Kiatnakin Phatra Bank (KKP TB)

2Q26: Results Beat; A Positive Surprise From Non-II

Highlights

- KKP reported a net profit of Bt2.12b in 2Q26, up 51% yoy and 9% qoq.
- Losses from the sale of repossessed cars continued to decrease.
- Upgrade to BUY with a higher target price of Bt135.00 (previously: Bt105.00).

2Q26 Results

Year to 31 Dec (Btm)	2Q26	1Q26	2Q25	qoq chg (%)	yoy chg (%)
Total gross loans	361,763	356,597	366,271	1.4	(1.2)
Net interest income	4,328	4,217	4,312	2.6	0.4
Non-interest income	2,558	2,483	1,876	3.0	36.3
Loan loss provision	(970)	(961)	(973)	0.9	(0.3)
Non-Interest Expenses	(3,200)	(3,261)	(3,454)	(1.9)	(7.4)
Pre-provision operating profit	3,687	3,438	2,735	7.2	34.8
Net income	2,122	1,955	1,409	8.5	50.6
EPS (Bt)	2.54	2.40	1.70	5.9	49.7
Ratio (%)					
NPL Ratio	3.5	4.1	4.3		
Loan loss coverage ratio (%)	151	142	133		
Loan Spread	3.9	3.9	3.9		
Credit cost (bp)	108	109	106		
Reported Credit Cost Inc Losses from Repossessing (bp)	138	145	164		
Cost to income (%)	43	44	47		
CET1 ratio (%)	13.6	13.5	13.5		

Source: KKP, UOB Kay Hian

Analysis

- **2Q26 results beat expectations.** Kiatnakin Phatra Bank (KKP) reported a net profit of Bt2.12b for 2Q26, increasing 51% yoy and 9% qoq. The results beat our and consensus expectations by 29% and 17%, respectively. The key positive surprise was non-II coming in 69% higher than our expectation, mainly attributable to: a) an impressive fee and service income, and b) dividend income of Bt231m in 2Q26 (1Q26: Bt305m, 4Q25: Bt43m). Excluding provisioning, pre-provision operating profit jumped 35% yoy and 7% qoq.
- **Loan portfolio grew qoq.** In 2Q26, KKP reported loan outstanding of Bt362b, down 1% yoy but up 1.4% qoq. The qoq loan expansion supports KKP's loan growth target of 3% yoy for 2026. In 1H26, the loan portfolio grew 3.1% yoy. We expect a loan growth of 3.6% yoy in 2026.

Key Financials

Year to 31 Dec (Btm)	2024	2025	2026F	2027F	2028F
Net interest income	19,847.8	17,256.8	17,553.1	19,239.7	20,131.5
Non-Interest Income	6,953.8	8,216.7	9,676.4	10,052.5	10,617.0
Net profit (rep./act.)	4,985.1	5,912.9	8,286.7	8,282.8	8,617.6
Net profit (adj.)	4,985.1	5,912.9	8,286.7	8,282.8	8,617.6
EPS (Bt)	5.9	7.3	9.9	9.9	10.3
PE (x)	18.4	15.1	11.0	11.0	10.6
P/B (x)	1.5	1.4	1.3	1.2	1.2
Dividend yield (%)	7.6	5.2	7.1	7.1	7.4
Net int margin (%)	4.2	3.9	4.0	4.2	4.3
Cost/income Ratio (%)	61.8	56.3	49.4	50.0	50.0
Loan loss cover (%)	134.2	137.2	146.9	146.9	146.9
Consensus net profit	n.a	n.a	7,177.5	7,349.8	7,672.5
UOBKH/Consensus (x)	n.a	n.a	1.2	1.1	1.1

Source: Kiatnakin Phatra Bank, Bloomberg, UOB Kay Hian

BUY (Upgraded)	
Share Price	Bt109.50
Target Price	Bt135.00
Upside	23.30%
Previous TP	Bt105.00

Analyst(s)
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Stock Data

GICS sector	Financials
Bloomberg ticker:	KKP TB
Shares issued (m):	895.4
Market cap (Btm):	98,048.9
Market cap (US$m):	2,913.3
3-mth avg daily t'over (US$m):	18.8

Price Performance (%)

52-week high/low: Bt109.5/Bt48.25

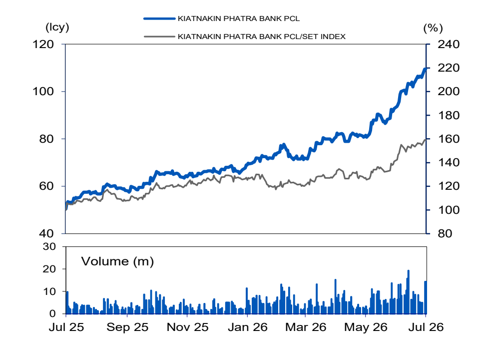
1mth	3mth	6mth	1yr	YTD
18.1	39.0	63.4	128.1	61.0

Major Shareholders	%
Thai NVDR	14.44
Chodthanawat Co., Ltd.	5.27
Eastern Sugar Co., Ltd.	4.57

Balance Sheet Metrics

FY26 NAV/Share (Bt)	85.5
FY26 CAR Tier 1 (%)	13.5

Price Chart



Source: Bloomberg

Company Description

The small-sized bank has roughly 2% of the credit market. Its strong focus in on auto hire purchase lending which accounts for about half of its loan book.

- **NII declined yoy.** KKP reported a net interest income (NII) of Bt4.33b in 2Q26, increasing 0.4% and 2.6% qoq. The loan yield decreased slightly qoq from 6.4% in 1Q26 to 6.2% in 2Q26. Cost of funds fell from 1.8% in 1Q26 to 1.7% in 2Q26. The loan spread remained stable qoq at 4.6% in 2Q26.
- **Positive surprise from non-II boosted bottom line.** KKP posted a non-interest income (non-II) of Bt2.56b in 2Q26, up 36% yoy and 3% qoq. It reported a gain on financial instruments measured at fair value through profit or loss of around Bt284m in 2Q26 (1Q26: Bt385m, 4Q25: Bt482m). Meanwhile, fee and service income was reported at Bt2.25b, jumping 32% yoy and 13% qoq in 2Q26. The positive surprise in non-II was mainly due to the qoq jump in: a) fee and service income, and b) dividend income.
- **Provision expenses rose qoq.** KKP's NPL dropped qoq from 4.1% in 1Q26 to 3.5% in 2Q26. As part of a proactive management strategy, KKP wrote off retail SME loans during the quarter. The bank set aside total provisions of Bt970m in 2Q26 (-0.3% yoy, +0.9% qoq), which fully accounted for these written-off loans. Credit cost declined 7bp qoq to 143bp in 2Q26. The coverage ratio rose from 142% in 1Q26 to 151% in 2Q26.
- **Losses from sale of repossessed cars continued to decrease.** KKP reported a qoq decline in losses from the sale of repossessed cars to Bt283m (1Q26: Bt331m, 4Q25: Bt506m). This continued decline in losses is in line with the ongoing reduction in volume of repossessed vehicles. As of May 25, we saw a gradual improvement in used-car prices. We expect KKP to maintain its good asset quality.

Valuation/Recommendation

- **Upgrade to BUY with a higher price of Bt135.00 (previously: Bt105.00),** based on the Gordon Growth Model (cost of equity: 12.5%, long-term growth: 2.0%). Our target price implies 1.58x 2026F P/B.
- KKP has proven solid in cleaning up its loan portfolio and showing a robust asset quality outlook for several quarters up to 2Q26. Meanwhile, we continue to see a significant increase in fee and service income, driven by the wealth business and other segments. Therefore, we have turned bullish on KKP's earnings outlook and growth potential. Additionally, we expect a dividend payout of 76-78% to attract capital flows and drive the share price higher.

Earnings Revision/Risk

- We revise KKP's 2026-28 earnings forecasts upward by 18.7%, 13.0%, and 13.9% respectively, to reflect the excellent 2Q26 results and its robust asset quality.

Environment, Social, Governance (ESG) Updates

CG Report: 5
SET ESG Rating: AAA

Environmental

- Promoting efficient energy usage and reducing greenhouse gas emissions.
- Providing financial support for green businesses and promoting businesses that reduce environmental and social impacts.

Social

- Building a positive work environment that prohibits discrimination in all its forms, embraces diversity, and respects human rights.
- Improving the wellbeing and quality of life of people by promoting financial literacy and supporting projects that have positive social impacts.

Governance

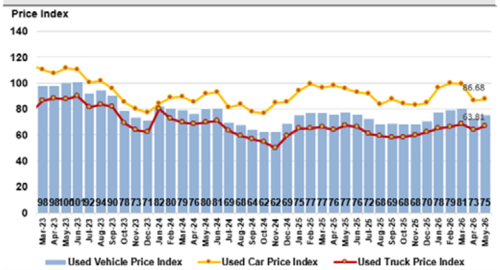
- Conducting business under the principles of good corporate governance.

2026 Financial Targets

	1H26 Actual	2026 Target	2025 Actual
ROAE	12.2%	10-11%	10.2%
Loan growth	3.1%	3%	-6.7%
Loan spread	4.6%	4.3-4.4%	4.5%
NPL ratio (Gross)	3.6%	4.4%	4.3%
*Credit cost	1.46%	1.6-1.8%	1.72%

*ECL plus loss from sales of repossessed cars
Source: KKP, UOB Kay Hian

Used-Vehicle Prices



Source: KKP, UOB Kay Hian

PE Band

Source: KKP, UOB Kay Hian

P/B Band

Source: KKP, UOB Kay Hian

Profit & Loss

Year to 31 Dec (Btm)	2025	2026F	2027F	2028F
Interest income	26,289	24,148	26,212	27,844
Interest expense	(9,032)	(6,595)	(6,973)	(7,713)
Net interest income/(expense)	17,257	17,553	19,240	20,131
Fees & Commissions	5,935	6,849	7,419	7,871
Net Trading Income	1,675	2,381	2,413	2,526
Other Income	606	446	220	220
Non-Interest Income	8,217	9,676	10,052	10,617
Total Income	25,473	27,230	29,292	30,748
Staff Costs	(7,646)	(7,819)	(8,676)	(9,358)
Other Operating Expense	(6,684)	(5,624)	(5,984)	(6,031)
Pre-Provision Profit	11,143	13,787	14,633	15,359
Loan Loss Provision	(3,693)	(3,173)	(3,967)	(4,262)
Pre-tax profit	7,450	10,614	10,666	11,097
Tax	(1,481)	(2,093)	(2,133)	(2,219)
Minorities	(56)	(235)	(250)	(260)
Net profit	5,913	8,287	8,283	8,618
Net profit (adj.)	5,913	8,287	8,283	8,618

Balance Sheet

Year to 31 Dec (Btm)	2025	2026F	2027F	2028F
Cash With Central Bank	1,209	1,819	1,867	1,914
Govt Treasury Bills & Securities	42,851	44,346	45,335	46,426
Interbank Loans	39,238	39,690	40,848	41,907
Customer Loans	331,200	345,885	354,689	363,610
Investment Securities	23,637	29,097	30,553	31,392
Derivative Receivables	9,824	14,618	15,352	15,825
Associates & JVs	0	0	0	0
Properties & Other Fixed Assets	13,218	13,146	13,274	13,415
Goodwill & Intangible Assets	5,055	4,929	4,929	4,929
Other Assets	21,864	29,893	31,719	32,614
Total assets	488,095	523,423	538,565	552,033
Interbank Deposits	13,078	17,285	18,312	18,833
Customer Deposits	348,300	357,388	366,574	375,829
Bills Payable	439	708	708	708
Derivative Payables	9,832	13,489	14,081	14,413
Subordinated Debts	15,088	24,917	26,647	26,840
Other Liabilities	36,152	37,586	38,171	38,950
Total liabilities	422,889	451,371	464,493	475,572
Shareholders' funds	64,772	73,333	75,108	77,243
Minority interest	434	669	913	1,168
Total Equity & Liabilities	488,095	525,373	540,514	553,982

Operating Ratios

Year to 31 Dec (Btm)	2025	2026F	2027F	2028F
Capital Adequacy				
Tier-1 CAR	14	14	14	14
Total CAR	16	15	15	15
Total Assets/Equity	8	7	7	7
Tangible Assets/Tangible Common Equity	8	8	8	8
Asset Quality				
NPL Ratio	4	3	3	3
Loan Loss Coverage	137	147	147	147
Loan Loss Reserve/Gross Loans	6	5	5	5
Increase in NPLs	(5)	(16)	4	3
Credit Cost (bp)	102	89	108	113
Liquidity				
Loan/Deposit Ratio	95	97	97	97
Liquid Assets/Short-Term Liabilities	23	23	23	23
Liquid Assets/Total Assets	17	16	16	16

Key Metrics

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Growth				
Net Interest Income, yoy Chg	(13)	2	10	5
Fees & Commissions, yoy Chg	10	15	8	6
Pre-Provision Profit, yoy Chg	9	24	6	5
Net Profit, yoy Chg	19	40	0	4
Customer Loans, yoy Chg	(7)	4	3	3
Profitability				
Net Interest Margin	4	4	4	4
Cost/Income Ratio	56	49	50	50
Adjusted ROA	1	2	2	2
Reported ROE	9	12	11	12
Adjusted ROE	9	12	11	12
Valuation				
P/BV	1	1	1	1
P/NTA	1	1	1	1
Adjusted P/E	15	11	11	11
Dividend Yield	5	7	7	7