

Kiatnakin Phatra Bank Pcl (KKP TB) - HOLD, Price Bt51.25, TP Bt49 Results Comment

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Better profits on lower provisions

- In 1Q24, KKP reported profits of Bt1.5bn, surpassing expectations, though down 27% y-y due to increased repossessed losses and decreased non-interest income. However, there was a substantial 125% q-q rebound, primarily attributed to reduced provisions and expenses.
- The better-than-expected earnings were driven by decreased credit costs, despite sustained high repossessed losses totaling Bt1.4bn for the quarter.
- Consequently, the NPL ratio increased to 3.9%, resulting in a lower loan loss coverage ratio of 118%, down from 141% in 4Q23. Given this decrease in coverage ratio, we maintain a HOLD recommendation, considering the lower provisions potentially unsustainable.
- Reflecting the bank's cautious underwriting, auto-hire purchase loans saw a 3% quarterly decline, contributing to an overall 0.7% decrease in loans from 4Q23.
- NIM fell both y-y and q-q on rising cost of funds and reduced loan income.
- Non-NII fell 8% y-y on decreasing banking and capital market fees. However, there was a 13% increase from 4Q23, primarily due to higher mark-to-market investment gains.
- Opex jumped 33% y-y on higher repossessed losses. Excluding the loss, KKP's cost to income ratio was 42%, down from 46% in 4Q23.

Income Statement (consolidated)						Income Statement 3M as					
Yr-end Dec (Bt m)	1Q23	2Q23	3Q23	4Q23	1Q24	(Bt m)	q-q%	y-y%	% 2024F	2024F	2025F
Interest & dividend income	6,996	7,474	8,191	8,057	7,881	Interest & dividend income	(2)	13	25	31,428	32,909
Interest expense	1,772	1,952	2,204	2,495	2,629	Interest expense	5	48	28	9,381	9,604
Net interest income	5,223	5,521	5,988	5,562	5,253	Net interest income	(6)	1	24	22,047	23,305
Non-interest income	1,718	1,902	1,456	1,393	1,579	Non-interest income	13	(8)	24	6,612	6,711
Total income	6,941	7,423	7,444	6,955	6,832	Total income	(2)	(2)	24	28,659	30,016
Operating expense	3,239	3,791	4,281	4,584	4,316	Operating expense	(6)	33	27	15,964	15,392
Pre-provisioning profit	3,702	3,632	3,163	2,371	2,516	Pre-provisioning profit	6	(32)	20	12,695	14,624
Provision for bad&doubtful debt	1,097	1,878	1,678	1,429	609	Provision for bad&doubtful debt	(57)	(45)	11	5,640	6,000
Profit before tax	2,605	1,754	1,485	942	1,907	Profit before tax	102	(27)	27	7,055	8,624
Tax	517	342	201	270	400	Tax	48	(23)	29	1,383	1,691
Profit after tax	2,088	1,411	1,284	672	1,507	Profit after tax	124	(28)	27	5,672	6,933
Equity income	-	-	-	-	-	Equity income	neg	neg	-	-	-
Minority interests	(3)	(3)	(4)	(2)	(1)	Minority interests	neg	neg	6	(13)	(13)
Extra items	-	-	-	-	-	Extra items	neg	neg	-	-	-
Net profit	2,085	1,408	1,281	670	1,506	Net profit	125	(28)	27	5,659	6,920
Normalized profit	2,085	1,408	1,281	670	1,506	Normalized profit	125	(28)	27	5,659	6,920
PPP/share (Bt)	4.4	4.3	3.7	2.8	3.0	PPP/share (Bt)	6	(32)	20	15.0	17.3
EPS (Bt)	2.5	1.7	1.5	0.8	1.8	EPS (Bt)	125	(28)	27	6.7	8.2
Norm EPS (Bt)	2.5	1.7	1.5	0.8	1.8	Norm EPS (Bt)	125	(28)	27	6.7	8.2
BV/share (Bt)	70.8	70.9	71.0	72.0	74.0	BV/share (Bt)	3	4	74	75.5	80.0

Balance Sheet (consolidated)						Financial Ratios (%)					
Yr-end Dec (Bt m)	1Q23	2Q23	3Q23	4Q23	1Q24		1Q23	2Q23	3Q23	4Q23	1Q24
Cash and Interbank	55,240	54,248	58,839	63,411	48,330	Gross loan grow th (YTD)	1.7	5.7	6.1	5.4	(0.7)
Other liquid items	20,953	20,298	26,100	24,098	25,957	Gross loan grow th (q-q)	1.7	3.9	0.3	(0.6)	(0.7)
Total liquid items	76,193	74,546	84,939	87,509	74,287	Deposit grow th (YTD)	4.2	0.7	5.6	8.3	(0.6)
Gross loans and accrued interest	394,715	406,164	407,628	405,493	402,680	Deposit grow th (q-q)	4.2	(3.3)	4.8	2.5	(0.6)
Provisions	19,486	20,291	20,490	20,668	20,495	Non-interest income (y-y)	(19.6)	13.7	(28.2)	(46.8)	(8.1)
Net loans	375,229	385,873	387,138	384,826	382,185	Non-interest income (q-q)	(34.4)	10.7	(23.4)	(4.4)	13.4
Fixed assets	13,751	13,939	14,160	14,677	14,206	Fee income / Operating income	19.4	19.7	18.0	19.2	16.4
Other assets	24,297	28,956	31,267	22,054	24,625	Cost-to-income	46.7	51.1	57.5	65.9	63.2
Total assets	522,566	530,508	553,889	545,327	532,436	Net interest margin	4.06	4.19	4.42	4.05	3.90
Deposits	345,242	333,856	350,042	358,903	356,849	Credit cost	1.14	1.88	1.68	1.44	0.62
Interbank	18,018	23,155	36,280	23,035	22,415	ROE	14.2	9.4	8.5	4.4	9.7
Other liquid items	550	623	612	483	581	Loan-to-deposit	111.2	119.5	114.4	110.9	110.8
Total liquid items	363,810	357,634	386,934	382,421	379,845	Loan-to-deposit + S-T borrow ing	111.2	119.5	114.4	110.9	110.8
Borrow ings	66,508	73,439	66,208	68,900	60,706	NPLs (Bt m)	14,669	16,040	16,122	14,710	17,310
Other liabilities	31,994	39,136	40,349	32,753	28,944	NPL increase	722	1,371	82	(1,412)	2,600
Minority interest	291	294	298	286	287	NPL ratio	3.50	3.70	3.70	3.30	3.90
Shareholders' equity	59,963	60,004	60,100	60,967	62,654	Loan-loss-coverage ratio	132.8	126.5	127.1	140.5	118.4
Total Liabilities & Equity	522,566	530,508	553,889	545,327	532,436	CAR - total	14.7	14.8	15.5	15.7	16.0

Sources: Company data, Thanachart estimates

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