132.8	127.3
Total Liabilities & Equity	494,300	526,758	507,637	522,566	530,508	CAR - total	15.4	15.1	15.1	14.7	14.8

Sources: Company data, Thanachart estimates

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