

# KIATNAKIN PHATRA BANK PLC

No. 49/2025  
11 April 2025

## FINANCIAL INSTITUTIONS

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

**Last Review Date:** 24/04/24

### 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	-

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## RATIONALE

TRIS Rating affirms the company rating on Kiatnakin Phatra Bank PLC (KKP) at “A” and the ratings on its Basel III Tier 2 subordinated debentures at “BBB+” with a “stable” outlook.

The ratings reflect KKP’s business diversification, adequate capital, continued strong performance in the capital market business, and moderate funding profile. However, the bank’s asset quality and lower profitability remain areas of our concern.

## KEY RATING CONSIDERATIONS

### Diversification contributing to greater stability

KKP’s competitive edge continues to lie in its integration of commercial banking and capital market services, offering a comprehensive suite of financial products. This synergy allows the bank to provide a wide range of services to individual, corporate, and institutional clients.

In the commercial banking business, auto hire-purchase (HP) lending continues to represent the majority of KKP’s loan portfolio (45% of total loans). However, the bank has also expanded into mortgage loans (16%) and corporate banking (14%), establishing a more stable income base. This diversification helps reduce risks associated with cyclical downturns in the auto HP market, which has historically driven both growth and volatility.

In the auto financing sector, KKP ranks as the fourth-largest provider among Thai commercial banks at end-2024. KKP adopted an aggressive expansion strategy in 2020-2022. However, this rapid growth led to increased credit risks, higher delinquencies, and rising losses on repossession. In response, KKP tightened its underwriting standards, resulting in an 11% contraction of its auto HP portfolio in 2024.

### Earlier vintages weigh down overall asset quality

We expect KKP to continue facing asset quality challenges, largely due to the deterioration of its earlier loan vintages. This was particularly acute for the auto loans that were aggressively originated between 2022 and the first half of 2023. We also expect economic uncertainties and high interest rates to place additional financial strains on some borrowers.

As a result, the bank’s non-performing loan (NPL) ratio (excluding purchased or originated credit impaired (POCI) and interbank assets) rose to a high 4.2% at end-2024, from 3.2% at end-2023. This was partly due to loan contraction in 2024. The bank’s NPL formation rate rose to 3% in 2024, up from 2.3% in 2023.

Looking forward, we expect the asset quality of the bank’s newer portfolios to improve. We attribute this to the bank’s strengthened risk management framework and tightened underwriting standards. As such, we estimate KKP’s NPL ratio to remain in the 4.2%-4.3% range from 2025 to 2027, with improvements expected in 2026, primarily due to the auto HP segment. We also project KKP’s credit cost (including losses on the sale of repossessed cars) to range between 2.0%-2.3% over the next three years, compared with 2.3% in 2024.

We expect KKP’s losses on the sale of repossessed cars to gradually fall in 2025. This is due to the stricter underwriting standards implemented since the

second half of 2023. Also, we expect the supply of used cars in the market to decrease, partly helped by the “You Fight, We Help” program, that contributed to this stabilization.

### **Profitability remains under pressure**

In our view, KKP’s earnings will remain under pressure in 2025 from elevated funding costs, ongoing provisioning burdens, losses from the sale of repossessed cars, and subdued loan demand. We expect the bank’s net profit for 2025 to decline further to around THB4.8 billion, before gradually recovering to the THB5.5-THB6 billion range in 2026-2027. We also project KKP’s return on average assets (ROAA) to range between 1%-1.2% in 2026-2027, supported by lower funding costs and reduced provisioning burdens.

KKP’s 2024 profitability aligned with our expectations. This reflects the impact from rising interest rates and slower growth in the net interest income. At the same time, there were additional challenges from rising provisioning burdens and losses from the sale of repossessed cars. The bank reported a net profit of THB5 billion for 2024, representing an 7.5% decrease compared with the previous year. Likewise, the bank’s ROAA slightly decreased to 0.97% in 2024 from 1.04% in 2023.

### **Maintaining adequate capital position**

We assess KKP’s capital position as adequate over the next three years. We project KKP’s consolidated common equity tier-1 (CET-1) ratio to remain in the 14.4%-14.7% range throughout 2025-2027. We assume the bank’s flat loan growth and a dividend payout ratio of 75%. The bank’s CET-1 ratio stood at 14% at end-2024, a slight increase from 13.3% at end-2023.

### **Moderate funding profile**

We maintain a moderate assessment of KKP’s funding position to reflect the funding profile of a smaller-sized banks. KKP’s funding also remains constrained by the depositor concentration, which are mostly its wealth management clients.

At end-2024, the bank’s current account and savings account (CASA) deposit to total deposits ratio was 34.5%, slightly decreasing from 35.8% at end-2023. This decline was in line with other small-sized banks, and the level is well below the industry average of 67.4%. However, KKP’s higher share of term deposits can help mitigate the asset-liability mismatch with its loan portfolio, since fixed-rate auto HP loans comprised around 45% of the total loans at end-2024.

The bank’s customer deposit to total funding ratio stood at 88.7% at end-2024, an increase from 79.4% at end-2023. This increase was attributed to the maturity of debentures, with no need for replacement issuance as loans have contracted. This resulted in the bank’s lower reliance on wholesale funding.

### **Sufficient liquidity**

We assess KKP as maintaining a sufficient liquidity position over the next 12 months. At the end of the second quarter of 2024, the bank reported an average liquidity coverage ratio (LCR) of 138%, above the regulatory requirement albeit weaker than 195% average for Thai banks reported by the Bank of Thailand (BOT). As of end-2024, its liquid assets made up 19.8% of total assets and 21.5% of total deposits.

### **BASE-CASE ASSUMPTIONS**

The following are our base-case assumptions for KKP in 2025-2027:

- Loan growth: -2%-1% per annum
- Net interest margin: 4.1%-4.2%
- Cost-to-income: 44%
- Credit cost: 2.0%-2.3%
- NPL ratio (excluding POCL and interbank assets): 4.2%-4.3%
- NPL formation rate: 2%-2.5%
- CET-1 ratio: 14.4%-14.7%

### **RATING OUTLOOK**

The “stable” outlook reflects our expectation that KKP will maintain asset quality and earnings capacity at acceptable levels while ensuring adequate capital position. At the same time, we expect healthy financial performance and revenue diversification to be sustained by the bank’s synergies with its capital market and wealth management units.

### **RATING SENSITIVITIES**

The ratings and/or outlook could be revised upward if KKP strengthens its capital position significantly, with the CET-1 ratio staying well above 15% for a sustained period, while continuing to improve its asset quality and earnings capacity as well as

commercial banking franchise. We could revise the outlook and ratings downward if its asset quality and/or earnings capacity further weakens materially below our base-case scenario or the CET-1 ratio falls below 12%.

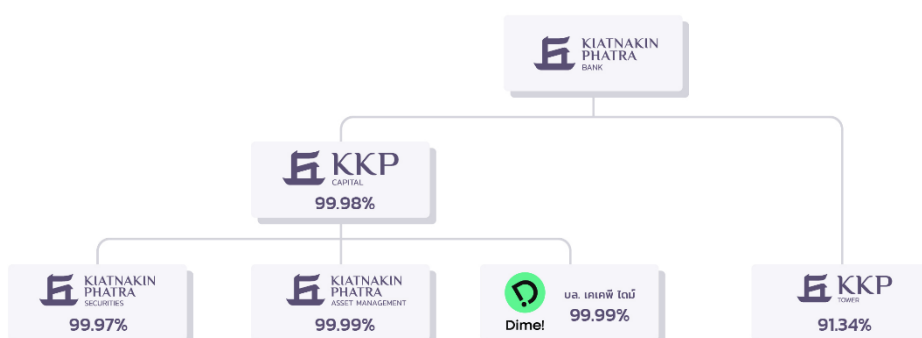
## COMPANY OVERVIEW

KKP, formerly known as Kiatnakin Finance and Securities Co., Ltd., was established by the Wattanavekin Family in 1971. KKP was listed on the Stock Exchange of Thailand (SET) in 1988 and became a public company in 1993. In August 1997, KKP was one of 57 financial institutions with operations suspended due to the Asian financial crisis. After submitting and receiving regulatory approval for a rehabilitation plan, KKP resumed operations in April 1998. In July 1999, KKP's finance and securities business was split into two separate companies: Kiatnakin Finance PLC, operating the finance business, and Kiatnakin Securities Co., Ltd., operating the securities business.

Following the financial crisis, KKP began a new business, distressed asset management, by purchasing portfolios of troubled loans from the Financial Sector Restructuring Authority (FRA) and other financial institutions. In 2000, KKP started to expand by offering residential property development project loans to small and medium enterprise (SME) real estate developers.

In December 2004, the Ministry of Finance (MOF) granted KKP a commercial banking license. KKP commenced universal banking operations in October 2005, and later changed its name to "Kiatnakin Bank PLC". In order to expand the scope of its business to include fund management, KKP purchased 60% of the shares of Kiatnakin Phatra Asset Management Co., Ltd. (KKPAM) (formerly named Siam City Asset Management Co., Ltd.) in July 2011, and acquired the remaining 40% stake in September 2012.

**Table 1: KKP's Group Structure**



Source: KKP's information (as of March 2025)

As a part of its growth strategy, KKP merged with KKP Capital Co., Ltd. (KKP CAPITAL) in September 2012, and later created a new brand name for the group: "Kiatnakin Phatra Financial Group" (KKP). KKP's shareholding structure changed after the merger. KKP and its subsidiaries reorganized their businesses based on three strategic focuses: (i) credit business, (ii) private banking, and (iii) investment banking.

To streamline its business operations, KKP later sold all its shares in KKTrade Securities Co., Ltd. (KKTRADE), which operated securities business for retail clients to Yuanta Securities (Thailand) Co., Ltd. in July 2016.

As of April 2021, KKP held 99.9% shares in KKP CAPITAL, while KKP CAPITAL held shares of Kiatnakin Phatra Securities PLC (KKPS) and KKPAM. KKP Tower Co., Ltd. (KKP TOWER), another subsidiary of KKP, operates the office rental and property management business for the bank and subsidiary companies.

In November 2021, KKP CAPITAL established a new subsidiary under the name "KKP Dime Co., Ltd.". KKP Dime's main objectives are to provide financial and investment services through digital channels. Kiatnakin Phatra Financial Group through KKP Capital PLC holds 100% of the total shares of KKP Dime.

## FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS<sup>1</sup>

Unit: Mil. THB

	-----Year Ended 31 December -----				
	2024	2023	2022	2021	2020
Total assets	498,429	545,327	507,637	436,123	363,411
Average assets	521,878	526,482	471,880	399,767	337,551
Interbank and money market items	38,985	62,029	45,732	55,238	32,771
Investments	58,434	52,297	50,551	39,205	34,603
Loans and receivables	375,549	405,493	383,839	315,653	271,951
Loan loss reserves	20,801	20,787	18,327	16,620	13,234
Deposits	359,306	358,903	331,464	288,382	251,526
Borrowings <sup>2</sup>	45,574	93,268	85,086	62,169	39,504
Shareholders' equities	63,211	61,253	58,111	51,162	46,626
Average equities	62,232	59,682	54,637	48,894	45,318
Net interest income	19,848	22,294	19,081	15,701	14,679
Net fees and service income	5,396	5,476	6,165	6,074	4,336
Non-interest income <sup>3</sup>	6,958	6,534	8,760	9,131	6,969
Total revenue	26,806	28,828	27,842	24,831	21,648
Operating expenses <sup>4</sup>	11,687	11,088	11,472	9,745	9,758
Pre-provision operating profit (PPOP)	15,118	17,740	16,369	15,087	11,890
Expected credit loss	8,806	10,953	6,880	7,290	5,404
Net profit	5,048	5,456	7,616	6,355	5,143

1 Consolidated financial statements

2 Including interbank and money market

3 Net of fee and service expenses

4 Excluding fee and service expenses

Unit: %

	-----Year Ended 31 December -----				
	2024	2023	2022	2021	2020
<b>Earnings Capability</b>					
Return on average assets	0.97	1.04	1.61	1.59	1.52
Net interest margins	4.06	4.52	4.36	4.28	4.73
Risk-adjusted net interest margins	2.26	2.30	2.79	2.29	2.99
Net interest income/average assets	3.80	4.23	4.04	3.93	4.35
Non-interest income <sup>5</sup> /average assets	1.33	1.24	1.86	2.28	2.06
Net fees and service income/total revenue	20.13	19.00	22.14	24.46	20.03
Cost-to-income	44.01	40.41	41.07	39.00	41.16
<b>Capitalization</b>					
CET-1 ratio	13.98	13.30	13.32	13.62	14.33
Total capital ratio	17.35	16.61	16.63	17.35	18.28
CET-1/total capital	80.62	80.10	80.11	78.48	78.38
<b>Asset Quality</b>					
Credit costs	2.30	2.82	2.01	2.55	2.15
Non-performing loans/total loans <sup>6</sup>	4.21	3.17	3.28	3.09	2.93
Loan loss reserves/non-performing loans <sup>6</sup>	134.17	164.58	148.25	174.98	170.74
<b>Funding &amp; Liquidity</b>					
CASA/total deposit	34.53	35.75	59.15	59.06	52.49
Loan/total deposits <sup>7</sup>	102.37	110.89	113.87	106.42	105.27
Deposits/total liabilities	82.55	74.14	73.74	74.91	79.40
Liquidity coverage ratio	135	145	125	155	138
Liquid assets/total assets	19.80	21.22	19.16	21.94	18.95
Liquid assets/total deposits	27.46	32.24	29.35	33.18	27.38

5 Net of fee and service expenses

6 Based on reported NPL, excluding accrued interests and interbank assets

7 Excluding bills of exchange and interbank borrowing

## RELATED CRITERIA

- Financial Institution Rating Methodology, 25 September 2024

- Bank Hybrid Capital Rating Methodology, 24 December 2021

## Kiatnakin Phatra Bank PLC (KKP)

**Company Rating:** A

**Issue Ratings:**

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+
KKP338A: THB3,000 million Basel III Tier 2 capital securities due 2033	BBB+

**Rating Outlook:** Stable

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