

20 JANUARY 2021

THAILAND / BANKS

KIATNAKIN BANK KKP TB

BUY

UNCHANGED

TARGET PRICE	THB68.00
CLOSE	THB55.75
UP/DOWNSIDE	+22.0%
PRIOR TP	THB60.00
CHANGE IN TP	+13.3%
TP vs CONSENSUS	+18.3%

Working on a well-executed plan

ผลประกอบการ 4Q20: การดำเนินงานปกติอยู่ในระดับดี

KKP รายงานกำไรสุทธิ 4Q20 ที่ 1.11 พัน ลบ. (-34% y-y, -18% q-q) เป็นไปตามคาด บริษัทฯ มีผลการดำเนินงานปกติในระดับดีเยี่ยม โดยกำไรจากการดำเนินงานก่อนหักสำรอง (PPOP) เพิ่มขึ้น 51% y-y, 28% q-q จาก 1) ปริมาณสินเชื่อเพิ่ม 4.5% q-q หลังการเพิ่มของสินเชื่อบริษัท และเช่าซื้อ; 2) รายได้ดอกเบี้ยสูงขึ้นจากการแก้ปัญหาหนี้ด้วยคุณภาพ; และ 3) รายได้ที่ไม่ใช่ดอกเบี้ยสุทธิที่สูงขึ้นจากรายได้ค่าธรรมเนียมที่ตีประกอบกับกำไรจากการลงทุนที่เพิ่มขึ้น อย่างไรก็ตาม KKP ใช้กำไรดังกล่าวเพื่อจัดสรรเป็นผลขาดทุนทางเครดิตที่คาดว่าจะเกิดขึ้น (ECL) พิเศษเพื่อรองรับความเสี่ยงจาก COVID-19

สำรองหนี้ไม่ก่อให้เกิดรายได้ในระดับสูง

ในปี 2020 KKP มีอัตราหนี้ไม่ก่อให้เกิดรายได้อยู่ที่ 2.9% ซึ่งดีขึ้นกว่า 4.0% ในปี 2019 มากจากโครงการบรรเทาหนี้ของธนาคารฯ และการควบคุมคุณภาพสินทรัพย์ที่มีประสิทธิภาพ ผลขาดทุนจากการขายรายได้อีกเพียง 1.3 พัน ลบ. เทียบกับ 1.4 พัน ลบ. ในปี 2019 จากการยึดทรัพย์ที่น้อยลงในช่วงโครงการบรรเทาหนี้ เราคาดว่าหนี้ไม่ก่อให้เกิดรายได้และผลขาดทุนจากการขายรายได้อีกจะเพิ่มขึ้นในปี 2021 เป็น 3.7% และ 1.9 พัน ลบ. ตามลำดับ อย่างไรก็ตาม KKP ได้จัดสรรสำรองพิเศษเพื่อป้องกันความเสี่ยงดังกล่าว ซึ่งทำให้อัตราส่วนสำรองหนี้สงสัยจะสูญต่อสินเชื่อด้วยคุณภาพเพิ่มขึ้นเป็น 171% และทำให้เราเชื่อว่าบริษัทฯ อาจจัดสรรสำรองลดลงได้ในปี 2021

สินเชื่อและค่าธรรมเนียมที่โตดีมีผลมากกว่าผลขาดทุนจากการขายรายได้อีก

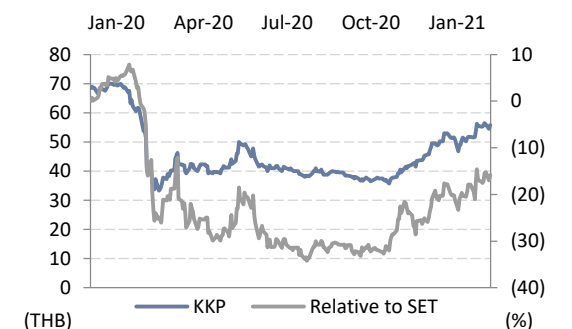
เราคาดว่า KKP จะรายงานอัตราการเติบโตของกำไรสุทธิที่ดีในปี 2021 ที่ 18% y-y โดยได้แรงหนุนจากสินเชื่อที่โตต่อเนื่องถึง 5% y-y จากกลยุทธ์ใหม่ในการหาลูกค้าสินเชื่อเช่าซื้อที่มีความเสี่ยงต่ำ นอกจากนี้เรายังคาดว่ารายได้ค่าธรรมเนียมของ KKP จะดีขึ้นจากดีลในธุรกิจพาณิชย์ ประกอบกับการเพิ่มของค่าธรรมเนียมในการซื้อขายหลักทรัพย์ เราเห็นว่ารายได้ค่าธรรมเนียมอาจเป็นปัจจัยบวกสำคัญสำหรับการเติบโตของกำไร เนื่องจาก Phatra Capital มีส่วนแบ่งรายได้ค่าธรรมเนียมการซื้อขายหลักทรัพย์ที่สม่ำเสมอและอยู่ในระดับสูง รวมถึงมีชื่อเสียงเป็นที่ยอมรับในด้านพาณิชย์ การเติบโตของรายได้ที่อาจช่วยชดเชยผลขาดทุนที่เพิ่มขึ้นจากการขายรายได้อีกเมื่อลูกค้าออกจากโครงการบรรเทาหนี้

ผู้ประกอบการสินเชื่อเช่าซื้อรถยนต์ที่เราชอบมากที่สุดในระยะสั้น

เราปรับเพิ่มราคาเป้าหมายของเราเป็น 68 บาท (GGM) เพื่อสะท้อนการปรับประมาณการกำไรสุทธิของเราในปี 2021-22 ขึ้น 6.4%/6.8% ตามลำดับ เราคงเลือก KKP เป็นหุ้นเด่นของเราในกลุ่มผู้ประกอบการสินเชื่อเช่าซื้อรถยนต์ในระยะสั้นโดยมีเหตุผลจาก 1) ผลตอบแทนในรูปเงินปันผลในปี 2020 ที่คาดว่าจะสูงที่สุดในกลุ่ม; และ 2) ผลประกอบการหลักที่ดีของบริษัทฯ ทั้งในด้านการเติบโตของสินเชื่อและรายได้ค่าธรรมเนียม

KEY STOCK DATA

YE Dec (THB m)	2020	2021E	2022E	2023E
Operating profit	6,487	7,543	8,507	9,626
Net profit	5,123	6,033	6,804	7,699
EPS (THB)	6.05	7.13	8.04	9.09
vs Consensus (%)	-	13.2	18.9	-
Core net profit	5,123	6,033	6,804	7,699
Core EPS (THB)	6.05	7.13	8.04	9.09
Chg. In EPS est. (%)	-	6.4	6.8	-
EPS growth (%)	(14.4)	17.8	12.8	13.2
Core P/E (x)	9.2	7.8	6.9	6.1
Dividend yield (%)	5.0	6.7	7.6	8.1
Price/book (x)	1.0	1.0	0.9	0.8
ROE (%)	11.3	12.6	13.5	14.2
ROA (%)	1.5	1.6	1.8	2.0



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	9.9	55.9	(17.4)
Relative to country (%)	7.0	23.8	(13.2)
Mkt cap (USD m)	1,572		
3m avg. daily turnover (USD m)	13.1		
Free float (%)	80		
Major shareholder	Wattanavekin family (6%)		
12m high/low (THB)	70.50/32.00		
Issued shares (m)	847		

Sources: Bloomberg consensus; FSSIA estimates



Yuvanart Suwanumchai

yuvanart.suw@fssia.com

+66 2611 3554

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บทวิเคราะห์ฉบับนี้แปลมาจากบทวิเคราะห์ของ FSSIA ฉบับวันที่ 20 มกราคม 2021

Investment thesis

KKP is a modest commercial banking operation whose main portfolio includes hire purchase lending. The bank commands a medium-sized c4% market share in auto hire purchase lending. Moreover, KKP has its solid investment banking arm, Phatra Securities PLC (PHATRA, not listed), under Phatra Capital (100% owned by KKP). PHATRA is prominent in investment banking (IB), financial advisory (FA), institutional securities brokerage, and the growing private banking business. In our opinion, KKP's dominant position in institutional brokerage, as well as its IB and FA businesses, can potentially help it to generate more sustainable performance compared with its peers in the current low interest rate environment.

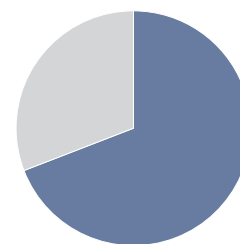
Company profile

KKP was created through the merger of a commercial banking business driven by Kiatnakin Bank and a capital market business led by Phatra Capital and Phatra Securities. KKP's banking operations are mostly geared toward retail, with auto hire purchase loans accounting for 44% of its loan portfolio at end-2019.

kiatnakin.co.th

Principal activities (revenue, 2020)

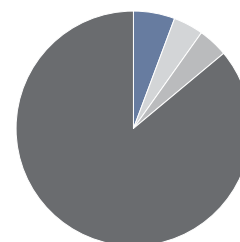
- Net interest income - 69.1 %
- Non-interest income - 30.9 %



Source: Kiatnakin Bank

Major shareholders

- Wattanavekin family - 5.7 %
- Eastern Sugar and Cane - 4.1 %
- Ramkamhang hospital - 4.1 %
- Others - 86.1 %



Source: Kiatnakin Bank

Catalyst

Potential share price catalysts for KKP include:

- A higher dividend payout;
- Higher fee income, especially from Phatra;
- An increase in revenues related to the equity market.

Risk to our call

Downside risks to our GGM-based target price include weakening asset quality and lower fee income.

Event calendar

Date	Event
15 Feb 2021	GDP 4Q20/2020 announcement
April 2021	1Q21 results announcement

Key assumptions

	2021E	2022E	2023E
	(%)	(%)	(%)
Net profit (THB m)	6,033	6,804	7,699
Net profit growth	17.8	12.8	13.2
NIM	4.60	4.51	4.60
Loan growth	5.0	5.0	5.0
Fee growth	7.1	2.0	2.0
Non-NII growth*	5.6	3.3	2.7
Credit cost (bp)	135	115	100
Cost to income*	49.7	48.6	47.2

*Including share of profits from associates

Source: FSSIA estimates

Earnings sensitivity

		2021E		
		3.00	5.00	7.00
Loan growth	±2ppt			
% change in net profit		(1.7)	-	1.7
NIM (%)	±5bp	4.55	4.60	4.65
% change in net profit		(2.5)	-	2.5
Credit cost (bp)	±10bp	130	140	150
% change in net profit		1.7	-	(1.7)

Source: FSSIA estimates

4Q20 results: strong core operations and an NPL cushion

KKP reported a 4Q20 net profit of THB1,108m (-34% y-y, -18% q-q) – in line with our expectation. It had very strong core operations, with a 51% y-y, 28% q-q increase in its pre-operating profit (PPOP), driven by 1) a 4.5% q-q loan volume increase due to a rise in its hire purchase and corporate loans; 2) higher interest income from resolving distressed assets; and 3) higher Non-NII thanks to stronger fee income coupled with an increase in gains from investments. However, KKP utilised this to set aside extra expected credit losses (ECL) to cushion against risks from the COVID-19 resurgence, resulting in a surge in its 4Q20 non-performing loan (NPL) coverage ratio to 171% from 153% in 3Q20.

4Q20 key highlights

- The total loan volume increased 4.5% q-q from a rise in the hire purchase and corporate segments. KKP increased its new car lending penetration rate for the first eleven months of 2020 to 4.3% from 2.2% at the end of 2019, due mainly to its expansion into new business segments with higher asset quality;
- Losses from repossessed car sales were THB212m, still below its potential level due to the slower car repossession activities during the financial relief program;
- Although NPLs minimally increased by 3% q-q, KKP still set aside provisions prudently, with management overlay of THB932m vs its total provisions for this quarter at THB2,077m;
- In 4Q20, the outstanding loans in KKP's debt relief program comprised 11% of its total loans vs 34% in 3Q20. All retail customers have exited the debt relief program, and more than 75% were able to resume their debt repayments normally. All of the 11% remaining in the program are SME clients, which should exit the program in 2021.

2020 net profit fell by 14% to THB5.1b. It had strong core operations, with an increase of 18% in its 2020 PPOP, driven by solid loan growth. However, KKP substantially increased its ECL setup, owing to a greater deterioration of asset quality due to COVID-19.

Exhibit 1: KKP – 4Q20/2020 results summary

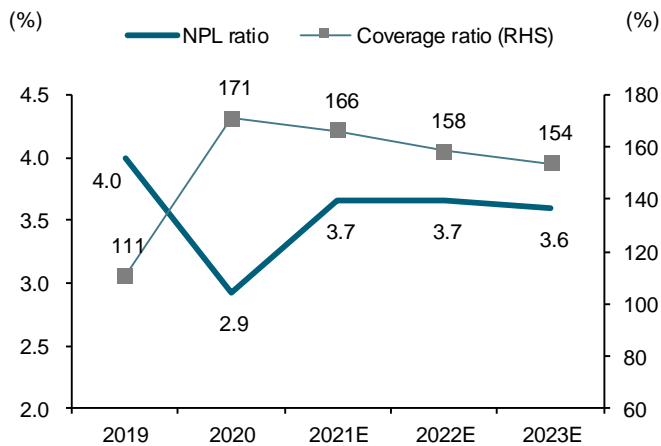
Year end Dec 31	4Q19	3Q20	4Q20	----- Change -----		2019	2020	Change	Comments
	(THB m)	(THB m)	(THB m)	(y-y %)	(q-q %)	(THB m)	(THB m)	(y-y %)	
Net interest income	3,118	3,530	3,999	28	13	12,316	14,679	19	Increased y-y, q-q due to a rise in loan volume and distressed asset collection
Non-interest income	1,892	1,283	1,979	5	54	6,852	6,554	(4)	Increased from gains on investments
Operating income	5,010	4,813	5,978	19	24	19,168	21,233	11	
Operating expenses	2,732	2,130	2,545	(7)	19	10,194	10,652	4	
PPOP before tax	2,278	2,682	3,433	51	28	8,974	10,581	18	
Provision	208	1,017	2,077	898	104	1,676	4,095	144	MO at THB932m
Income tax	391	310	235	(40)	(24)	1,307	1,344	3	
Minority interest	(1)	8	10			1	20		
Normalised profit	1,679	1,347	1,108	(34)	(18)	5,988	5,123	(14)	
Extraordinary items	0	0	0			0	0		
Net profit	1,679	1,347	1,108	(34)	(18)	5,988	5,123	(14)	
EPS (THB)	1.98	1.59	1.31	(34)	(18)	7	6	(14)	
Asset quality ratio	(%)	(%)	(%)	(ppt)	(ppt)	(%)	(%)	(ppt)	
Gross NPLs (THB m) excl. POCI**	9,560	7,518	7,751	(19)	3	9,560	7,751	(18.9)	
NPL ratios excl. POCI	4.00	2.90	2.90			4.00	3		
LLR/NPLs excl. POCI	111	153	171			111	171		
Credit cost (bp)	35	162	319			72	163		
Profitability ratio	(%)	(%)	(%)			(%)	(%)		
Cost to income ratio	54.5	44.3	42.6			53.2	50.2		
Average yield	6.3	5.6	6.2			6.3	6.4		
Cost of funds	2.3	1.6	1.5			2.3	1.8		
Net interest margin (NIM)	4.3	4.2	4.8			4.3	4.8		
Non-interest income / total income	37.8	26.7	33.1			35.7	30.9		
Liquidity ratio	(%)	(%)	(%)			(%)	(%)		
Loan to deposit ratio	137.7	105.3	106.0			137.7	106.0		
Loan growth	(%)	(%)	(%)			(%)	(%)		
Year-to-date	4.1	7.5	12.4						
y-y	4.1	7.3	12.4			4.1	12.4		
q-q	(0.2)	2.9	4.5						

*Including share of profits from associates; **POCI = Purchased or originated credit-impaired financial assets; Sources: KKP; FSSIA estimates

Robust NPL cushion

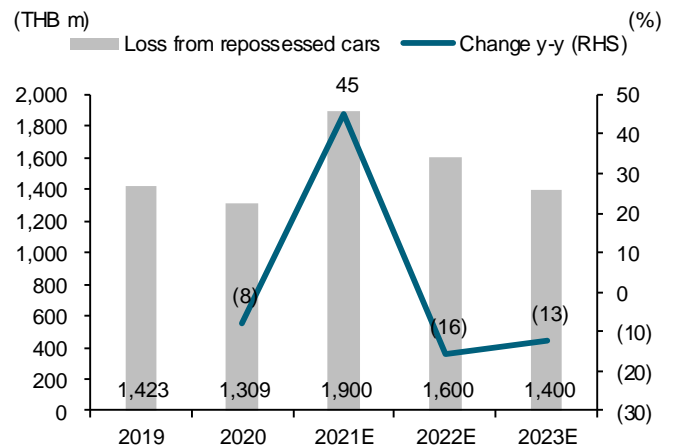
KKP's 2020 NPL ratio was 2.9%, much better than 4.0% in 2019, due to its debt relief program and efficient asset quality control. Its losses from repossessed car sales only amounted to THB1.3b vs THB1.4b in 2019, due to slower car repossession activities during the financial relief program. We project its NPLs and losses from car sales to spike in 2021 to 3.7% and THB1.9b, respectively. However, as KKP has preventively set aside extra provisions – with management overlay totalling THB2.5b in 2020 and a surge in its NPL coverage ratio to 171% from 153% in 3Q20 – we believe it could enjoy a lower provisioning setup in 2021.

Exhibit 2: NPL ratio* vs Coverage ratio*



*Excluding POCI;
Sources: KKP; FSSIA estimates

Exhibit 3: Losses from repossessed cars could spike in 2021

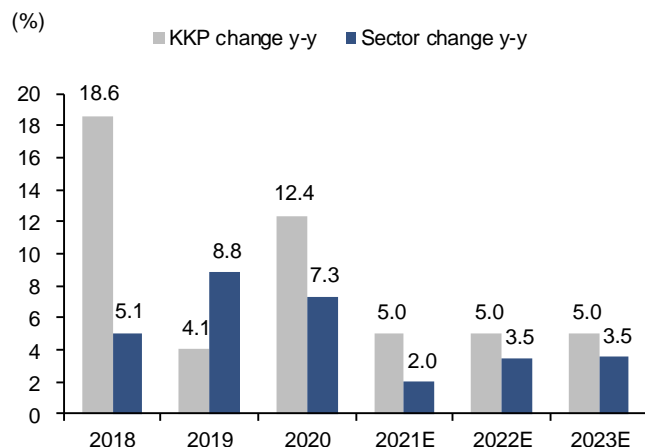


Sources: KKP; FSSIA estimates

Strong loan growth and fees outweigh losses from car sales

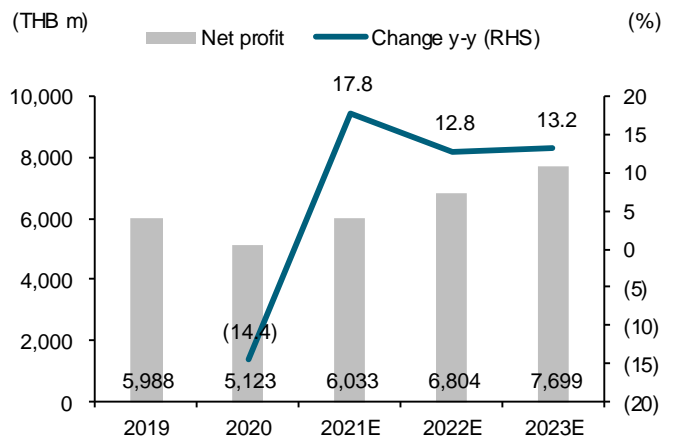
We expect KKP to deliver solid 2021 net profit growth at 18% y-y, supported by continued strong loan growth at 5% y-y due to its new strategy of acquiring lower risk-profile hire purchase customers. Moreover, we expect KKP's fee income to be stronger, driven by major investment banking deals, coupled with a rise in its brokerage fee. To us, fee income could be a key catalyst for its bottom-line growth. This is because Phatra Capital has a strong and stable securities brokerage revenue share and a solid investment banking franchise. The solid top-line growth could offset the spike in losses from repossessed car sales as customers exit debt relief programs.

Exhibit 4: KKP could deliver better loan growth vs its peers



Sources: KKP; FSSIA estimates

Exhibit 5: Net profit growth



Sources: KKP; FSSIA estimates

Net profit and TP revisions

We revise up our net profit forecasts for 2021-22 by 6.4%/6.8% to reflect our higher loan growth, yield on earnings assets, and lower OPEX assumptions, as detailed below:

- 1) We increase our 2021 loan growth assumption to 5.0% vs our previous assumption of 3.0% due to the better-than-expected hire purchase loan volume due to its new strategy of acquiring lower risk-profile hire purchase customers.
- 2) We increase our 2021-22 NIM assumptions to 4.6%/4.5% vs our previous assumptions of 4.3%/4.4% due to the increase in high yield loans and better-than-expected cost of fund management.
- 3) Due to the better-than-expected cost control, we lower our 2021-22 operating expense assumptions by 7.0%/5.5%.

Exhibit 6: Key changes in assumptions

	2020	2021E			2022E			2023E
	Actual	Old	New	Change	Old	New	Change	New
	(THB m)	(THB m)	(THB m)	(%)	(THB m)	(THB m)	(%)	(THB m)
Net interest income	14,679	15,063	15,386	2.1	15,750	15,800	0.3	16,582
Non-interest income	6,554	7,256	6,923	(4.6)	7,188	7,154	(0.5)	7,349
Operating income	21,233	22,319	22,309	0.0	22,939	22,954	0.1	23,931
Operating expenses	10,652	11,911	11,077	(7.0)	11,801	11,148	(5.5)	11,293
PPOP before tax	10,581	10,408	11,232	7.9	11,138	11,806	6.0	12,638
Provision (Reversal)	4,095	3,379	3,688	9.1	3,245	3,299	1.7	3,012
Taxes expenses	1,344	1,357	1,509	11.2	1,523	1,701	11.7	1,925
Minority interest	20	1	1	6.4	1	1	6.8	2
Normalized profit	5,123	5,671	6,033	6.4	6,369	6,804	6.8	7,699
Extraordinary items	-	-	-		-	-		-
Net profit	5,123	5,671	6,033	6.4	6,369	6,804	6.8	7,699
EPS (THB)	6.05	6.70	7.13	6.4	7.52	8.04	6.8	9.09
Key statistic and ratio	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)
Asset quality ratio								
Gross NPLs (THB m)	8,456	11,472	10,147	(11.5)	11,357	10,655	(6.2)	10,974
Gross NPLs / Loans	2.92	4.31	3.66		4.07	3.66		3.59
Loan loss reserve/NPLs	139	114	135		129	143		150
Credit cost (bp)	163	130	135		120	115		100
Profitability ratio								
Cost to income ratio	50.2	53.4	49.7		51.4	48.6		47.2
Average yield (%)	6.4	5.7	6.0		6.0	6.1		6.2
Cost of fund (%)	1.8	1.7	1.6		2.0	1.9		1.9
Net interest margin (NIM)	4.79	4.26	4.60		4.35	4.51		4.60
Liquidity ratio								
Loan to deposit ratio	106.0	99.4	112.6		103.3	117.0		121.1
Capital adequacy ratio								
CAR	17.4	16.1	17.2		16.0	17.3		17.6
% growth								
Loan growth (y-y)	12.4	3.0	5.0		5.0	5.0		5.0

Source: FSSIA estimates

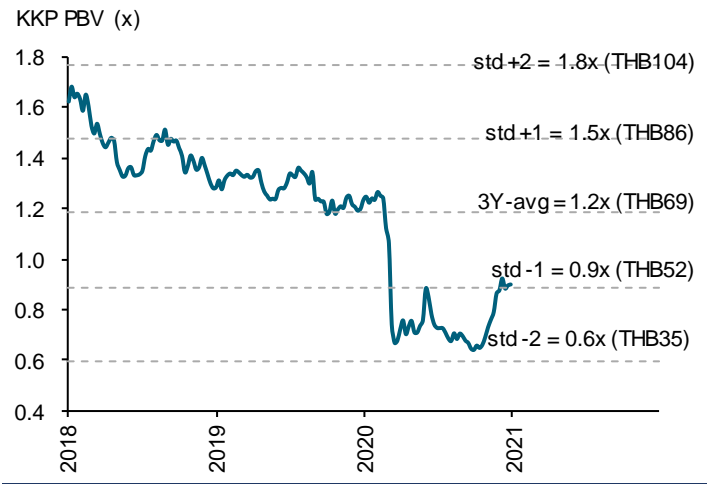
We revise up our GGM-based TP to THB68 from THB60, as we 1) increase our EPS forecast, leading to a higher book value; and 2) revise up our target 2021E P/BV from 1.1x to 1.2x to reflect the increase in our average long-term ROE target of 13.4% from 12.5%.

Exhibit 7: GGM-derived target price

Target price (THB)	68.0 from 60.0
Recommendation	BUY
Risk-free rate (%)	3.0 (unchanged)
Market risk premium (%)	8.0 (unchanged)
Cost to equity (%)	12.1 (unchanged)
Terminal growth (%)	4.6 (from 4.0)
ROE target (%)	13.4 (from 12.5)
Risk to TP	Downside risks to our GGM-based target price include weakening asset quality and lower fee income.

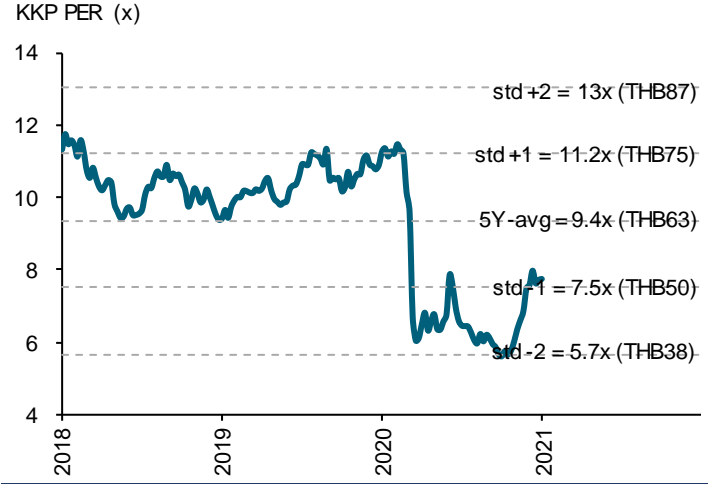
Source: FSSIA estimates

Exhibit 8: KKP – prospective P/BV band



Sources: Bloomberg; FSSIA estimates

Exhibit 9: KKP – prospective P/E band



Sources: Bloomberg; FSSIA estimates

Financial Statements

Kiatnakin Bank

Profit and Loss (THB m) Year Ending Dec	2019	2020	2021E	2022E	2023E
Interest Income	18,036	19,584	20,046	21,284	22,292
Interest expense	(5,720)	(4,905)	(4,660)	(5,484)	(5,709)
Net interest income	12,316	14,679	15,386	15,800	16,582
Net fees & commission	4,604	4,336	4,645	4,738	4,833
Foreign exchange trading income	277	1,079	1,025	1,076	1,130
Securities trading income	568	50	55	60	66
Dividend income	576	389	428	471	471
Other income	827	700	770	809	849
Non interest income	6,852	6,554	6,923	7,154	7,349
Total income	19,168	21,233	22,309	22,954	23,931
Staff costs	(5,577)	(5,664)	(5,893)	(6,128)	(6,373)
Other operating costs	(4,617)	(4,988)	(5,185)	(5,020)	(4,919)
Operating costs	(10,194)	(10,652)	(11,077)	(11,148)	(11,293)
Pre provision operating profit	8,974	10,581	11,232	11,806	12,638
Provision for bad and doubtful debt	(1,676)	(4,095)	(3,688)	(3,299)	(3,012)
Other provisions	-	-	-	-	-
Operating profit	7,297	6,487	7,543	8,507	9,626
Recurring non operating income	0	0	0	0	0
Associates	0	0	0	0	0
Goodwill amortization	-	-	-	-	-
Non recurring items	0	0	0	0	0
Profit before tax	7,297	6,487	7,543	8,507	9,626
Tax	(1,307)	(1,344)	(1,509)	(1,701)	(1,925)
Profit after tax	5,990	5,143	6,035	6,806	7,701
Minority interests	(1)	(20)	(1)	(1)	(2)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	5,988	5,123	6,033	6,804	7,699
Non recurring items & goodwill (net)	-	-	0	0	0
Recurring net profit	5,988	5,123	6,033	6,804	7,699
Per share (THB)					
Recurring EPS *	7.07	6.05	7.13	8.04	9.09
Reported EPS	7.07	6.05	7.13	8.04	9.09
DPS	5.00	2.80	3.75	4.25	4.50
Growth					
Net interest income (%)	9.4	19.2	4.8	2.7	4.9
Non interest income (%)	0.2	(4.3)	5.6	3.3	2.7
Pre provision operating profit (%)	3.9	17.9	6.1	5.1	7.0
Operating profit (%)	(1.2)	(11.1)	16.3	12.8	13.2
Reported net profit (%)	(0.9)	(14.4)	17.8	12.8	13.2
Recurring EPS (%)	(0.9)	(14.4)	17.8	12.8	13.2
Reported EPS (%)	(0.9)	(14.4)	17.8	12.8	13.2
Income Breakdown					
Net interest income (%)	64.3	69.1	69.0	68.8	69.3
Net fees & commission (%)	24.0	20.4	20.8	20.6	20.2
Foreign exchange trading income (%)	1.4	5.1	4.6	4.7	4.7
Securities trading income (%)	3.0	0.2	0.2	0.3	0.3
Dividend income (%)	3.0	1.8	1.9	2.1	2.0
Other income (%)	4.3	3.3	3.5	3.5	3.5
Operating performance					
Gross interest yield (%)	6.28	6.40	5.99	6.08	6.18
Cost of funds (%)	2.34	1.83	1.60	1.86	1.91
Net interest spread (%)	3.94	4.57	4.39	4.22	4.27
Net interest margin (%)	4.3	4.8	4.6	4.5	4.6
Cost/income(%)	53.2	50.2	49.7	48.6	47.2
Cost/assets(%)	3.3	3.2	3.0	3.0	3.0
Effective tax rate (%)	17.9	20.7	20.0	20.0	20.0
Dividend payout on recurring profit (%)	70.7	46.3	52.6	52.9	49.5
ROE (%)	13.9	11.3	12.6	13.5	14.2
ROE - COE (%)	3.1	0.5	1.8	2.7	3.4
ROA (%)	1.9	1.5	1.6	1.8	2.0
RORWA (%)	2.3	1.9	2.1	2.2	2.4
* Pre-exceptional, pre-goodwill and fully diluted					

Sources: Kiatnakin Bank; FSSIA estimates

Financial Statements

Kiatnakin Bank

Balance Sheet (THB m) Year Ending Dec	2019	2020	2021E	2022E	2023E
Gross customer loans	237,139	266,544	279,871	293,865	308,558
Total provisions	(10,589)	(11,725)	(13,734)	(15,270)	(16,431)
interest in suspense	1,128	0	784	823	864
Net customer loans	227,677	258,846	266,921	279,418	292,991
Bank loans	11,982	32,771	29,517	24,688	19,425
Government securities	-	-	-	-	-
Trading securities	-	-	-	-	-
Investment securities	39,201	34,603	35,750	36,940	38,175
Cash & equivalents	1,110	1,491	1,398	2,621	1,235
Other interesting assets	-	-	-	-	-
Tangible fixed assets	6,624	6,451	6,173	5,937	5,737
Associates	-	-	-	-	-
Goodwill	-	-	-	-	-
Other intangible assets	-	-	-	-	-
Other assets	25,096	29,250	29,740	26,314	26,913
Total assets	311,690	363,411	369,499	375,917	384,476
Customer deposits	172,174	251,526	248,632	251,118	254,885
Bank deposits	-	-	-	-	-
Other interest bearing liabilities	73,132	39,184	44,992	45,450	46,139
Non interest bearing liabilities	22,373	26,076	26,858	27,126	27,126
Hybrid Capital	-	-	-	-	-
Total liabilities	267,679	316,785	320,482	323,695	328,150
Share capital	8,468	8,468	8,468	8,468	8,468
Reserves	35,435	38,050	40,435	43,634	47,727
Total equity	43,902	46,517	48,903	52,101	56,195
Minority interests	109	109	114	122	131
Total liabilities & equity	311,690	363,411	369,499	375,917	384,476
Supplementary items					
Risk weighted assets (RWA)	267,295	285,745	300,032	315,034	330,785
Average interest earning assets	287,099	306,198	334,606	350,315	360,825
Average interest bearing liabilities	244,834	267,916	291,979	294,898	298,588
Tier 1 capital	36,377	38,241	40,178	42,999	46,652
Total capital	45,975	49,691	51,628	54,449	58,102
Gross non performing loans (NPL)	9,560	8,456	10,147	10,655	10,974
Per share (THB)					
Book value per share	51.85	54.94	57.75	61.53	66.36
Tangible book value per share	51.85	54.94	57.75	61.53	66.36
Growth					
Gross customer loans	4.1	12.4	5.0	5.0	5.0
Average interest earning assets	9.7	6.7	9.3	4.7	3.0
Total asset (%)	1.8	16.6	1.7	1.7	2.3
Risk weighted assets (%)	3.5	6.9	5.0	5.0	5.0
Customer deposits (%)	(5.2)	46.1	(1.2)	1.0	1.5
Leverage & capital measures					
Customer loan/deposits (%)	132.2	102.9	107.4	111.3	115.0
Equity/assets (%)	14.1	12.8	13.2	13.9	14.6
Tangible equity/assets (%)	14.1	12.8	13.2	13.9	14.6
RWA/assets (%)	85.8	78.6	81.2	83.8	86.0
Tier 1 CAR (%)	13.6	13.4	13.4	13.6	14.1
Total CAR (%)	17.2	17.4	17.2	17.3	17.6
Asset Quality					
Change in NPL (%)	1.7	(11.5)	20.0	5.0	3.0
NPL/gross loans (%)	4.0	3.2	3.6	3.6	3.6
Total provisions/gross loans (%)	4.5	4.4	4.9	4.9	5.3
Total provisions/NPL (%)	110.8	138.7	135.3	143.3	149.7
Valuation					
Recurring P/E (x) *	7.9	9.2	7.8	6.9	6.1
Recurring P/E @ target price (x) *	9.6	11.2	9.5	8.5	7.5
Reported P/E (x)	7.9	9.2	7.8	6.9	6.1
Dividend yield (%)	9.0	5.0	6.7	7.6	8.1
Price/book (x)	1.1	1.0	1.0	0.9	0.8
Price/tangible book (x)	1.1	1.0	1.0	0.9	0.8
Price/tangible book @ target price (x)	1.3	1.2	1.2	1.1	1.0

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Kiatnakin Bank; FSSIA estimates

Corporate Governance report of Thai listed companies 2019

EXCELLENT LEVEL										
AAV	ADVANC	AIRA	AKP	AKR	AMA	AMATA	AMATAV	ANAN	AOT	AP
ARROW	BAFS	BANPU	BAY	BCP	BCPG	BOL	BRR	BTS	BTW	BWG
CFRESH	CHEWA	CHO	CK	CKP	CM	CNT	COL	COMAN	CPALL	CPF
CPI	CPN	CSS	DELTA	DEMCO	DRT	DTAC	DTC	EA	EASTW	ECF
EGCO	GBX	GC	GCAP	GEL	GGC	GGC	GOLD	GPSC	GRAMMY	GUNKUL
HANA	HARN	HMPRO	ICC	ICHI	III	ILINK	INTUCH	IRPC	IVL	JKN
JSP	K	KBANK	KCE	KKP	KSL	KTB	KTC	KTIS	LH	LHFG
LIT	LPN	MAKRO	MALEE	MBK	MBKET	MC	MCOT	MFEC	MINT	MONO*
MTC	NCH	NCL	NKI	NSI	NVD	NYT	OISHI	OTO	PAP	PCSGH
PDJ	PG	PHOL	PJW	PLANB	PLANET	PORT	PPS	PR9	PREB	PRG
PRM	PSH	PSL	PTG	PTT	PTTEP	PTTGC	PYLON	Q-CON	QH	QTC
RATCH	ROBINS**	RS	S	S & J	SABINA	SAMART	SAMTEL	SAT	SC	SCB
SCC	SCCC	SCN	SDC	SEAFCO	SEAOL	SE-ED	SELIC	SENA	SIS	SITHAI
SNC	SORKON	SPALI	SPI	SPRC	SSSC	STA	STEC	SVI	SYNTEC	TASCO
TCAP	THAI	THANA	THANI	THCOM	THIP	THREL	TIP	TISCO	TK	TKT
TMB	TMILL	TNDT	TOA	TOP	TRC	TRU	TRUE	TSC	TSR	TSTH
TTA	TTCL	TTW	TU	TVD	TVO	U	UAC	UV	VGI	VIH
WACOAL	WAVE	WHA	WHAUP	WICE	WINNER					
VERY GOOD LEVEL										
2S	ABM	ADB	AF	AGE	AH	AHC	AIT	ALLA	ALT	AMANAH
AMARIN	APCO	APCS	AQUA	ARIP	ASAP	ASIA	ASIAN	ASIMAR	ASK	ASN
ASP	ATP30	AUCT	AYUD	B	BA	BBL	BDMS	BEC	BEM	BFIT
BGC	BGRIM	BIZ	BJC	BJCHI	BLA	BPP	BROOK	CBG	CEN	CENTEL
CGH	CHG	CHOTI	CHOW	CI	CIMBT	CNS	COLOR	COM7	COTTO	CRD
CSC	CSP	DDC	DCON	DDD	DOD	EASON	ECL	EE	EPG	ERW
ESTAR	ETE	FLOYD	FN	FNS	FORTH	FPI	FPT	FSMART	FSS	FVC
GENCO	GJS	GL	GLOBAL	GLOW**	GULF	HPT	HTC	HYDRO	ICN	IFS
INET	INSURE	IRC	IRCP	IT	ITD***	ITEL	J	JAS*	JCK	JCKH
JMART	JMT	JWD	KBS	KCAR	KGI	KIAT	KOOL	KWC	KWM	L&E
LALIN	LANNA	LDC	LHK	LOXLEY	LRH	LST	M	MACO	MAJOR	MBAX
MEGA	METCO	MFC	MK	MODERN	MOONG	MPG	MSC	MTI	NEP	NETBAY
NEX	NINE	NOBLE	NOK	NTV	NWR	OCC	OGC	ORI	OSP	PATO
PB	PDG	PDI	PL	PLAT	PM	PPP	PRECHA	PRIN	PRINC	PSTC
PT	QLT	RCL	RICHY	RML	RWI	S11	SAAM	SALEE	SAMCO	SANKO
SAPPE	SAWAD	SCG	SCI	SCP	SE	SFP	SIAM	SINGER	SIRI	SKE
SKR	SKY	SMIT	SMK	SMPG	SMT	SNP	SONIC	SPA	SPC	SPCG
SPVI	SR	SRICHA	SSC	SSF	SST	STANLY	STPI	SUC	SUN	SUSCO
SUTHA	SWC	SYMC	SYNEX	T	TACC	TAE	TAKUNI	TBSP	TCC	TCMC
TEAM	TEAMG	TFG	TFMAMA	THG	THRE	TIPCO	TITLE	TIW	TKN	TKS
TM	TMC	TMD	TMI	TMT	TNITY	TNL	TNP	TNR	TOG	TPA
TPAC	TPBI	TPCORP	TPOLY	TRITN	TRT	TSE	TSTE	TVI	TVT	TWP
TWPC	UBIS	UEC	UMI	UOBKH	UP	UPF	UPOIC	UT	UWC	VNT
WIIK	XO	YUASA	ZEN	ZMICO						
GOOD LEVEL										
A	ABICO	ACAP***	AEC	AEONTS	AJ	ALUCON	AMC	APURE	AS	ASEFA
AU	B52	BCH	BEAUTY	BGT	BH	BIG	BLAND	BM	BR	BROCK
BSBM	BSM	BTNC	CCET	CCP	CGD	CHARAN	CHAYO	CITY	CMAN	CMC
CMO	CMR	CPL	CPT	CSR	CTW	CWT	D	DIMET	EKH	EMC
EPCO	ESSO	FE	FTE	GIFT	GLAND	GLOCON	GPI	GREEN	GTB	GYT
HTECH	HUMAN	IHL	INGRS	INOX	JTS	JUBILE	KASET	KCM	KKC	KWG
KYE	LEE	LPH	MATCH	MATI	M-CHAI	MCS	MDX	META	MGT	MJD
MM	MVP	NC	NDR	NER	NNCL	NPK	NUSA	OCEAN	PAF	PF
PICO	PIMO	PK	PLE	PMTA	POST	PPM	PROUD	PTL	RCI	RJH
ROJNA	RPC	RPH	SF	SGF	SGP	SKN	SLP	SMART	SOLAR	SPG
SQ	SSP	STI	SUPER	SVOA	TCCC	THE	THMUI	TIC	TIGER	TNH
TOPP	TPCH	TPIPP	TPLAS	TQM	TTI	TYCN	UTP	VCOM	VIBHA	VPO
WIN	WORK	WP	WPH	ZIGA						
Score Range		Number of Logo					Description			
90-100							Excellent			
80-89							Very Good			
70-79							Good			
60-69							Satisfactory			
50-59							Pass			
Less than 50		No logo given					-			

Disclaimer:

The disclosure of the survey results of the Thai Institute of Directors Association ("IOD") regarding corporate governance is made pursuant to the policy of the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of a company listed on the Stock Exchange of Thailand and the Market for Alternative Investment disclosed to the public and able to be accessed by a general public investor. The result, therefore, is from the perspective of a third party. It is not an evaluation of operation and is not based on inside information.

The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey results may be changed after that date. FSS International Investment Advisory Company Limited does not confirm nor certify the accuracy of such survey results.

* CGR scoring should be considered with news regarding wrong doing of the company or director or executive of the company such unfair practice on securities trading, fraud, and corruption SEC imposed a civil sanction against insider trading of director and executive; ** delisted

Source: Thai Institute of Directors Association (IOD); FSSIA's compilation

Anti-corruption Progress Indicator

CERTIFIED										
ADVANC	AIE	AKP	AMANA	AP	APCS	AQUA	ARROW	ASK	ASP	AYUD
BAFS	BANPU	BAY	BBL	BCH	BCP	BCPG	BGRIM	BJCHI	BKI	BLA
BROOK	BRR	BSBM	BTS	BWG	CEN	CENTEL	CFRESH	CGH	CHEWA	CIG
CIMBT	CM	COM7	CPALL	CPF	CPI	CPN	CSC	DCC	DEMCO	DIMET
DRT	DTAC	DTC	EASTW	ECL	EGCO	FE	FNS	FSS	GBX	GC
GCAP	GEL	GFPT	GGC	GJS	GOLD	GPSC	GSTEEL	GUNKUL	HANA	HARN
HMPRO	HTC	ICC	IFS	INET	INSURE	INTUCH	IRPC	IVL	K	KASET
KBANK	KBS	KCAR	KCE	KGI	KKP	KSL	KTB	KTC	KWC	L&E
LANNA	LHK	LPN	LRH	M	MAKRO	MALEE	MBAX	MBK	MBKET	MC
MCOT	MFC	MINT	MONO	MOONG	MSC	MTI	NBC	NINE	NKI	NMG
NNCL	NSI	OCC	OCEAN	OGC	PAP	PATO	PB	PCSGH	PDG	PDI
PDJ	PE	PG	PHOL	PL	PLANB	PLANET	PLAT	PM	PPP	PPS
PREB	PRG	PRINC	PSH	PSTC	PT	PTG	PTT	PTTEP	PTTGC	PYLON
Q-CON	QH	QLT	QTC	RATCH	RML	S & J	SABINA	SAT	SC	SCB
SCC	SCCC	SCG	SCN	SE-ED	SELIC	SENA	SGP	SIRI	SIS	SITHAI
SMIT	SMK	SMPC	SNC	SNP	SORKON	SPACK	SPC	SPI	SPRC	SRICHA
SSF	SSI	SSSC	SST	STA	SUSCO	SVI	SYNTEC	TASCO	TCAP	TFG
TFI	TFMAMA	THANI	THCOM	THIP	THRE	THREL	TIP	TIPCO	TISCO	TKT
TMB	TMD	TMILL	TMT	TNITY	TNL	TNP	TNR	TOG	TOP	TPA
TPCORP	TRU	TRUE	TSC	TSTH	TTCL	TU	TVD	TVI	TWPC	U
UBIS	UEC	UKEM	UOBKH	VGI	VIH	VNT	WACOAL	WHA	WICE	WIIK
DECLARED										
2S	ABICO	AF	AI	AIRA	ALT	AMA	AMARIN	AMATA	ANAN	B
BM	BPP	BUI	CHG	CHO	CHOTI	CHOW	CI	CMC	COL	DDD
DELTA	EFORL	EPCO	ESTAR	ETE	FPI	FTE	ICHI	INOX	IRC	ITEL
JAS	JSP	JTS	KWG	LDC	LIT	META	MFEC	MPG	NEP	NOK
NWR	ORI	PRM	PSL	ROJNA	RWI	SAAM	SAPPE	SCI	SEAOIL	SHANG
SKR	SPALI	STANLY	SYNEX	TAE	TAKUNI	TMC	TOPP	TPP	TRITN	TVO
UV	UWC	WHAUP	XO	YUASA	ZEN					

Level	
Certified	This level indicates practical participation with thoroughly examination in relation to the recommended procedures from the audit committee or the SEC's certified auditor, being a certified member of Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) or already passed examination to ensure independence from external parties.
Declared	This level indicates determination to participate in the Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC)

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The disclosure of the Anti-Corruption Progress Indicators of a listed company on the Stock Exchange of Thailand, which is assessed by ThaiPat Institute, is made in order to comply with the policy and sustainable development plan for the listed companies of the Office of the Securities and Exchange Commission. ThaiPat Institute made this assessment based on the information received from the listed company, as stipulated in the form for the assessment of Anti-corruption which refers to the Annual Registration Statement (Form 56-1), Annual Report (Form 56-2), or other relevant documents or reports of such listed company. The assessment result is therefore made from the perspective of ThaiPat Institute that is a third party. It is not an assessment of operation and is not based on any inside information. Since this assessment is only the assessment result as of the date appearing in the assessment result, it may be changed after that date or when there is any change to the relevant information. Nevertheless, FSS International Investment Advisory Company Limited does not confirm, verify, or certify the accuracy and completeness of the assessment results.

Note: Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of June 24, 2019) are categorised into: 1) companies that have declared their intention to join CAC, and; 2) companies certified by CAC.

Source: The Securities and Exchange Commission, Thailand; * FSSIA's compilation

GENERAL DISCLAIMER

ANALYST(S) CERTIFICATION

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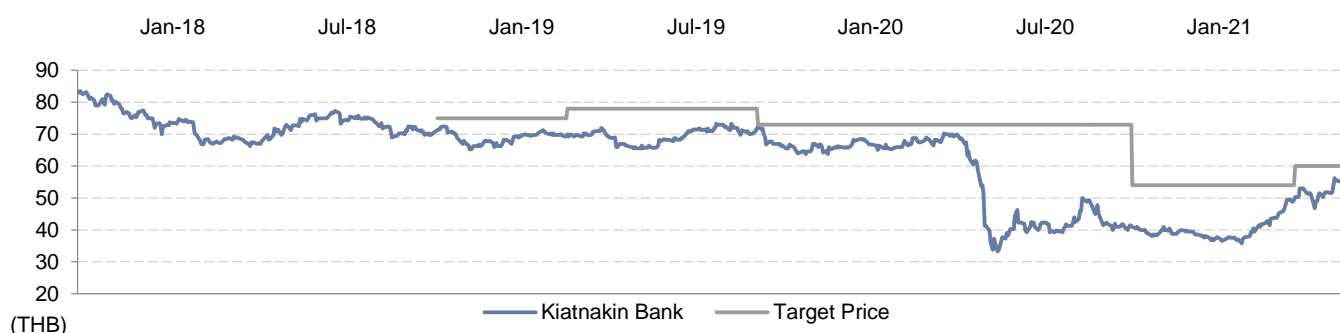
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History of change in investment rating and/or target price

Kiatnakin Bank (KKP TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
27-Nov-2018	HOLD	75.00	30-Aug-2019	HOLD	73.00	16-Jul-2020	BUY	54.00
19-Mar-2019	HOLD	78.00	02-Apr-2020	HOLD	73.00	03-Dec-2020	BUY	60.00

Yuvanart Suwanumphai started covering this stock from 16-Jul-2020

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Kiatnakin Bank	KKP TB	THB 55.75	BUY	Downside risks to our GGM-based target price include weakening asset quality and lower fee income.

Source: FSSIA estimates

Additional Disclosures

Target price history, stock price charts, valuation and risk details, and equity rating histories applicable to each company rated in this report is available in our most recently published reports. You can contact the analyst named on the front of this note or your representative at Finansia Syrus Securities Public Company Limited

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All share prices are as at market close on 19-Jan-2021 unless otherwise stated.

RECOMMENDATION STRUCTURE

Stock ratings

Stock ratings are based on absolute upside or downside, which we define as $(\text{target price}^* - \text{current price}) / \text{current price}$.

BUY (B). The upside is 10% or more.

HOLD (H). The upside or downside is less than 10%.

REDUCE (R). The downside is 10% or more.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause a temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.

* In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

Industry Recommendations

Overweight. The analyst expects the fundamental conditions of the sector to be positive over the next 12 months.

Neutral. The analyst expects the fundamental conditions of the sector to be maintained over the next 12 months.

Underweight. The analyst expects the fundamental conditions of the sector to be negative over the next 12 months.

Country (Strategy) Recommendations

Overweight (O). Over the next 12 months, the analyst expects the market to score positively on two or more of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Neutral (N). Over the next 12 months, the analyst expects the market to score positively on one of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Underweight (U). Over the next 12 months, the analyst does not expect the market to score positively on any of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.