

# KIATNAKIN PHATRA BANK PLC

No. 37/2023  
28 March 2023

## FINANCIAL INSTITUTIONS

<b>Company Rating:</b>	A
<b>Issue Ratings:</b>	
Senior unsecured	A
Basel III Tier 2 Subordinated	BBB+
<b>Outlook:</b>	Stable

Last Review Date: 08/04/22

### Company Rating History:

Date	Rating	Outlook/Alert
26/04/19	A	Stable
25/04/18	A-	Positive
31/03/15	A-	Stable
31/03/11	A-	Positive
30/11/04	A-	Stable
12/07/04	BBB+	Positive
21/05/02	BBB+	-
21/06/00	BBB	-
06/03/00	BBB	Alert Negative
25/11/99	BBB	-

### Contacts:

Pawin Thachasongtham

pawin@trisrating.com

Jantana Taveeratanasilp

jantana@trisrating.com

Jittrapan Pantaleard

jittrapan@trisrating.com

Narumol Charnchanavivat

narumol@trisrating.com



WWW.TRISRATING.COM

## RATIONALE

TRIS Rating affirms the company rating on Kiatnakin Phatra Bank PLC (KKP), the issue ratings on KKP's senior unsecured debentures at "A", and the issue ratings on KKP's Basel III Tier 2 subordinated debt at "BBB+", with a "stable" outlook. At the same time, TRIS Rating assigns the rating of "A" to KKP's proposed issue of up to THB15 billion senior unsecured debentures due within three years. The proceeds will be used for business expansion, working capital needs, and debt refinancing.

The ratings continue to reflect KKP's strengthening commercial banking franchise and strong competitive position in investment banking and private banking businesses. The ratings also reflect well-diversified sources of revenue, adequate capital position, and solid earnings. However, the ratings are constrained by the potential deterioration of asset quality as well as the company's market position and funding profile which remain relatively weaker than those of domestic systemically important banks (D-SIBs) despite improving trends.

We project KKP's capital to stay at an 'adequate' level over the next three years, with the common equity tier-1 (CET-1) ratio estimated to range between 12%-13%. Our base-case scenario assumes moderate loan growth, sound earnings capacity, and prudent capital management policy. KKP's CET-1 ratio stood at 13.3% at the end of 2022, slightly lower from 13.6% at the end of 2021. We take a positive view on KKP's initiatives to maintain capital levels during its expansion phase, including lowering its dividend payment and the issuance of warrants.

In 2022, KKP reported a net profit of THB7.6 billion, a significant increase of 19.8% compared with the previous year. The profit growth was attributed to its high credit growth, well-controlled costs, and lower provisioning expenses that helped offset the weaker capital market activities. Its diversified sources of revenue have supported the bank well during the economic downturn and market volatility.

KKP's asset quality slightly deteriorated in 2022 but, in our view, remained manageable. The bank's non-performing loans (NPL) ratio (excluding acquired distressed assets) rose to 3.3% at the end of 2022 from 3.1% at the end of 2021. NPL formation rose to 2% in 2022 from 0.4% in 2021. Stage-2 loans also increased to 6.1% of total loans at the end of 2022 from 5.6% at the end of 2021. The deterioration was mainly driven by auto hire purchase loans which the bank has expanded actively during the past three years. The credit risk is partly mitigated by KKP's strong NPL coverage ratio, which stood at 154% at the end of 2022. This was a decline from 175% at the end of 2021, but we expect its NPL coverage to hover above 140% over the next few years.

KKP has made good progress in improving its deposit franchise in recent years, and we expect this to continue. Current account and savings account (CASA) deposits to total deposits remained at around 59% at the end of 2022, the highest among small banks. This was due to the synergy between its commercial banking business and its capital market businesses, as well as a significant increase in e-Deposit accounts.

**CreditUpdate**, reviews ratings of companies or debt issues that have already been rated by TRIS Rating. The CreditUpdate occurs when new debt instruments are issued or if significant events have taken place that may impact a company's current ratings or when current ratings are cancelled. The CreditUpdate announces whether a rating has been "upgraded," "downgraded," "affirmed" or "cancelled." The update includes information to supplement the previously published ratings.

Credit Updates are part of TRIS Rating's monitoring process. TRIS Rating monitors every rating it assigns until either the debt instrument matures or the rating contract ends. To keep the public informed of changing situations, TRIS Rating periodically issues announcements about the credit ratings it monitors.

## RATING OUTLOOK

The “stable” outlook reflects our expectation that KKP will maintain its adequate capital, asset quality at acceptable levels, and further cultivate synergies with its capital market and wealth management units to sustain healthy financial performance and revenue structure diversification.

## RATING SENSITIVITIES

The ratings and/or outlook could be revised upward if KKP strengthens its capital position significantly, with the CET-1 ratio above 15% for a sustained period, while continuing to improve its asset quality and commercial banking franchise. We could revise the ratings downward if capital, asset quality and/or earnings capacity weakens materially.

## RELATED CRITERIA

- Bank Rating Methodology, 20 March 2023
- Bank Hybrid Capital Rating Methodology, 24 December 2021

## Kiatnakin Phatra Bank PLC (KKP)

<b>Company Rating:</b>	A
<b>Issue Ratings:</b>	
KKP30NA: THB2,000 million Basel III Tier 2 capital securities due 2030	BBB+
KKP314A: THB2,852 million Basel III Tier 2 capital securities due 2031	BBB+
KKP230A: THB5,000 million senior unsecured debentures due 2023	A
KKP24NA: THB5,000 million senior unsecured debentures due 2024	A
Up to THB15,000 million senior unsecured debentures due within 3 years	A
<b>Rating Outlook:</b>	Stable

## TRIS Rating Co., Ltd.

Silom Complex Building, 24th Floor, 191 Silom Road, Bangkok 10500, Thailand Tel: +66 2 098 3000

© Copyright 2023, TRIS Rating Co., Ltd. All rights reserved. Any unauthorized use, disclosure, copying, republication, further transmission, dissemination, redistribution or storing for subsequent use for any purpose, in whole or Any unauthorized use, disclosure, copying, republication, further transmission, dissemination, redistribution, or storing for subsequent use for any purpose, in whole or in part, in any form or manner or by any means whatsoever, by any person, of the credit rating reports or information is prohibited, without the prior written permission of TRIS Rating Co., Ltd. The credit rating is not a statement of fact or a recommendation to buy, sell or hold any debt instruments. It is an expression of opinion regarding credit risks for that instrument or particular company. The opinion expressed in the credit rating does not represent investment or other advice and should therefore not be construed as such. Any rating and information contained in any report written or published by TRIS Rating has been prepared without taking into account any recipient’s particular financial needs, circumstances, knowledge and objectives. Therefore, a recipient should assess the appropriateness of such information before making an investment decision based on this information. Information used for the rating has been obtained by TRIS Rating from the company and other sources believed to be reliable. Therefore, TRIS Rating does not guarantee the accuracy, adequacy, or completeness of any such information and will accept no liability for any loss or damage arising from any inaccuracy, inadequacy or incompleteness. Also, TRIS Rating is not responsible for any errors or omissions, the result obtained from, or any actions taken in reliance upon such information. All methodologies used can be found at [www.trisrating.com/rating-information/rating-criteria](http://www.trisrating.com/rating-information/rating-criteria)