

**BUY** (From: HOLD)**TP: Bt 63.00**

(From: Bt 52.00)

Change in Recommendation

Upside : 16.7%

29 OCTOBER 2024

# Kiatnakin Phatra Bank (KKP TB)

## Opportunistic return

KKP is upgraded to BUY with an increased TP of Bt63. The bank has effectively reduced asset quality risks faster than we'd previously anticipated. In addition, KKP has demonstrated a strong commitment to undergoing aggressive capital management strategies. We estimate higher dividend yields of 7-9% over 2024-26F.

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### Greater improvement in asset quality

Due to the reduced deterioration impact of the 2022-1H23 loan vintages and the high quality of loans extended over the past year, KKP believes it surpassed the peak of NPL formation and write-offs in 2Q24. Additionally, losses on sales should trend down as its repossessed car inventory has returned to a business-as-usual level of 3,000 units, down from a peak of over 6,000 in 2023. The bank's overall credit costs fell from 2.75% in 2023 and 2.5% in 1H24 to 2% in 3Q24. Considering seasonally low used car prices and management overlay provisions set aside for 4Q24F, we project credit costs at 2.4% for this year, further declining to 2.1-1.9% in 2025-26F.

### Strong support from the capital market

KKP has benefited significantly from the improving outlook of the capital market. Capital market-related income rose by 13.6% q-q in 3Q24, despite a decline in investment income during the quarter and a below-average performance in the investment banking segment. Supported by Vayupak funds and a threefold increase in tax-deductible ESG investment funds and Thailand's cyclical economic recovery, we expect continued growth in capital market-related income, with non-interest income projected to increase by 12% in 2025F and 2% in 2026F.

### Aggressive capital management

KKP's selective lending policy and declining new car sales have resulted in a sharp contraction of new and used car HP loans of 11% YTD. We expect it will take at least three years for the bank to achieve new bookings that outpace repayments. Even with our expectation of solid growth in corporate and consumer finance loans, we still project overall loan contractions of 7/2/1% over 2024-26F. During previous periods of loan contraction in 2014-16, KKP increased its dividend payout ratio from 57% in 2014 to an average of 78% over 2015-18. We expect a similar approach this time, and we estimate higher dividend payout ratios of 70% in 2024F and 80% in 2025-26F.

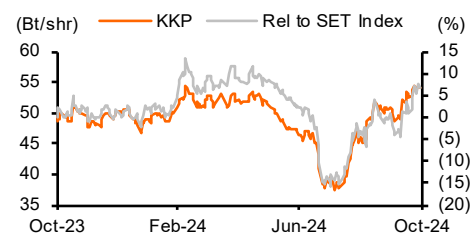
### Upgrading to BUY with a higher TP of Bt63

Due to lower provisions and higher dividend payments, we raise our earnings estimates and DDM-based 12-month TP (2025F base year) to Bt63 (from Bt52). Our view of KKP has become more positive, given its reduced asset quality risks and higher capital returns. While we acknowledge missing the recent share price rally, with KKP outperforming the SET and the sector, the stock still appears reasonably valued to us. It trades at 0.7x P/BV and 8.6x PE for 2025F with an estimated ROE of over 8% and 19% EPS growth. Lastly, we expect its dividend yield to increase from 6.9% this year to 9.3% in 2025F.

### COMPANY VALUATION

| Y/E Dec (Bt m)       | 2023A  | 2024F  | 2025F  | 2026F  |
|----------------------|--------|--------|--------|--------|
| Pre Provision Profit | 12,869 | 9,590  | 10,427 | 10,522 |
| Net profit           | 5,443  | 4,454  | 5,319  | 5,396  |
| Consensus NP         | —      | 4,371  | 4,881  | 5,500  |
| Diff frm cons (%)    | —      | 1.9    | 9.0    | (1.9)  |
| Norm profit          | 5,443  | 4,454  | 5,319  | 5,396  |
| Prev. Norm profit    | —      | 4,242  | 5,041  | 5,654  |
| Chg frm prev (%)     | —      | 5.0    | 5.5    | (4.6)  |
| Norm EPS (Bt)        | 6.4    | 5.3    | 6.3    | 6.4    |
| Norm EPS grw (%)     | (28.4) | (18.2) | 19.4   | 1.4    |
| Norm PE (x)          | 8.4    | 10.3   | 8.6    | 8.5    |
| P/BV (x)             | 0.7    | 0.7    | 0.7    | 0.7    |
| Div yield (%)        | 5.6    | 6.9    | 9.3    | 9.4    |
| ROE (%)              | 9.2    | 7.3    | 8.5    | 8.5    |
| ROA (%)              | 1.0    | 0.9    | 1.1    | 1.1    |

### PRICE PERFORMANCE



### COMPANY INFORMATION

|                              |                   |
|------------------------------|-------------------|
| Price: as of 29-Oct-24 (Bt)  | 54.00             |
| Market Cap (US\$ m)          | 1,354             |
| Listed Shares (m shares)     | 846.8             |
| Free Float (%)               | 87.0              |
| Avg. Daily Turnover (US\$ m) | 4.2               |
| 12M Price H/L (Bt)           | 54.50/37.50       |
| Sector                       | BANK              |
| Major Shareholder            | Chottanawat 5.27% |

Sources: Bloomberg, Company data, Thanachart estimates



## Greater improvement in asset quality

### Faster decline in credit costs

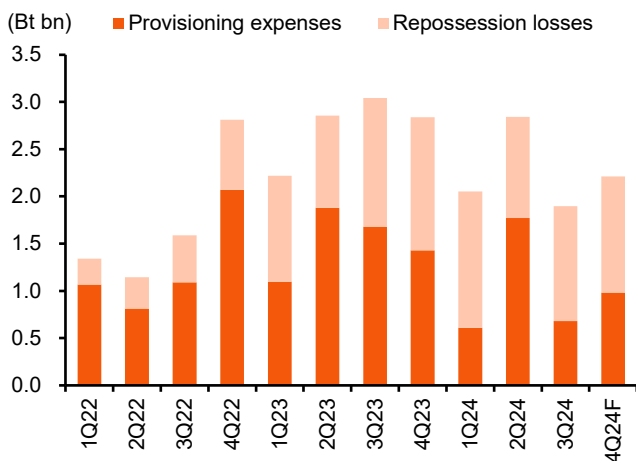
We had previously been concerned about Kiatnakin Phatra Bank Pcl's (KKP) asset quality due to its aggressive loan growth rates of 12% in 2020, 16% in 2021, and 22% in 2022. This rapid expansion and the bank's high exposure to used car hire-purchase (HP) loans posed risks as delinquencies and repossession losses increased significantly amid a downturn in used car prices. The weak market environment, characterized by high household debts, declining new car sales, and used car values, exacerbated the challenges, leading to heightened asset quality concerns.

However, KKP's 3Q24 results indicated notable improvements in asset quality. The rise in delinquencies has been largely contained within the 2022-1H23 loan vintages. While most of the low-quality loans of these vintages have already turned into NPLs, the quality of new loans extended over the past year has remained strong. As a result, KKP believes it has successfully moved past the peak of NPL formation and write-offs, which occurred in 2Q24.

Although the loss ratio on repossessed car sales remains elevated at 50%, and repossession losses increased to Bt1.2bn from Bt1.0bn in 2Q24, KKP anticipates an improving trend in 2025. The high loss rate is heavily influenced by market conditions, which have yet to fully recover due to sluggish car sales and an oversupply of used vehicles. Nevertheless, the bank's emphasis on stricter underwriting standards and a more selective lending approach have helped keep delinquency rates under control. Additionally, the repossessed car inventory has stabilized at a business-as-usual level of 3,000 units, a significant improvement from the peak of over 6,000 during the challenges of 2023. This stabilization has eased pressure on the bank's balance sheet and signals a return to healthier operational metrics within its repossessed assets portfolio.

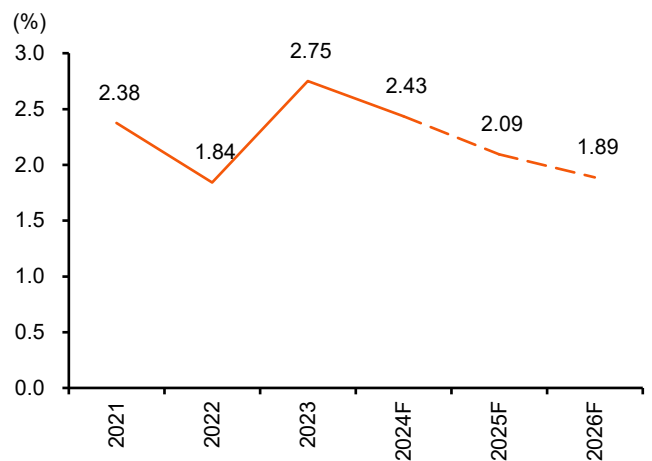
As a result, KKP has experienced a meaningful reduction in overall credit costs, which fell from 2.75% in 2023 and 2.5% in the first half of 2024 to 2% in 3Q24. Looking forward, seasonal challenges, such as lower used car prices, could pose headwinds for asset recovery. Meanwhile, the bank might consider setting aside management overlay provisions in 4Q24. Considering these factors, we project the bank's credit costs to average 2.4% for 2024F, with further improvements anticipated as credit costs decline to 2.1-1.9% in 2025-26F. As for NPLs, we estimate 3% and 4% declines to Bt16.5bn in 2025F and Bt15.9bn in 2026F, respectively.

Ex 1: Provisions And Repossession Losses



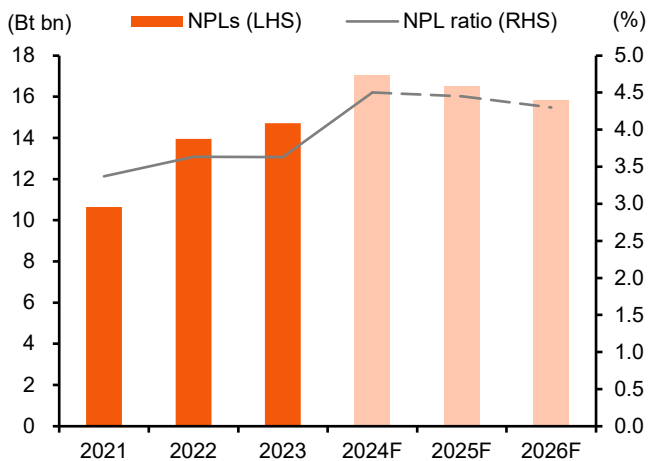
Sources: Company data, Thanachart estimates

Ex 2: Falling Overall Credit Costs



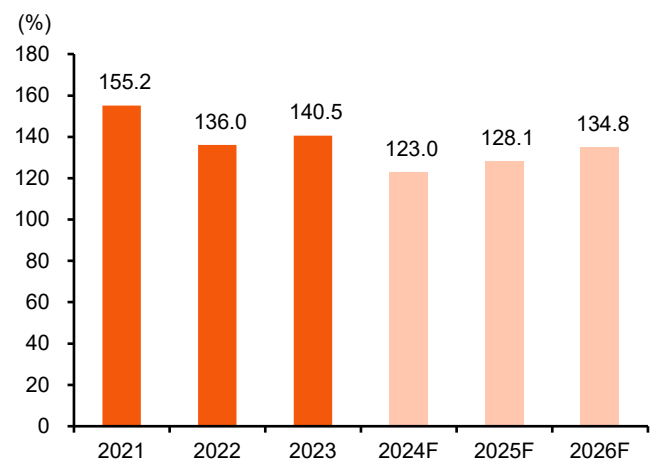
Sources: Company data, Thanachart estimates

Ex 3: NPLs



Sources: Company data, Thanachart estimates

Ex 4: Loan Loss Coverage Ratio



Sources: Company data, Thanachart estimates

## Strong support from the capital market

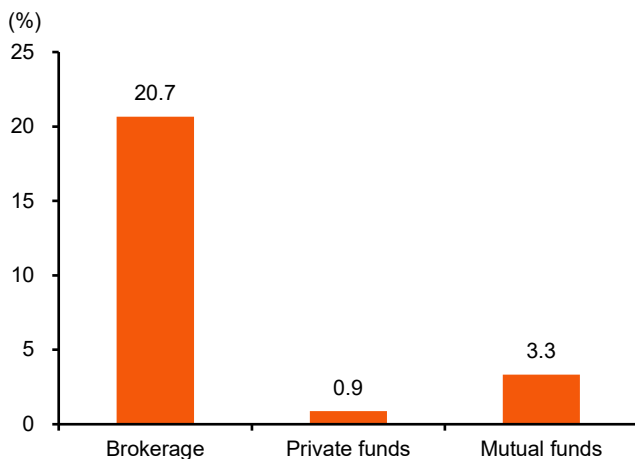
### A strong bounce in capital market fees

KKP has benefited significantly from the improving outlook in the capital markets, with 85% of its total non-interest income coming from capital market-related businesses. The bank is a market leader in the brokerage sector, holding over a 20% market share. Its wealth and asset management divisions have also grown substantially, with assets under advice (AUA) and assets under management (AUM) increasing by 19% and 52% y-y in 9M24, respectively. Despite declining investment income and a below-average performance in the investment banking segment, capital market-related fees grew by 13.6% q-q in 3Q24.

This growth is not only due to the bank's diverse range of investment products but also bolstered by external factors. Key contributors include Vayupak funds, a threefold increase in tax-deductible ESG investment funds, and the broader cyclical economic recovery in Thailand, all of which have stimulated market activity and improved investor sentiment. These elements have strengthened KKP's position in capital market services, driving its non-interest income growth.

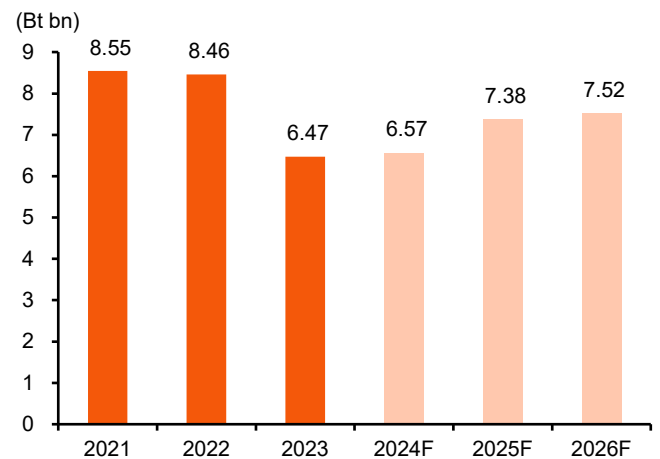
Looking ahead, we expect these positive trends to continue, providing a robust foundation for further gains in capital market-related income. We anticipate that KKP's non-interest income will rise by 12% in 2025 and 2% in 2026, driven by sustained demand for investment products and services and the expanding role of ESG-focused investments.

Ex 5: KKP's Footholds In The Capital Market (3Q24)



Source: Company data

Ex 6: Growing Non-interest Income



Sources: Company data, Thanachart estimates

## Aggressive capital management

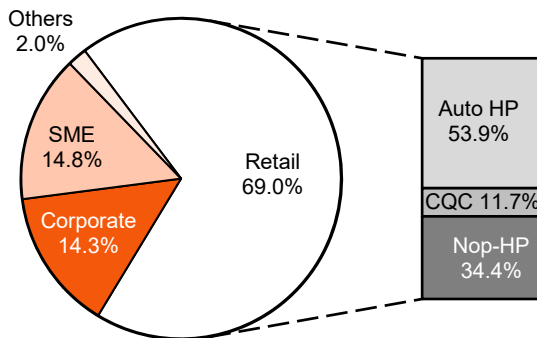
### Loan contractions over 2024-26F

As of 9M24, 69% of KKP's total loans were in the retail segment, 15% were in SME loans (focused on real estate, apartments, and hotels), 13% were corporate loans, and the remaining portion consisted of SAM and Lombard loans. Within the retail loan segment, auto hire purchase (HP) — which includes new and used car financing as well as Car Quick Cash (CQC) — accounted for 67% of the bank's retail loans in 9M24.

Since late 2022, KKP has tightened its underwriting practices, particularly by reducing its exposure to used car HP and adopting a more selective approach to new car HP. These stricter underwriting measures, combined with a 24% y-y decline in new car sales as of 9M24, have significantly reduced the bank's new bookings in auto HP loans to around Bt10bn per quarter, down from a peak of Bt20bn per quarter in 2022. Despite this, CQC, which offers a higher risk-reward profile, continued to grow robustly, expanding by 39% in 2023 and 16% y-y in 9M24.

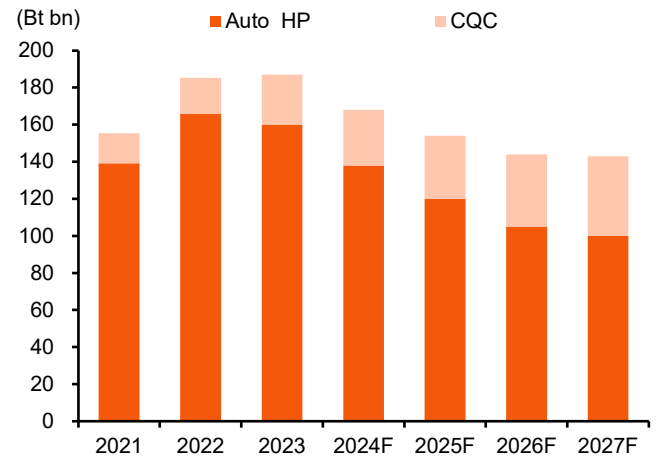
Auto HP is structured as an amortizing loan, and we estimate loan repayments for KKP to range between Bt15-20bn per quarter during 2024-26F. Even when accounting for strong double-digit growth in CQC, we still anticipate average annual contractions in KKP's auto HP loans of 8% y-y over 2024-26F. Additionally, despite solid growth prospects in corporate lending, we project overall loan contractions of 7%, 2%, and 1% for 2024F, 2025F, and 2026F, respectively.

## Ex 7: Loan Mix In 2024F



Source: Thanachart estimates

## Ex 8: Sharp Contraction In Auto HP Loans



Sources: Company data, Thanachart estimates

**We expect a higher dividend payout ratio**

KKP has expressed its intention to implement capital management initiatives if it cannot identify suitable segments with an acceptable risk-reward profile. Despite a 35% y-y decline in net profits during 1H24, KKP maintained its interim dividend payment at Bt1.25, matching the level of 1H23. Additionally, the bank announced a Bt950m share buyback programme for 22m shares, running from 22 August to 28 November 2024. The company has actively repurchased its shares, spending Bt572.6m to acquire 11.8m shares in the market so far. Please see details in Exhibit 9.

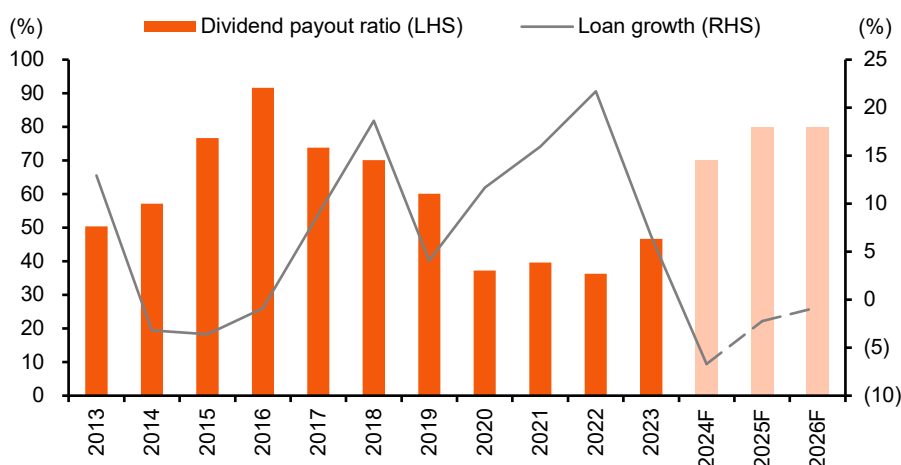
During previous periods of loan contraction, such as 2014-16, KKP increased its dividend payout ratio from 57% in 2014 to an average of 78% between 2015-18. We expect a similar strategy this time, with projected higher dividend payout ratios of 70% in 2024F and 80% in 2025-26F.

## Ex 9: Active Share Repurchase Actions

| Date     | Number of shares (m) | Value (Bt m) | Average purchasing price (Bt/share) |
|----------|----------------------|--------------|-------------------------------------|
| 09-04-24 | 1.224                | 55.22        | 45.11                               |
| 09-05-24 | 1.02                 | 46.84        | 45.92                               |
| 09-06-24 | 2.89                 | 137.7        | 47.65                               |
| 09-09-24 | 0.7                  | 34.36        | 49.09                               |
| 09-10-24 | 0.5                  | 24.54        | 49.08                               |
| 09-11-24 | 1.01                 | 49.7         | 49.21                               |
| 09-12-24 | 3.65                 | 181.56       | 49.74                               |
| 21-10-24 | 0.3                  | 15.78        | 52.60                               |
| 22-10-24 | 0.5                  | 26.89        | 53.78                               |

Source: Company data

## Ex 10: Loan Growth Vs. Dividend Payouts



Sources: Company data, Thanachart estimates

## Upgrading to BUY with a higher TP of Bt63

Due to lower provisions and higher dividend payments, we raise our earnings estimates by an average of 5% over 2024-25F and raise our DDM-based 12-month TP (2025F base year), with an 11.8% cost of equity, to Bt63/share (from Bt52).

## Ex 11: Earnings Revisions

|                            | 2019   | 2020   | 2021   | 2022   | 2023   | 2024F   | 2025F   | 2026F   |
|----------------------------|--------|--------|--------|--------|--------|---------|---------|---------|
| <b>Net profits (Bt bn)</b> |        |        |        |        |        |         |         |         |
| - New                      | 5.99   | 5.12   | 6.32   | 7.60   | 5.44   | 4.45    | 5.32    | 5.40    |
| - Old                      |        |        |        |        |        | 4.24    | 5.04    | 5.65    |
| - Change (%)               |        |        |        |        |        | 5.00    | 5.53    | (4.55)  |
| <b>Net loans (Bt bn)</b>   |        |        |        |        |        |         |         |         |
| - New                      | 227.68 | 258.85 | 299.15 | 364.87 | 384.83 | 358.22  | 350.04  | 347.17  |
| - Old                      |        |        |        |        |        | 373.43  | 382.22  | 394.43  |
| - Change (%)               |        |        |        |        |        | (4.07)  | (8.42)  | (11.98) |
| <b>Cost of funds (%)</b>   |        |        |        |        |        |         |         |         |
| - New                      | 2.34   | 1.83   | 1.18   | 1.20   | 1.95   | 2.53    | 2.38    | 2.27    |
| - Old                      |        |        |        |        |        | 2.52    | 2.39    | 2.26    |
| - Change (ppt)             |        |        |        |        |        | 0.02    | (0.01)  | 0.01    |
| <b>NIM (%)</b>             |        |        |        |        |        |         |         |         |
| - New                      | 3.99   | 4.35   | 3.93   | 4.04   | 4.23   | 3.83    | 3.77    | 3.75    |
| - Old                      |        |        |        |        |        | 3.64    | 3.63    | 3.81    |
| - Change (ppt)             |        |        |        |        |        | 0.19    | 0.15    | (0.06)  |
| <b>Provisions (Bt bn)</b>  |        |        |        |        |        |         |         |         |
| - New                      | 1.68   | 4.09   | 5.20   | 5.04   | 6.08   | 4.04    | 3.80    | 3.80    |
| - Old                      |        |        |        |        |        | 4.64    | 5.00    | 5.00    |
| - Change (%)               |        |        |        |        |        | (12.93) | (24.00) | (24.00) |

Sources: Company data, Thanachart estimates

**Ex 11: Earnings Revisions (Con't)**

|                                    | 2019  | 2020  | 2021  | 2022  | 2023  | 2024F  | 2025F  | 2026F  |
|------------------------------------|-------|-------|-------|-------|-------|--------|--------|--------|
| <b>Loss on sales (Bt bn)</b>       |       |       |       |       |       |        |        |        |
| - New                              | 1.42  | 1.31  | 2.09  | 1.84  | 4.87  | 5.00   | 3.80   | 3.00   |
| - Old                              |       |       |       |       |       | 5.00   | 3.38   | 3.10   |
| - Change (%)                       |       |       |       |       |       | 0.00   | 12.43  | (3.31) |
| <b>Opex (Bt bn)</b>                |       |       |       |       |       |        |        |        |
| - New                              | 10.19 | 10.65 | 11.25 | 13.01 | 15.89 | 17.01  | 16.03  | 16.11  |
| - Old                              |       |       |       |       |       | 16.10  | 15.03  | 15.78  |
| - Change (%)                       |       |       |       |       |       | 5.65   | 6.65   | 2.12   |
| <b>Non-interest income (Bt bn)</b> |       |       |       |       |       |        |        |        |
| - New                              | 6.85  | 6.55  | 8.55  | 8.46  | 6.47  | 6.57   | 7.38   | 7.52   |
| - Old                              |       |       |       |       |       | 6.47   | 7.06   | 7.55   |
| - Change (%)                       |       |       |       |       |       | 1.47   | 4.45   | (0.35) |
| <b>NPLs (Bt bn)</b>                |       |       |       |       |       |        |        |        |
| - New                              | 9.56  | 8.26  | 10.64 | 13.95 | 14.71 | 17.06  | 16.52  | 15.85  |
| - Old                              |       |       |       |       |       | 17.75  | 17.56  | 16.67  |
| - Change (%)                       |       |       |       |       |       | (3.87) | (5.94) | (4.96) |

Sources: Company data, Thanachart estimates

**Ex 12: 12-month DDM-based TP Calculation Using A Base Year Of 2025F**

| (Bt m)                           | 2025F       | 2026F | 2027F | 2028F | 2029F | 2030F | 2031F | 2032F | 2033F | 2034F | Terminal Value |
|----------------------------------|-------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|----------------|
| Dividend of common shares        | 3,715       | 4,286 | 3,655 | 3,098 | 3,266 | 3,501 | 3,863 | 4,440 | 5,017 | 7,705 | 7,705          |
| Dividend payment                 | 3,715       | 4,286 | 3,655 | 3,098 | 3,266 | 3,501 | 3,863 | 4,440 | 5,017 | 7,705 | 87,319         |
| PV of dividend                   | 3,715       | 3,479 | 2,673 | 2,040 | 1,938 | 1,871 | 1,803 | 1,858 | 1,883 | 2,593 | 29,383         |
| Risk-free rate (%)               | 3.0         |       |       |       |       |       |       |       |       |       |                |
| Market risk premium (%)          | 8.0         |       |       |       |       |       |       |       |       |       |                |
| Beta                             | 1.0         |       |       |       |       |       |       |       |       |       |                |
| WACC (%)                         | 11.0        |       |       |       |       |       |       |       |       |       |                |
| Cost of equity                   | 11.0        |       |       |       |       |       |       |       |       |       |                |
| Terminal growth (%)              | 2.0         |       |       |       |       |       |       |       |       |       |                |
| Equity value                     | 53,235      |       |       |       |       |       |       |       |       |       |                |
| No. of shares (m shares)         | 847         |       |       |       |       |       |       |       |       |       |                |
| <b>Equity value / share (Bt)</b> | <b>63.0</b> |       |       |       |       |       |       |       |       |       |                |

Source: Thanachart estimates

Our view on KKP has turned more positive due to its improved asset quality and enhanced capital returns. The bank's proactive measures in managing credit risks have significantly reduced asset quality concerns. While we acknowledge that we missed the recent share price rally — during which KKP outperformed both the SET Index and its sector peers — the stock still presents an attractive valuation, in our view. It is trading on 0.7x PBV and 8x P/E for 2025F, and we estimate an ROE of over 8% and 19% EPS growth. These metrics indicate a balance of value and growth potential. Additionally, we project its dividend yield to increase from 6.9% in 2024F to 9.3% in 2025F, offering investors a solid income stream alongside potential capital appreciation. Overall, we believe KKP's combination of reduced risk, solid growth prospects, and attractive returns makes it a compelling investment opportunity.

## Valuation Comparison

### Ex 13: Valuation Comparison With Regional Peers

| Name                       | BBG Code   | Country   | EPS growth |            | — PE —      |            | — P/BV —   |            | — ROE —     |             | — Div. Yield — |            |
|----------------------------|------------|-----------|------------|------------|-------------|------------|------------|------------|-------------|-------------|----------------|------------|
|                            |            |           | 24F<br>(%) | 25F<br>(%) | 24F<br>(x)  | 25F<br>(x) | 24F<br>(x) | 25F<br>(x) | 24F<br>(%)  | 25F<br>(%)  | 24F<br>(%)     | 25F<br>(%) |
| BOC Hong Kong Holdings     | 2388 HK    | Hong Kong | 10.5       | (0.8)      | 7.5         | 7.5        | 0.8        | 0.8        | 11.0        | 10.5        | 7.3            | 7.4        |
| Bank of East Asia          | 23 HK      | Hong Kong | (8.7)      | 10.7       | 7.0         | 6.3        | 0.3        | 0.2        | 3.5         | 3.9         | 6.6            | 7.2        |
| China Citic Bank Corp      | 998 HK     | Hong Kong | (1.2)      | 1.0        | 4.0         | 3.9        | 0.4        | 0.3        | 9.7         | 9.4         | 6.7            | 7.0        |
| Hang Seng Bank             | 11 HK      | Hong Kong | (3.0)      | (2.4)      | 10.8        | 11.0       | 1.1        | 1.1        | 10.7        | 10.4        | 6.9            | 6.9        |
| Industrial & Commercial Bk | 1398 HK    | Hong Kong | (0.5)      | 1.4        | 4.8         | 4.8        | 0.5        | 0.4        | 9.9         | 9.3         | 6.5            | 6.6        |
| Axis Bank                  | AXSB IN    | India     | (9.8)      | 11.9       | 15.4        | 13.7       | na         | 2.1        | 17.5        | 16.3        | 2.3            | 3.0        |
| ICICI Bank                 | ICICIBC IN | India     | (6.5)      | 18.4       | 22.5        | 19.0       | 3.8        | 3.1        | na          | na          | 0.7            | 0.8        |
| State Bank of India        | SBIN IN    | India     | (5.5)      | 12.9       | 11.7        | 10.4       | 2.0        | 1.7        | 16.3        | 17.3        | 1.5            | 1.8        |
| Bank Central Asia          | BBCA IJ    | Indonesia | 11.6       | 9.4        | 23.8        | 21.8       | 4.9        | 4.5        | 21.4        | 21.4        | 2.7            | 2.9        |
| Bank Mandiri               | BMRI IJ    | Indonesia | 2.7        | 10.6       | 11.3        | 10.2       | 2.2        | 2.0        | 20.7        | 20.9        | 5.2            | 5.5        |
| Bank Rakyat                | BBRI IJ    | Indonesia | 0.5        | 10.4       | 11.7        | 10.6       | 2.2        | 2.1        | 19.1        | 19.9        | 7.0            | 7.4        |
| Bank Negara                | BBNI IJ    | Indonesia | 5.6        | 14.3       | 8.9         | 7.8        | 1.2        | 1.1        | 14.3        | 15.0        | 5.3            | 5.9        |
| CIMB Group Holdings        | CIMB MK    | Malaysia  | 11.2       | 7.4        | 11.1        | 10.3       | 1.2        | 1.1        | 11.1        | 11.3        | 5.6            | 5.6        |
| Hong Leong Bank            | HLBK MK    | Malaysia  | (2.1)      | 8.0        | 10.2        | 9.4        | 1.1        | 1.1        | 11.6        | 11.6        | 3.3            | 3.7        |
| Malayan Banking            | MAY MK     | Malaysia  | 8.2        | 4.6        | 12.5        | 11.9       | 1.3        | 1.3        | 10.4        | 10.6        | 6.0            | 6.3        |
| Public Bank                | PBKF MK    | Malaysia  | 4.5        | 6.4        | na          | na         | na         | na         | 12.4        | 12.4        | na             | na         |
| Industrial Bank of Korea   | 024110 KS  | S Korea   | 5.5        | 2.9        | 4.4         | 4.2        | 0.4        | 0.3        | 8.6         | 8.4         | 7.1            | 7.6        |
| DBS Group Holdings         | DBS SP     | Singapore | 7.4        | (2.4)      | 10.3        | 10.6       | 1.7        | 1.6        | 17.2        | 15.9        | 5.7            | 6.2        |
| Oversea-Chinese Banking    | OCBC SP    | Singapore | 7.7        | (1.0)      | 9.2         | 9.3        | 1.2        | 1.1        | 13.6        | 12.7        | 5.7            | 5.8        |
| United Overseas Bank       | UOB SP     | Singapore | 6.3        | 2.5        | 9.2         | 9.0        | 1.2        | 1.1        | 12.9        | 12.6        | 5.5            | 5.6        |
| Bangkok Bank               | BBL TB*    | Thailand  | 8.0        | 4.8        | 6.4         | 6.1        | 0.5        | 0.5        | 8.3         | 8.2         | 4.7            | 5.3        |
| KASIKORNBANK               | KBANK TB*  | Thailand  | 16.0       | 9.4        | 7.2         | 6.6        | 0.6        | 0.6        | 9.0         | 9.2         | 5.1            | 5.7        |
| Kiatnakin Phatra Bank      | KKP TB*    | Thailand  | (18.2)     | 19.4       | 10.3        | 8.6        | 0.7        | 0.7        | 7.3         | 8.5         | 6.9            | 9.3        |
| Krung Thai Bank            | KTB TB*    | Thailand  | 19.2       | 10.3       | 6.7         | 6.1        | 0.7        | 0.6        | 10.5        | 10.8        | 6.0            | 6.6        |
| SCB X                      | SCB TB*    | Thailand  | (5.2)      | 13.8       | 9.3         | 8.2        | 0.8        | 0.8        | 8.6         | 9.6         | 8.7            | 9.7        |
| Tisco Financial Group      | TISCO TB*  | Thailand  | (5.0)      | 1.2        | 11.2        | 11.1       | 1.8        | 1.8        | 16.2        | 16.1        | 8.0            | 8.0        |
| TMBThanachart Bank         | TTB TB*    | Thailand  | 14.0       | 14.0       | 8.2         | 7.2        | 0.7        | 0.7        | 9.0         | 9.8         | 7.3            | 8.3        |
| <b>Average</b>             |            |           | <b>2.7</b> | <b>7.4</b> | <b>10.2</b> | <b>9.5</b> | <b>1.3</b> | <b>1.3</b> | <b>12.3</b> | <b>12.4</b> | <b>5.6</b>     | <b>6.0</b> |

Source: Bloomberg

Note: \* Thanachart estimates , using Thanachart normalized EPS

Based on 29 October 2024 closing prices

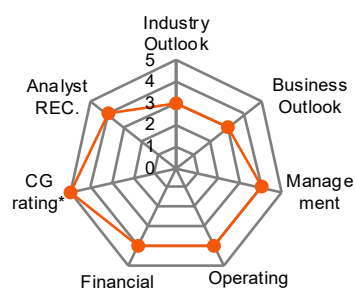
**Note: Thanachart Capital Public Company Limited (TCAP), TMBThanachart Bank Public Company Limited (TTB), are related companies to Thanachart Securities Public Company Limited (TNS). Thanachart Securities Pcl is a subsidiary of Thanachart Capital Pcl (TCAP) which holds 24.35% of the shareholding in TMBThanachart Bank Pcl.**

## COMPANY DESCRIPTION

Kiatnakin Phatra Bank Pcl (KKP) provides commercial banking services to its customers in Thailand, including commercial, developmental, consumer, hire-purchase, and mortgage financing. The bank also offers securities brokerage and investment advisory services.

Source: Thanachart

## COMPANY RATING



### Rating Scale

|                  |          |
|------------------|----------|
| <b>Excellent</b> | <b>5</b> |
| <b>Good</b>      | <b>4</b> |
| <b>Fair</b>      | <b>3</b> |
| <b>Weak</b>      | <b>2</b> |
| <b>Very Weak</b> | <b>1</b> |
| <b>None</b>      | <b>0</b> |

Source: Thanachart; \*CG Rating

## THANACHART'S SWOT ANALYSIS

### S — Strength

- Strong footing in auto HP.
- Expertise in loan restructuring management.
- Leading in the capital markets business

### O — Opportunity

- Growth in non-auto HP retail lending.
- Capital market products outside Thailand.

### W — Weakness

- Small branch network.
- Relatively weak deposit franchise.
- High concentration in a few lending segments.

### T — Threat

- Global economic recession.
- New accounting standards and regulations.

## CONSENSUS COMPARISON

|                              | Consensus     | Thanachart      | Diff           |
|------------------------------|---------------|-----------------|----------------|
| <b>Target price (Bt)</b>     | 50.99         | 63.00           | 24%            |
| <b>Net profit 24F (Bt m)</b> | 4,371         | 4,454           | 2%             |
| <b>Net profit 25F (Bt m)</b> | 4,881         | 5,319           | 9%             |
| <b>Consensus REC</b>         | <b>BUY: 3</b> | <b>HOLD: 14</b> | <b>SELL: 4</b> |

## HOW ARE WE DIFFERENT FROM THE STREET?

- We are more bullish than the Bloomberg consensus on KKP's earnings, likely as we expect the bank's asset quality to improve markedly in 2025F.
- We also expect higher dividend payments due the bank's aggressive capital management initiatives.

Sources: Bloomberg consensus, Thanachart estimates

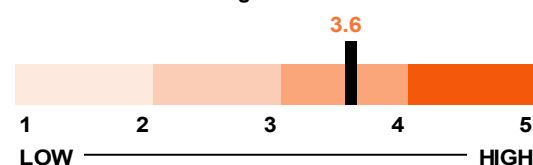
## RISKS TO OUR INVESTMENT CASE

- Weaker economic momentum that drags down asset quality to a greater extent than we have currently factored in represents the key upside risk to our assumptions for KKP's credit costs.
- A weaker capital market performance than we assumed represents another downside risk to our earnings forecasts.
- Should KKP be able to find right segment to expand loan volume, this would lead to downside risk to our dividend payout ratios.

Source: Thanachart

KKP is a small bank that plans to continue considering environmental, social, and governance (ESG) factors to drive sustainable social and environmental changes. We assign KKP an ESG score of 3.6.

Thanachart ESG Rating



|     | SET ESG Index | SET ESG (BBB-AAA) | DJSI Index | MSCI (CCC-AAA) | ESG Book (0-100) | Refinitiv (0-100) | S&P Global (0-100) | Moody's (0-100) | CG Rating (0-5) |
|-----|---------------|-------------------|------------|----------------|------------------|-------------------|--------------------|-----------------|-----------------|
| KKP | YES           | YES               | -          | BBB            | 53.99            | 75.85             | 26.00              | -               | 5.0             |

Sources: SETTRADE, SET ESG Index, SET ESG Rating, The Dow Jones Industrial Average (DJSI), MSCI ESG Research LLC, ESG Book, Refinitiv ESG Information, S&P Global Market Intelligence, Moody's ESG Solutions, Thai IOD (CG rating)

Note: Please see third party on "terms of use" toward the back of this report.

**Factors Our Comments**

**ENVIRONMENT**

- Environmental Policies & Guidelines
- Energy Management
- Carbon Management
- Water Management
- Waste Management

- KKP has completed the renovation of its headquarters tower in conformity with LEED standards (Leadership in Energy & Environmental Design). This involved switching to LED bulbs to save energy, using eco-friendly glass that absorbs heat from the sun but allows light to pass through, and installing an air-conditioning system that circulates clean air for consistent cooling.
- Due to greater fuel consumption as employees returned from working from home, KKP's carbon dioxide emissions were up 5.6% for Scope 1 and 32.44% for Scope 2 in 2022. Electricity consumption also increased by 36.1% in 2022.
- The bank has provided credit facilities for environmentally friendly projects of Bt2.7bn.

**SOCIAL**

- Human Rights
- Staff Management
- Health & Safety
- Product Safety & Quality
- Social Responsibility

- KKP respects human rights in accordance with the United Nations Guiding Principles on Business and Human Rights and complies with human rights laws.
- KKP strives to enhance responsible banking by providing clients, employees, and communities with financial literacy training to enable them to properly manage their money and debts, build saving discipline, and develop investment skills. These skills are key to achieving long-term financial stability and a better quality of life.
- It donated Bt13m for social contribution activities, with 206 employee volunteers working a total of 1,720 volunteer hours.

**GOVERNANCE & SUSTAINABILITY**

- Board
- Ethics & Transparency
- Business Sustainability
- Risk Management
- Innovation

- The bank's board of directors is comprised of 12 members, of whom three are non-executives and four are independent directors.
- The board of directors reviews and revises the corporate governance policy annually and constantly improves practices in several areas to upgrade the group's governance level.
- KKP was selected as one of 170 companies to be named by the Stock Exchange of Thailand on the list of Thailand Sustainability Investment 2022 for the eighth consecutive year. It was also one of the 100 companies on the ESG100 list for 2022, as determined by the ESG Rating Unit of the Thaipat Institute for the seventh consecutive year.
- KKP Dime Company Limited (DIME) was founded with the aim of providing digital financial and investment services to enable more consumers to access financial opportunities.

Sources: Company data, Thanachart

## INCOME STATEMENT

| FY ending Dec (Bt m)           | 2022A         | 2023A         | 2024F         | 2025F         | 2026F         |
|--------------------------------|---------------|---------------|---------------|---------------|---------------|
| Interest and Dividend Income   | 23,671        | 30,717        | 30,690        | 28,460        | 28,196        |
| Interest Expenses              | 4,589         | 8,424         | 10,655        | 9,383         | 9,086         |
| <b>Net Interest Income</b>     | <b>19,081</b> | <b>22,294</b> | <b>20,035</b> | <b>19,077</b> | <b>19,111</b> |
| % of total income              | 69.3%         | 77.5%         | 75.3%         | 72.1%         | 71.8%         |
| Gain on Investment             | (4)           | (12)          | 20            | 20            | 20            |
| Fee Income                     | 6,165         | 5,476         | 5,380         | 5,975         | 6,103         |
| Gain on Exchange               | 1,789         | 665           | 1,000         | 1,200         | 1,200         |
| Others                         | 507           | 340           | 165           | 182           | 200           |
| <b>Non-interest Income</b>     | <b>8,457</b>  | <b>6,469</b>  | <b>6,565</b>  | <b>7,377</b>  | <b>7,522</b>  |
| % of total income              | 30.7%         | 22.5%         | 24.7%         | 27.9%         | 28.2%         |
| <b>Total Income</b>            | <b>27,539</b> | <b>28,763</b> | <b>26,600</b> | <b>26,454</b> | <b>26,633</b> |
| Operating Expenses             | 13,013        | 15,894        | 17,010        | 16,027        | 16,111        |
| <b>Pre-provisioning Profit</b> | <b>14,526</b> | <b>12,869</b> | <b>9,590</b>  | <b>10,427</b> | <b>10,522</b> |
| Provisions                     | 5,036         | 6,082         | 4,040         | 3,800         | 3,800         |
| <b>Pre-tax Profit</b>          | <b>9,490</b>  | <b>6,787</b>  | <b>5,550</b>  | <b>6,627</b>  | <b>6,722</b>  |
| Income Tax                     | 1,873         | 1,331         | 1,088         | 1,299         | 1,318         |
| After Tax Profit               | 7,616         | 5,456         | 4,462         | 5,327         | 5,404         |
| Equity Income                  | 0             | 0             | 0             | 0             | 0             |
| Minority Interest              | (14)          | (13)          | (8)           | (8)           | (8)           |
| Extraordinary Items            | 0             | 0             | 0             | 0             | 0             |
| <b>NET PROFIT</b>              | <b>7,602</b>  | <b>5,443</b>  | <b>4,454</b>  | <b>5,319</b>  | <b>5,396</b>  |
| <b>Normalized Profit</b>       | <b>7,602</b>  | <b>5,443</b>  | <b>4,454</b>  | <b>5,319</b>  | <b>5,396</b>  |
| EPS (Bt)                       | 9.0           | 6.4           | 5.3           | 6.3           | 6.4           |
| Normalized EPS (Bt)            | 9.0           | 6.4           | 5.3           | 6.3           | 6.4           |

Lower credit costs

## BALANCE SHEET

| FY ending Dec (Bt m)            | 2022A          | 2023A          | 2024F          | 2025F          | 2026F          |
|---------------------------------|----------------|----------------|----------------|----------------|----------------|
| <b>ASSETS:</b>                  |                |                |                |                |                |
| <b>Liquid Items</b>             | <b>46,733</b>  | <b>63,411</b>  | <b>47,000</b>  | <b>64,350</b>  | <b>67,800</b>  |
| cash & cash equivalents         | 1,000          | 1,382          | 900            | 850            | 800            |
| interbank & money market        | 45,732         | 62,029         | 46,100         | 63,500         | 67,000         |
| Securities under resale agreeme | 0              | 0              | 0              | 0              | 0              |
| Investments                     | 31,848         | 36,262         | 38,800         | 40,740         | 42,777         |
| <b>Net loans</b>                | <b>364,871</b> | <b>384,826</b> | <b>358,219</b> | <b>350,038</b> | <b>347,166</b> |
| Gross and accrued interest      | 383,839        | 405,493        | 379,214        | 371,204        | 368,531        |
| Provisions for doubtful         | 18,969         | 20,668         | 20,995         | 21,165         | 21,365         |
| Fixed assets - net              | 13,200         | 14,677         | 14,164         | 13,741         | 13,411         |
| Other assets                    | 50,986         | 46,152         | 43,425         | 40,699         | 39,176         |
| <b>Total assets</b>             | <b>507,637</b> | <b>545,327</b> | <b>501,608</b> | <b>509,568</b> | <b>510,329</b> |
| <b>LIABILITIES:</b>             |                |                |                |                |                |
| <b>Liquid Items</b>             | <b>351,979</b> | <b>382,421</b> | <b>350,583</b> | <b>350,813</b> | <b>353,246</b> |
| Deposit                         | 331,464        | 358,903        | 328,000        | 328,000        | 330,200        |
| Interbank & money market        | 20,175         | 23,035         | 22,000         | 22,220         | 22,442         |
| Liability payable on demand     | 340            | 483            | 583            | 593            | 603            |
| Borrowings                      | 61,354         | 68,900         | 39,117         | 48,236         | 48,447         |
| Other liabilities               | 36,192         | 32,753         | 50,000         | 47,000         | 44,000         |
| <b>Total liabilities</b>        | <b>449,526</b> | <b>484,074</b> | <b>439,701</b> | <b>446,050</b> | <b>445,692</b> |
| Minority interest               | 288            | 286            | 294            | 302            | 310            |
| <b>Shareholders' equity</b>     | <b>57,824</b>  | <b>60,967</b>  | <b>61,613</b>  | <b>63,217</b>  | <b>64,327</b>  |
| Preferred capital               | -              | -              | -              | -              | -              |
| Paid-in capital                 | 8,468          | 8,468          | 8,468          | 8,468          | 8,468          |
| Share premium                   | 9,356          | 9,356          | 9,356          | 9,356          | 9,356          |
| Surplus/ Others                 | 2,010          | 1,981          | 1,981          | 1,981          | 1,981          |
| Retained earnings               | 37,990         | 41,162         | 41,808         | 43,412         | 44,522         |
| <b>Liabilities &amp; equity</b> | <b>507,637</b> | <b>545,327</b> | <b>501,608</b> | <b>509,568</b> | <b>510,329</b> |

Loan contractions

Sources: Company data, Thanachart estimates

**VALUATION****Capital management initiatives**

| FY ending Dec                       | 2022A | 2023A | 2024F | 2025F | 2026F |
|-------------------------------------|-------|-------|-------|-------|-------|
| Normalized PE (x)                   | 6.0   | 8.4   | 10.3  | 8.6   | 8.5   |
| Normalized PE - at target price (x) | 7.0   | 9.8   | 12.0  | 10.0  | 9.9   |
| PE (x)                              | 6.0   | 8.4   | 10.3  | 8.6   | 8.5   |
| PE - at target price (x)            | 7.0   | 9.8   | 12.0  | 10.0  | 9.9   |
| P/PPP (x)                           | 3.1   | 3.6   | 4.8   | 4.4   | 4.3   |
| P/PPP - at target price (x)         | 3.7   | 4.1   | 5.6   | 5.1   | 5.1   |
| P/BV (x)                            | 0.8   | 0.7   | 0.7   | 0.7   | 0.7   |
| P/BV - at target price (x)          | 0.9   | 0.9   | 0.9   | 0.8   | 0.8   |
| Dividend yield (%)                  | 6.0   | 5.6   | 6.9   | 9.3   | 9.4   |
| Market cap / net loans (x)          | 0.1   | 0.1   | 0.1   | 0.1   | 0.1   |
| Market cap / deposit (x)            | 0.1   | 0.1   | 0.1   | 0.1   | 0.1   |
| <b>(Bt)</b>                         |       |       |       |       |       |
| Normalized EPS                      | 9.0   | 6.4   | 5.3   | 6.3   | 6.4   |
| EPS                                 | 9.0   | 6.4   | 5.3   | 6.3   | 6.4   |
| DPS                                 | 3.3   | 3.0   | 3.8   | 5.0   | 5.1   |
| PPP/Share                           | 17.2  | 15.2  | 11.3  | 12.3  | 12.4  |
| BV/Share                            | 68.3  | 72.0  | 72.8  | 74.7  | 76.0  |

**FINANCIAL RATIOS****Less funding cost pressure**

| FY ending Dec                       | 2022A | 2023A  | 2024F  | 2025F | 2026F |
|-------------------------------------|-------|--------|--------|-------|-------|
| <b>Growth Rate (%)</b>              |       |        |        |       |       |
| Net interest income (NII)           | 21.5  | 16.8   | (10.1) | (4.8) | 0.2   |
| Non-interest income (Non-II)        | (1.0) | (23.5) | 1.5    | 12.4  | 2.0   |
| Operating expenses                  | 15.7  | 22.1   | 7.0    | (5.8) | 0.5   |
| Pre-provisioning profit (PPP)       | 11.8  | (11.4) | (25.5) | 8.7   | 0.9   |
| Net profit                          | 20.3  | (28.4) | (18.2) | 19.4  | 1.4   |
| Normalized profit growth            | 20.3  | (28.4) | (18.2) | 19.4  | 1.4   |
| EPS                                 | 20.3  | (28.4) | (18.2) | 19.4  | 1.4   |
| Normalized EPS                      | 20.3  | (28.4) | (18.2) | 19.4  | 1.4   |
| Dividend payout ratio               | 36.2  | 46.7   | 71.3   | 80.0  | 80.0  |
| Loan - gross                        | 21.7  | 6.6    | (6.7)  | (2.2) | (0.8) |
| Loan - net                          | 22.0  | 5.5    | (6.9)  | (2.3) | (0.8) |
| Deposit                             | 14.9  | 8.3    | (8.6)  | 0.0   | 0.7   |
| NPLs                                | 31.1  | 5.5    | 16.0   | (3.2) | (4.1) |
| Total assets                        | 16.4  | 7.4    | (8.0)  | 1.6   | 0.1   |
| Total equity                        | 13.3  | 5.4    | 1.1    | 2.6   | 1.8   |
| <b>Operating Ratios (%)</b>         |       |        |        |       |       |
| Net interest margin (NIM)           | 4.0   | 4.2    | 3.8    | 3.8   | 3.7   |
| Net interest spread                 | 5.7   | 5.7    | 5.1    | 5.2   | 5.3   |
| Yield on earnings assets            | 5.6   | 6.4    | 6.3    | 6.1   | 5.9   |
| Avg cost of fund                    | 1.2   | 1.9    | 2.5    | 2.4   | 2.3   |
| NII / operating income              | 69.3  | 77.5   | 75.3   | 72.1  | 71.8  |
| Non-II / operating income           | 30.7  | 22.5   | 24.7   | 27.9  | 28.2  |
| Fee income / operating income       | 22.4  | 19.0   | 20.2   | 22.6  | 22.9  |
| Normalized net margin               | 27.6  | 18.9   | 16.7   | 20.1  | 20.3  |
| Cost-to-income                      | 47.3  | 55.3   | 63.9   | 60.6  | 60.5  |
| Credit cost - provision exp / loans | 1.3   | 1.5    | 1.1    | 1.0   | 1.1   |
| PPP / total assets                  | 3.1   | 2.4    | 1.8    | 2.1   | 2.1   |
| PPP / total equity                  | 26.7  | 21.7   | 15.6   | 16.7  | 16.5  |
| ROA                                 | 1.6   | 1.0    | 0.9    | 1.1   | 1.1   |
| ROE                                 | 14.0  | 9.2    | 7.3    | 8.5   | 8.5   |

Sources: Company data, Thanachart estimates

## FINANCIAL RATIOS

| FY ending Dec                          | 2022A  | 2023A  | 2024F  | 2025F  | 2026F  |
|--|--------|--------|--------|--------|--------|
| <b>Liquidity and Quality Ratio (%)</b> |        |        |        |        |        |
| Loan-to-deposit                        | 112.7  | 110.9  | 113.2  | 110.7  | 109.0  |
| Loan-to-deposit & S-T borrowing        | 112.7  | 110.9  | 113.2  | 110.6  | 108.9  |
| Net loan / assets                      | 71.9   | 70.6   | 71.4   | 68.7   | 68.0   |
| Net loan / equity                      | 631.0  | 631.2  | 581.4  | 553.7  | 539.7  |
| Investment / assets                    | 6.3    | 6.6    | 7.7    | 8.0    | 8.4    |
| Deposit / liabilities                  | 73.7   | 74.1   | 74.6   | 73.5   | 74.1   |
| Liabilities / equity                   | 777.4  | 794.0  | 713.6  | 705.6  | 692.9  |
| Net interbank lender (Bt m)            | 25,557 | 38,994 | 24,100 | 41,280 | 44,558 |
| Tier 1 CAR                             | 13.3   | 13.3   | 14.7   | 14.9   | 15.2   |
| Tier 2 CAR                             | 3.3    | 3.3    | 3.6    | 3.6    | 3.6    |
| Total CAR                              | 16.6   | 16.6   | 18.4   | 18.5   | 18.8   |
| NPLs (Bt m)                            | 13,947 | 14,710 | 17,065 | 16,519 | 15,847 |
| NPLs / Total loans (NPL Ratio)         | 3.6    | 3.6    | 4.5    | 4.5    | 4.3    |
| Loan-Loss-Coverage                     | 136.0  | 140.5  | 123.0  | 128.1  | 134.8  |

*Decent improvement in  
asset quality*

Sources: Company data, Thanachart estimates

## ESG Information - Third Party Terms

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ESG Scores by Third Party data from www.SETTRADE.com

1. MSCI (CCC- AAA)
2. ESG Book (0-100)
3. Refinitiv (0-100)
4. S&P Global (0-100)
5. Moody's ESG Solutions (0-100)
6. SET ESG Rating (BBB-AAA)

### SETESG Index (SETESG)

The SETESG Index reflects the price movement of stock of companies that have sustainable business practices which consider environmental, social and governance (ESG) aspect.

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### SET ESG Index (SET ESG)

Currently, long-term investment guidelines abroad are beginning to focus on investing in companies that have sustainable business practices. which considers environmental, social and governance factors (Environmental, Social and Governance or ESG) of the company in making investment decisions along with analyzing the company's financial data.

Stock Exchange Has prepared the results of evaluating sustainable stocks which are stocks of listed companies (SETESG Rating) as an alternative for investors who want to invest in stocks of listed companies that are outstanding in ESG, including to support listed companies with operations. sustainable business Taking into account all stakeholders in both social and environmental aspects. There is a management process to create sustainability for the organization, such as risk management. Supply chain management and innovation development. Therefore, the SETESG index was created to be an index that reflects the price movement of a group of securities. of companies with sustainable business operations that meet the required size and liquidity criteria

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|--------------|---|
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| BB - BBB - A | <b>AVERAGE :</b> A company with a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers |
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ESG risk combines the concepts of management and exposure to arrive at an absolute assessment of ESG risk. We identify five categories of ESG risk severity that could impact a company's enterprise value

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|        |       |              |
|--------|-------|--------------|
| 90-100 | ▲▲▲▲▲ | Excellent    |
| 80-89  | ▲▲▲▲  | Very Good    |
| 70-79  | ▲▲▲   | Good         |
| 60-69  | ▲▲    | Satisfactory |
| 50-59  | ▲     | Pass         |
| Below  |       | N/A          |

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