

20 JULY 2021

THAILAND / BANKS

# KIATNAKIN BANK KKP TB

## BUY

UNCHANGED

TARGET PRICE	THB65.00
CLOSE	THB54.00
UP/DOWNSIDE	+20.4%
PRIOR TP	THB74.00
CHANGE IN TP	-12.2%
TP vs CONSENSUS	-0.9%

## ผลตอบแทนจากเงินปันผลระหว่างกาลสูงที่สุด

ผลประกอบการ 2Q21: ต่ำกว่าคาดจากผลขาดทุนทางเครดิตที่คาดว่าจะเกิดขึ้น (ECL) ที่สูงขึ้น

KKP รายงานกำไรสุทธิ 2Q21 ที่ 1.35 พัน ลบ. (+14% y-y, -7% q-q) ต่ำกว่าที่ตลาดคาด 8% และที่เราคาด 11% จาก ECL ที่สูงขึ้น ธนาคารฯ มีผลการดำเนินงานหลักที่ดีโดยได้ปัจจัยผลักดันจาก 1) ปริมาณสินเชื่อที่เพิ่มขึ้น 4.4% q-q ส่วนมากจากสินเชื่อเช่าซื้อที่เพิ่มขึ้น; และ 2) รายได้ค่าธรรมเนียมที่สูงขึ้นจากธุรกิจนายหน้าค้าหลักทรัพย์และวาณิชธนกิจที่ดี อย่างไรก็ตามสินเชื่อต่อคุณภาพ (NPL) ยังเพิ่มต่อเนื่องหลังโครงการพักชำระหนี้สิ้นสุดลง KKP ยังเห็นความไม่แน่นอนบางประการจากปัญหาโรคระบาดที่ยืดเยื้อ ซึ่งทำให้ธนาคารฯ ยังจัดสรรสำรอง (Management Overlay) เป็นจำนวนมากถึง 834 ลบ.

### คาดสำรองจะเพิ่มสูงขึ้นใน 3Q21

ใน 2Q21 คุณภาพสินทรัพย์ของ KKP ค่อย ๆ เสื่อมสภาพพร้อม NPL ที่เพิ่มขึ้น 11% q-q ซึ่งสอดคล้องกับประมาณการของเรา จากปัญหาการแพร่ระบาด Covid ที่กลับมาเพิ่มสูงขึ้น ธนาคารฯ ได้รับคำร้องขอให้เพิ่มความช่วยเหลือทางการเงินเข้ามาขึ้น (แต่คำขอเพิ่มดังกล่าวจะยังน้อยกว่าในช่วงนี้ของปีที่แล้ว) เราคาดว่าสำรองจะยังเพิ่มขึ้นใน 3Q21 อย่างไรก็ดีเมื่อปัญหาการแพร่ระบาด Covid บรรเทาลง เราเชื่อว่า KKP จะสามารถลดสำรองได้ เนื่องจากธนาคารฯ ได้จัดสรรสำรองไว้อย่างรอบคอบเพื่อรองรับดอกเบี้ยค้างจ่ายที่เพิ่มสูงขึ้น

### ผลประกอบการอาจแตะระดับสูงสุดใน 4Q21

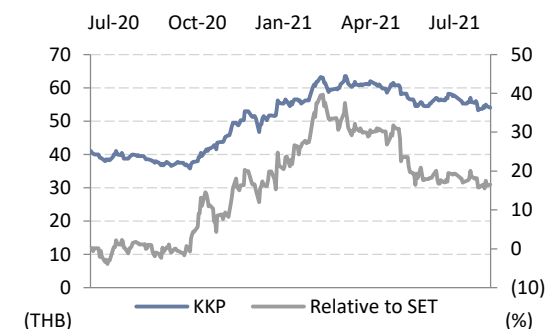
เราคาดว่าผลประกอบการของ KKP จะแตะระดับสูงสุดของปีใน 4Q21 เราคิดว่าสำรอง (รวมผลขาดทุนจากรถยนต์) ควรเริ่มลดลงเล็กน้อย ในขณะที่รายได้ควรโตต่อเนื่อง เรามองว่า KKP จะรายงานสินเชื่อโตสูงสุดในกลุ่มฯ จากกลยุทธ์ในการซื้อลูกค้าสินเชื่อเช่าซื้อที่มีความเสี่ยงต่ำกว่าและความสัมพันธ์ที่ดีกับกลุ่มลูกค้าบริษัท นอกจากนี้ในขณะที่กลุ่มธนาคารกำลังได้รับผลกระทบจากรายได้ดอกเบี้ยที่โตในอัตราต่ำในสภาวะอัตราดอกเบี้ยต่ำในตลาด KKP มีรายได้ค่าธรรมเนียมจากชื่อเสียงที่ดีของ Phatra Capital (not listed) ในความเห็นของเรารายได้ค่าธรรมเนียมอาจเป็นปัจจัยบวกสำคัญสำหรับกำไรของธนาคารฯ

### คงคำแนะนำซื้อ คาดผลตอบแทนจากเงินปันผลระหว่างกาลจะสูงที่สุดในกลุ่มฯ

เราปรับลดประมาณการกำไรสุทธิปี 2021-23 ลง 5.6%/5.8%/5.3% ตามลำดับ ส่วนมากเพื่อสะท้อน ECL ที่สูงขึ้น แม้เราจะคาดว่ากำไรสุทธิ 3Q21 จะทำได้แค่ทรงตัว y-y และ q-q ปัจจัยสำคัญที่จะหนุนราคาหุ้นในระยะสั้นจะอยู่ที่เงินปันผลระหว่างกาล ซึ่งเราคาดว่าจะอยู่ที่ 1.2 บาท/หุ้นคิดเป็นผลตอบแทนที่ 2.2% ในระยะยาวเราเชื่อว่าผลการดำเนินงานหลักที่โดดเด่นของธนาคารฯ ทั้งในด้านการเติบโตของสินเชื่อและค่าธรรมเนียมน่าจะเป็นปัจจัยบวกที่ทำให้ราคาหุ้นปรับขึ้นได้ ดังนั้นเราจึงคงคำแนะนำซื้อที่ราคาเป้าหมาย 65 บาท.

## KEY STOCK DATA

YE Dec (THB m)	2020	2021E	2022E	2023E
Operating profit	6,487	7,120	8,017	9,118
Net profit	5,123	5,695	6,412	7,293
EPS (THB)	6.05	6.73	7.57	8.61
vs Consensus (%)	-	(1.6)	2.2	4.9
Core net profit	5,123	5,695	6,412	7,293
Core EPS (THB)	6.05	6.73	7.57	8.61
Chg. In EPS est. (%)	-	(5.6)	(5.8)	(5.3)
EPS growth (%)	(14.4)	11.2	12.6	13.7
Core P/E (x)	8.9	8.0	7.1	6.3
Dividend yield (%)	4.2	4.6	6.5	7.4
Price/book (x)	1.0	0.9	0.9	0.8
ROE (%)	11.3	11.9	12.5	13.2
ROA (%)	1.5	1.5	1.6	1.8



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(5.7)	(10.4)	31.7
Relative to country (%)	(2.2)	(9.3)	15.1
Mkt cap (USD m)	1,392		
3m avg. daily turnover (USD m)	7.1		
Free float (%)	80		
Major shareholder	Wattanavekin family (4%)		
12m high/low (THB)	64.25/35.50		
Issued shares (m)	847		

Sources: Bloomberg consensus; FSSIA estimates



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บทวิเคราะห์ฉบับนี้แปลมาจากบทวิเคราะห์ของ FSSIA ฉบับวันที่ 20 กรกฎาคม 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.

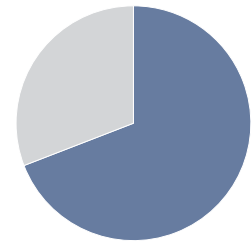
### Company profile

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 lending accounting for 47% of its loan portfolio at end-2020.

[kiatnakin.co.th](http://kiatnakin.co.th)

### Principal activities (revenue, 2020)

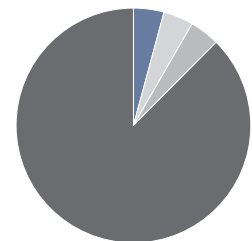
- Net interest income - 69.1 %
- Non-interest income - 30.9 %



Source: Kiatnakin Bank

### Major shareholders

- Wattanavekin family - 4.2 %
- Eastern Sugar and Cane - 4.1 %
- Ramkamhang Hospital - 4.1 %
- Others - 87.6 %



Source: Kiatnakin Bank

### Catalysts

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.

### Risks to our call

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

### Event calendar

Date	Event
Oct-2021	3Q21 results announcement

### Key assumptions

	2021E	2022E	2023E
	(%)	(%)	(%)
Net profit (THB m)	5,695	6,412	7,293
Net profit growth	11.2	12.6	13.7
NIM	4.50	4.34	4.47
Loan growth	8.5	5.0	5.0
Fee growth	33.5	(7.4)	2.0
Non-NII growth*	14.6	(4.3)	2.6
Credit cost (bp)	180	130	120
Cost to income*	46.8	48.0	46.3

\*Including share of profits from associates

Source: FSSIA estimates

### Earnings sensitivity

		----- 2021E -----		
		6.50	8.50	10.50
<b>Loan growth</b>	<b>±2ppt</b>			
% change in net profit		(1.5)	-	1.5
<b>NIM (%)</b>	<b>±5bp</b>			
% change in net profit		(2.5)	-	2.5
<b>Credit cost (bp)</b>	<b>±10bp</b>			
% change in net profit		1.6	-	(1.6)

Source: FSSIA estimates



## 2Q21 results: Below expectations from higher ECL

KKP reported a 2Q21 net profit of THB1,354m (+14% y-y, -7% q-q) – below Bloomberg’s consensus forecast by 8% and our expectation by 11% due to a higher expected credit loss (ECL). It had strong core operations in 2Q21, driven by 1) a 4.4% q-q loan volume increase due largely to a rise in its hire purchase loans; and 2) higher fee income thanks to its strong brokerage and IB businesses. However, non-performing loans (NPLs) continued to increase after the end of the debt forbearance program. Moreover, the bank saw some uncertainties from the prolonged pandemic. Accordingly, KKP still set aside a huge management overlay amounting to THB834m.

### 2Q21 key highlights

- The total loan volume increased 4.4% q-q from a rise in the hire purchase, housing and corporate segments. KKP increased its new car lending penetration rate for the first five months of 2021 to 5.3% from 4.2% at the end of 2020, due mainly to its expansion into new business segments with higher asset quality;
- Net fee income surged by 83% y-y and 9% q-q, thanks to a rise in fees from its brokerage business and investment banking (IB) fees;
- Losses from repossessed car sales decreased moderately to THB425m vs THB561m in 1Q21, due to the good level of used car prices;
- Due to the resurgence of Covid, KKP still set aside provisions prudently, with management overlay of THB834m vs its total provisions for 2Q21 at THB1,378m;
- NPLs increased 11% q-q due to the end of the debt forbearance program in 4Q20.

### Exhibit 1: KKP – summary of 1Q21/1H21 results

Year-end Dec 31	2Q20	1Q21	2Q21	--- Change ---		----- 1H21 -----		----- 2021E -----		Comments	
	(THB m)	(THB m)	(TH m)	(y-y%)	(q-q%)	(THB m)	(y-y%)	%21E	(THB m)		(y-y%)
Net interest income	3,615	3,830	3,794	5	(1)	7,624	7	50	15,201	4	
Non-interest income*	1,238	1,785	1,941	57	9	3,726	13	50	7,509	15	Solid fee income
<b>Operating income*</b>	<b>4,852</b>	<b>5,615</b>	<b>5,735</b>	<b>18</b>	<b>2</b>	<b>11,351</b>	<b>9</b>	<b>50</b>	<b>22,710</b>	<b>7</b>	
Operating expenses	2,622	2,583	2,678	2	4	5,261	(12)	50	10,621	(0)	
<b>PPOP before tax*</b>	<b>2,230</b>	<b>3,032</b>	<b>3,058</b>	<b>37</b>	<b>1</b>	<b>6,089</b>	<b>36</b>	<b>50</b>	<b>12,089</b>	<b>14</b>	
Provision	744	1,234	1,378	85	12	2,612	161	53	4,968	21	Management overlay of THB834m
Income tax	302	305	322	7	5	627	(21)	44	1,424	6	
Minority interest	0	30	4	<i>nm</i>	<i>nm</i>	33		<i>nm</i>	1		
<b>Normalised profit</b>	<b>1,184</b>	<b>1,463</b>	<b>1,354</b>	<b>14</b>	<b>(7)</b>	<b>2,817</b>	<b>6</b>	<b>49</b>	<b>5,695</b>	<b>11</b>	
Extraordinary items	0	0	0			0			0		
<b>Net profit</b>	<b>1,184</b>	<b>1,463</b>	<b>1,354</b>	<b>14</b>	<b>(7)</b>	<b>2,817</b>	<b>6</b>	<b>49</b>	<b>5,695</b>	<b>11</b>	<b>Below BBG consensus by 8%</b>
EPS (THB)	1.40	1.73	1.60	14	(7)	3.33	6	49	6.73	11	
<b>Asset quality ratio</b>											
Gross NPLs (ex POCI)	8,441	8,717	9,652	14	11				10,306	33	
NPL ratios ex POCI (%)	3.40	3.20	3.40						3.59		
LLR/NPLs ex POCI (%)	129	163	160						160		
Credit cost (bp)	120	185	200						180		
<b>Profitability ratio</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>						<b>(%)</b>		
Cost to income ratio	54.0	46.0	46.7						46.8		
Average yield (%)	5.9	5.7	5.4						5.7		
Cost of fund (%)	1.8	1.3	1.2						1.4		
Net interest margin (NIM)	4.3	4.5	4.3						4.5		
Non-int inc/total income	25.5	31.8	33.8						33.1		
<b>Liquidity ratio</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>						<b>(%)</b>		
Loan to deposit ratio	100.4	107.1	113.2						119.2		
<b>Loan growth</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>						<b>(%)</b>		
y-y	6.4	9.3	14.0						8.5		
q-q	0.2	2.1	4.4								From hire purchase, housing and corporates

\*Including share of profits from associates

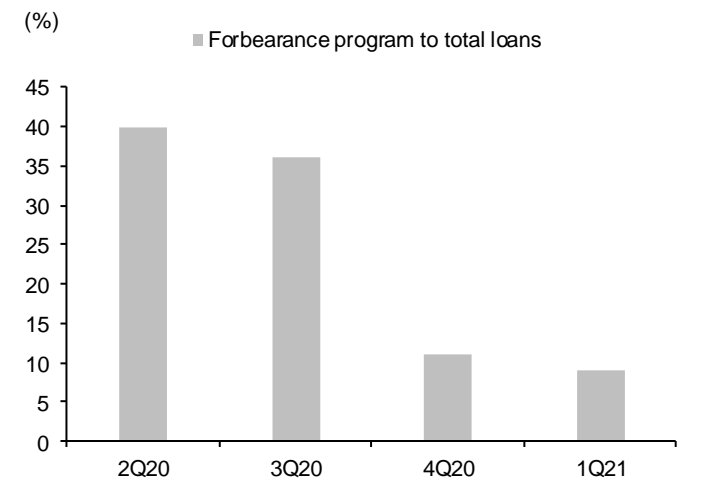
Sources: KKP; FSSIA estimates

## Elevated provisions expected in 3Q21

In line with our expectation, KKP’s asset quality continued to gradually deteriorate in 2Q21 with an 11% q-q increase in NPLs. Due to the resurgence of Covid, the bank had received additional requests for financial assistance (the number of additional requests was smaller than the same period last year). In our view, its debt forbearance should increase slightly in 3Q21 from 9% in 1Q21. Thus, we expect its provisions to remain elevated in 3Q21.

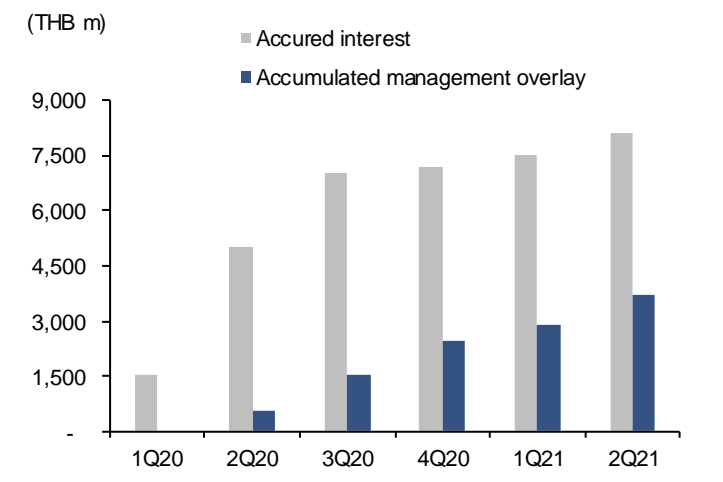
However, the bank has prudently set aside management overlay to cushion the increase in accrued interest. It started to set aside management overlay in 2Q20. Currently, the accumulated management overlay is at THB3.7b. Accordingly, we believe that when the Covid outbreak improves, KKP could enjoy a period of significantly lower provisions.

**Exhibit 2: KKP’s forbearance program to total loans**



Sources: KKP; FSSIA’s compilation

**Exhibit 3: Accrued interest and accumulated management overlay**

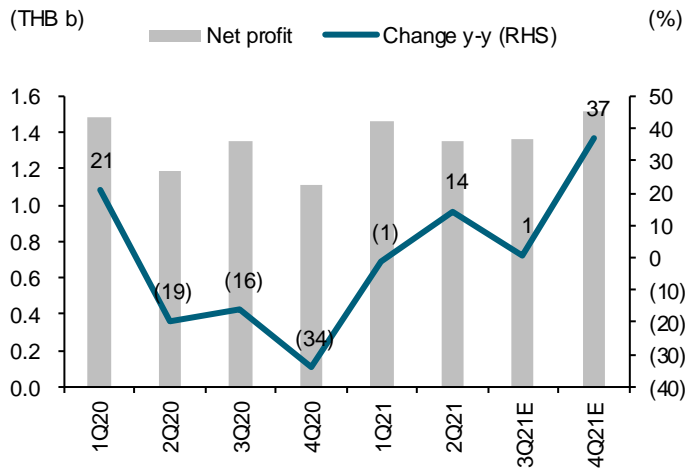


Note: 2Q21 accrued interest was calculated by FSSIA  
Sources: KKP; FSSIA’s compilation

## Peak performance could be seen in 4Q21

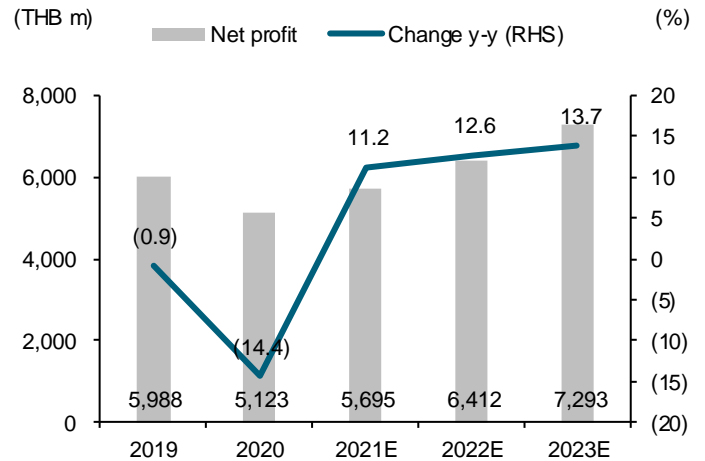
We expect KKP to post peak performance in 4Q21. We think its provisions (including losses from repossessed cars) should start to slightly decline, while its robust top-line growth should continue. We think KKP could deliver the strongest loan growth among its peers, due to its strategy of acquiring lower-risk profile hire purchase customers and its strong relationship with corporate clients. Moreover, while the sector is suffering from low interest income growth in the uncertain and low interest rate environment, KKP has strong franchise fee income from Phatra Capital, a core member of the KKP group. We expect its brokerage, wealth management and IB businesses to perform well. To us, fee income could be a key catalyst for its bottom-line growth, both in the short and long term.

Exhibit 4: KKP's quarterly earnings momentum



Source: FSSIA estimates

Exhibit 5: KKP's yearly earnings momentum



Source: FSSIA estimates

### Net profit and TP revisions

We revise down our net profit forecasts for 2021-23 by 5.6%/5.8%/5.3%. We increase our 2021-23 credit cost assumptions to 180/130/120 bps vs our previous assumptions of 135/115/100, to reflect the prolonged and severe Covid pandemic.

Exhibit 6: Key changes in assumptions

	-----2021E-----				-----2022E-----			-----2023E-----		
	2020	Old	New	Change	Old	New	Change	Old	New	Change
	(THB m)	(THB m)	(THB m)	(%)	(THB m)	(THB m)	(%)	(THB m)	(THB m)	(%)
Net interest income	14,679	15,375	15,201	(1.1)	15,803	15,597	(1.3)	16,585	16,538	(0.3)
Non-interest income*	6,554	6,923	7,509	8.5	7,154	7,185	0.4	7,349	7,369	0.3
Operating income*	21,233	22,298	22,710	1.8	22,956	22,782	(0.8)	23,934	23,907	(0.1)
Operating expenses	10,652	11,077	10,621	(4.1)	11,148	10,937	(1.9)	11,293	11,079	(1.9)
<b>PPOP before tax*</b>	<b>10,581</b>	<b>11,221</b>	<b>12,089</b>	<b>7.7</b>	<b>11,809</b>	<b>11,845</b>	<b>0.3</b>	<b>12,641</b>	<b>12,828</b>	<b>1.5</b>
Expected credit loss (Reversal)	4,095	3,678	4,968	35.1	3,302	3,828	15.9	3,015	3,710	23.1
Tax expenses	1,344	1,509	1,424	(5.6)	1,701	1,603	(5.8)	1,925	1,824	(5.3)
Minority interest	20	1	1	(5.6)	1	1	(5.8)	2	1	(5.3)
<b>Normalised profit</b>	<b>5,123</b>	<b>6,033</b>	<b>5,695</b>	<b>(5.6)</b>	<b>6,804</b>	<b>6,412</b>	<b>(5.8)</b>	<b>7,699</b>	<b>7,293</b>	<b>(5.3)</b>
Extraordinary items	-	-	-		-	-		-	-	
<b>Net profit</b>	<b>5,123</b>	<b>6,033</b>	<b>5,695</b>	<b>(5.6)</b>	<b>6,804</b>	<b>6,412</b>	<b>(5.8)</b>	<b>7,699</b>	<b>7,293</b>	<b>(5.3)</b>
EPS (THB)	6.05	7.12	6.73	(5.6)	8.04	7.57	(5.8)	9.09	8.61	(5.3)
<b>Key statistics and ratios</b>										
<b>Asset quality ratio</b>										
Gross NPLs (THB m)	8,456	10,147	10,993	8.3	10,655	12,092	13.5	10,974	12,455	13.5
Gross NPLs / Loans (%)**	3.20	3.63	3.83		3.63	4.02		3.56	3.94	
Loan loss reserve/NPLs (%)	155	149	150		156	153		162	163	
Credit cost (bps)	163	135	180		115	130		100	120	
<b>Profitability ratio (%)</b>										
Cost to income ratio*	50.2	49.7	46.8		48.6	48.0		47.2	46.3	
Average yield	6.4	6.0	5.7		6.1	5.7		6.2	5.8	
Cost of funds	1.8	1.6	1.4		1.9	1.7		1.9	1.6	
Net interest margin (NIM)	4.81	4.63	4.50		4.54	4.34		4.63	4.47	
<b>Loan growth (%)</b>										
y-y	11.7	5.8	8.5		5.0	5.0		5.0	5.0	

\*Including share of profits from associates; \*\* Included POCL

Sources: KKP; FSSIA estimates

We revise down our 2022 GGM-based TP to THB65 from THB74, as we 1) decrease our EPS forecast, leading to a lower book value; and 2) revise down our target 2022 P/BV to 1.0x from 1.2x as a result of our lower average long-term ROE target of 12.5% from 13.5% and our lower long-term growth to 4.3% from 5.1%.

**Exhibit 7: GGM-derived target price**

Target price (THB)	THB 65 (from THB 74)
Recommendation	BUY (unchanged)
Risk-free rate (%)	3.0 (unchanged)
Market risk premium (%)	8.0 (unchanged)
Terminal growth (%)	4.3 (from 5.1)
ROE target (%)	12.5 (from 13.5)
Risk to TP	Downside risks to our GGM-based target price include weakening asset quality and lower fee income.

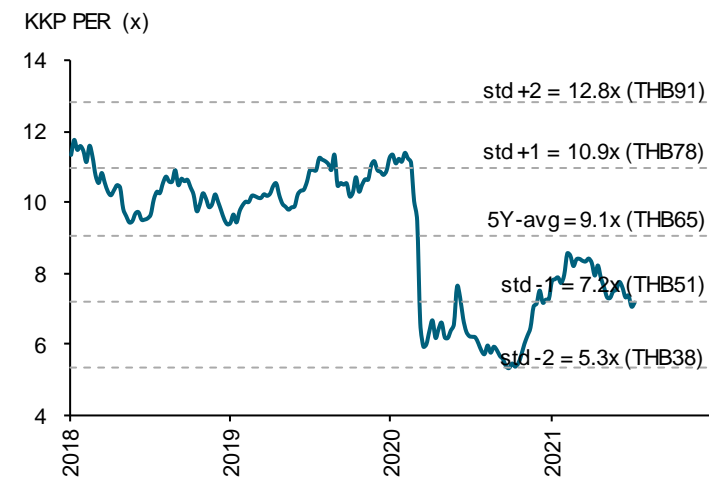
Source: FSSIA estimates

**Exhibit 8: KKP – rolling one-year forward P/BV band**



Sources: Bloomberg; FSSIA estimates

**Exhibit 9: KKP – rolling one-year forward 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	19,388	20,654	21,589
Interest expense	(5,720)	(4,905)	(4,187)	(5,057)	(5,051)
Net interest income	12,316	14,679	15,201	15,597	16,538
Net fees & commission	4,604	4,336	5,790	5,361	5,469
Foreign exchange trading income	277	1,079	863	906	952
Securities trading income	568	50	55	60	66
Dividend income	576	389	311	342	342
Other income	827	700	490	515	540
Non interest income	6,852	6,554	7,509	7,185	7,369
Total income	19,168	21,233	22,710	22,782	23,907
Staff costs	(5,577)	(5,664)	(5,893)	(6,128)	(6,373)
Other operating costs	(4,617)	(4,988)	(4,729)	(4,809)	(4,706)
Operating costs	(10,194)	(10,652)	(10,621)	(10,937)	(11,079)
Pre provision operating profit	8,974	10,581	12,089	11,845	12,828
Provision for bad and doubtful debt	(1,676)	(4,095)	(4,968)	(3,828)	(3,710)
Other provisions	-	-	-	-	-
Operating profit	7,297	6,487	7,120	8,017	9,118
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	7,120	8,017	9,118
Tax	(1,307)	(1,344)	(1,424)	(1,603)	(1,824)
Profit after tax	5,990	5,143	5,696	6,413	7,294
Minority interests	(1)	(20)	(1)	(1)	(1)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	5,988	5,123	5,695	6,412	7,293
Non recurring items & goodwill (net)	-	-	0	0	0
Recurring net profit	5,988	5,123	5,695	6,412	7,293
<b>Per share (THB)</b>					
Recurring EPS *	7.07	6.05	6.73	7.57	8.61
Reported EPS	7.07	6.05	6.73	7.57	8.61
DPS	5.00	2.25	2.50	3.50	4.00
<b>Growth</b>					
Net interest income (%)	9.4	19.2	3.6	2.6	6.0
Non interest income (%)	0.2	(4.3)	14.6	(4.3)	2.6
Pre provision operating profit (%)	3.9	17.9	14.2	(2.0)	8.3
Operating profit (%)	(1.2)	(11.1)	9.8	12.6	13.7
Reported net profit (%)	(0.9)	(14.4)	11.2	12.6	13.7
Recurring EPS (%)	(0.9)	(14.4)	11.2	12.6	13.7
Reported EPS (%)	(0.9)	(14.4)	11.2	12.6	13.7
<b>Income Breakdown</b>					
Net interest income (%)	64.3	69.1	66.9	68.5	69.2
Net fees & commission (%)	24.0	20.4	25.5	23.5	22.9
Foreign exchange trading income (%)	1.4	5.1	3.8	4.0	4.0
Securities trading income (%)	3.0	0.2	0.2	0.3	0.3
Dividend income (%)	3.0	1.8	1.4	1.5	1.4
Other income (%)	4.3	3.3	2.2	2.3	2.3
<b>Operating performance</b>					
Gross interest yield (%)	6.28	6.42	5.74	5.75	5.83
Cost of funds (%)	2.34	1.83	1.41	1.67	1.64
Net interest spread (%)	3.94	4.59	4.33	4.08	4.19
Net interest margin (%)	4.3	4.8	4.5	4.3	4.5
Cost/income(%)	53.2	50.2	46.8	48.0	46.3
Cost/assets(%)	3.3	3.2	2.8	2.8	2.8
Effective tax rate (%)	17.9	20.7	20.0	20.0	20.0
Dividend payout on recurring profit (%)	70.7	37.2	37.2	46.2	46.4
ROE (%)	13.9	11.3	11.9	12.5	13.2
ROE - COE (%)	3.1	0.5	1.1	1.7	2.4
ROA (%)	1.9	1.5	1.5	1.6	1.8
RORWA (%)	2.3	1.9	1.9	2.0	2.2

\* 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	264,773	287,279	301,643	316,725
Total provisions	(10,589)	(13,105)	(16,493)	(18,511)	(20,321)
interest in suspense	1,128	7,178	8,044	7,239	6,334
<b>Net customer loans</b>	<b>227,677</b>	<b>258,846</b>	<b>278,829</b>	<b>290,371</b>	<b>302,738</b>
Bank loans	11,982	32,771	31,084	26,153	20,778
Government securities	-	-	-	-	-
Trading securities	-	-	-	-	-
Investment securities	39,201	34,603	35,750	36,940	38,175
Cash & equivalents	1,110	1,491	1,976	2,267	3,633
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	30,766	31,449	32,266
<b>Total assets</b>	<b>311,690</b>	<b>363,411</b>	<b>384,579</b>	<b>393,117</b>	<b>403,327</b>
Customer deposits	172,174	251,526	240,909	258,577	262,456
Bank deposits	-	-	-	-	-
Other interest bearing liabilities	73,132	39,184	61,430	46,794	47,503
Non interest bearing liabilities	22,373	26,076	32,595	34,224	35,935
Hybrid Capital	-	-	-	-	-
<b>Total liabilities</b>	<b>267,679</b>	<b>316,785</b>	<b>334,934</b>	<b>339,595</b>	<b>345,894</b>
Share capital	8,468	8,468	8,468	8,468	8,468
Reserves	35,435	38,050	41,061	44,929	48,832
<b>Total equity</b>	<b>43,902</b>	<b>46,517</b>	<b>49,529</b>	<b>53,397</b>	<b>57,299</b>
Minority interests	109	109	116	125	134
<b>Total liabilities &amp; equity</b>	<b>311,690</b>	<b>363,411</b>	<b>384,579</b>	<b>393,117</b>	<b>403,327</b>
<b>Supplementary items</b>					
Risk weighted assets (RWA)	267,295	288,371	312,883	328,527	344,954
Average interest earning assets	287,099	305,121	338,016	359,424	370,207
Average interest bearing liabilities	244,834	267,916	296,336	303,658	307,457
Tier 1 capital	36,377	41,319	43,977	47,490	50,955
Total capital	45,975	52,714	55,371	58,885	62,350
Gross non performing loans (NPL)	9,560	8,456	10,993	12,092	12,455
<b>Per share (THB)</b>					
Book value per share	51.85	54.94	58.49	63.06	67.67
Tangible book value per share	51.85	54.94	58.49	63.06	67.67
<b>Growth</b>					
Gross customer loans	4.1	11.7	8.5	5.0	5.0
Average interest earning assets	9.7	6.3	10.8	6.3	3.0
Total asset (%)	1.8	16.6	5.8	2.2	2.6
Risk weighted assets (%)	3.5	7.9	8.5	5.0	5.0
Customer deposits (%)	(5.2)	46.1	(4.2)	7.3	1.5
<b>Leverage &amp; capital measures</b>					
Customer loan/deposits (%)	132.2	102.9	115.7	112.3	115.3
Equity/assets (%)	14.1	12.8	12.9	13.6	14.2
Tangible equity/assets (%)	14.1	12.8	12.9	13.6	14.2
RWA/assets (%)	85.8	79.4	81.4	83.6	85.5
Tier 1 CAR (%)	13.6	14.3	14.1	14.5	14.8
Total CAR (%)	17.2	18.3	17.7	17.9	18.1
<b>Asset Quality</b>					
Change in NPL (%)	1.7	(11.5)	30.0	10.0	3.0
NPL/gross loans (%)	4.0	3.2	3.8	4.0	3.9
Total provisions/gross loans (%)	4.5	4.9	5.7	5.8	6.4
Total provisions/NPL (%)	110.8	155.0	150.0	153.1	163.2
<b>Valuation</b>					
Recurring P/E (x) *	7.6	8.9	8.0	7.1	6.3
Recurring P/E @ target price (x) *	9.2	10.7	9.7	8.6	7.5
Reported P/E (x)	7.6	8.9	8.0	7.1	6.3
Dividend yield (%)	9.3	4.2	4.6	6.5	7.4
Price/book (x)	1.0	1.0	0.9	0.9	0.8
Price/tangible book (x)	1.0	1.0	0.9	0.9	0.8
Price/tangible book @ target price (x)	1.3	1.2	1.1	1.0	1.0

\* Pre-exceptional, pre-goodwill and fully diluted

Sources: Kiatnakin Bank; FSSIA estimates

Corporate Governance report of Thai listed companies 2020

EXCELLENT LEVEL										
AAV	ADVANC	AF	AIRA	AKP	AKR	ALT	AMA	AMATA	AMATAV	ANAN
AOT	AP	ARIP	ARROW	ASP	BAFS	BANPU	BAY	BCP	BCPG	BDMS
BEC	BEM	BGRIM	BIZ	BKI	BLA	BOL	BPP	BRR	BTS	BWG
CENTEL	CFRESH	CHEWA	CHO	CIMBT	CK	CKP	CM	CNT	COL	COMAN
COTTO	CPALL	CPF	CPI	CPN	CSS	DELTA	DEMCO	DRT	DTAC	DTC
DV8	EA	EASTW	ECF	ECL	EGCO	EPG	ETE	FNS	FPI	FPT
FSMART	GBX	GC	GCAP	GEL	GFPT	GGC	GPSC	GRAMMY	GUNKUL	HANA
HARN	HMPRO	ICC	ICI	III	ILINK	INTUCH	IRPC	IVL	JKN	JSP
JWD	K	KBANK	KCE	KKP	KSL	KTB	KTC	LANNA	LH	LHFG
LIT	LPN	MAKRO	MALEE	MBK	MBKET	MC	MCOT	METCO	MFEC	MINT
MONO	MOONG	MSC	MTC	NCH	NCL	NEP	NKI	NOBLE	NSI	NVD
NYT	OISHI	ORI	OTO	PAP	PAP	PCSGH	PDJ	PG	PHOL	PLANB
PLAT	PORT	PPS	PR9	PREB	PRG	PRM	PSH	PSL	PTG	PTT
PTTEP	PTTGC	PYLON	Q-CON	QH	QTC	RATCH	RS	S	S & J	SAAM
SABINA	SAMART	SAMTEL	SAT	SC	SCB	SCC	SCCC	SCG	SCN	SDC
SEAFCO	SEOIL	SE-ED	SELIC	SENA	SIRI	SIS	SITHAI	SMK	SMPC	SNC
SONIC	SORKON	SPALI	SPI	SPRC	SPVI	SSSC	SST	STA	SUSCO	SUTHA
SVI	SYMC	SYNTEC	TACC	TASCO	TCAP	TFMAMA	THANA	THANI	THCOM	THG
THIP	THRE	THREL	TIP	TIPCO	TISCO	TK	TKT	TMB	TMILL	TNDT
TNL	TOA	TOP	TPBI	TQM	TRC	TSC	TSR	TSTE	TSTH	TTA
TTCL	TTW	TU	TVD	TVI	TVO	TWPC	U	UAC	UBIS	UV
VGI	VIH	WACOAL	WAVE	WHA	WHAUP	WICE	WINNER	TRUE		

VERY GOOD LEVEL										
2S	ABM	ACE	ACG	ADB	AEC	AEONTS	AGE	AH	AHC	AIT
ALLA	AMANAHA	AMARIN	APCO	APCS	APURE	AQUA	ASAP	ASEFA	ASIA	ASIAN
ASIMAR	ASK	ASN	ATP30	AUCT	AWC	AYUD	B	BA	BAM	BBL
BFIT	BGC	BJC	BJCHI	BROOK	BTW	CBG	CEN	CGH	CHARAN	CHAYO
CHG	CHOTI	CHOW	CI	CIG	CMC	COLOR	COM7	CPL	CRC	CRD
CSC	CSP	CWT	DCC	DCON	DDD	DOD	DOHOME	EASON	EE	ERW
ESTAR	FE	FLOYD	FN	FORTH	FSS	FTE	FVC	GENCO	GJS	GL
GLAND	GLOBAL	GLOCON	GPI	GULF	GYT	HPT	HTC	ICN	IFS	ILM
IMH	INET	INSURE	IRC	IRCP	IT	ITD	ITEL	J	JAS	JCK
JCKH	JMART	JMT	KBS	KCAR	KGI	KIAT	KOOL	KTIS	KWC	KWM
L&E	LALIN	LDC	LHK	LOXLEY	LPH	LRH	LST	M	MACO	MAJOR
MBAX	MEGA	META	MFC	MGT	MILL	MITSIB	MK	MODERN	MTI	MVP
NETBAY	NEX	NINE	NTV	NWR	OCC	OGC	OSP	PATO	PB	PDG
PDI	PICO	PIMO	PJW	PL	PM	PPP	PRIN	PRINC	PSTC	PT
QLT	RCL	RICHY	RML	RPC	RWI	S11	SALEE	SAMCO	SANKO	SAPPE
SAWAD	SCI	SCP	SE	SEG	SFP	SGF	SHR	SIAM	SINGER	SKE
SKR	SKY	SMIT	SMT	SNP	SPA	SPC	SPCG	SR	SRICHA	SSC
SSF	STANLY	STI	STPI	SUC	SUN	SYNEX	T	TAE	TAKUNI	TBSP
TCC	TCMC	TEAM	TEAMG	TFG	TIGER	TITLE	TKN	TKS	TM	TMC
TMD	TMI	TMT	TNITY	TNP	TNR	TOG	TPA	TPAC	TPCORP	TPOLY
TPS	TRITN	TRT	TRU	TSE	TVT	TWP	UEC	UMI	UOBKH	UP
UPF	UPOIC	UT	UTP	UWC	VL	VNT	VPO	WIJK	WP	XO
YUASA	ZEN	ZIGA	ZMICO							

GOOD LEVEL										
7UP	A	ABICO	AJ	ALL	ALUCON	AMC	APP	ARIN	AS	AU
B52	BC	BCH	BEAUTY	BGT	BH	BIG	BKD	BLAND	BM	BR
BROCK	BSBM	BSM	BTNC	CAZ	CCP	CGD	CITY	CMAN	CMO	CMR
CPT	CPW	CRANE	CSR	D	EKH	EP	ESSO	FMT	GIFT	GREEN
GSC	GTB	HTECH	HUMAN	IHL	INOX	INSET	IP	JTS	JUBILE	KASET
KCM	KKC	KUMWEL	KUN	KWG	KYE	LEE	MATCH	MATI	M-CHAI	MCS
MDX	MJD	MM	MORE	NC	NDR	NER	NFC	NNCL	NPK	NUSA
OCEAN	PAF	PF	PK	PLE	PMTA	POST	PPM	PRAKIT	PRECHA	PRIME
PROUD	PTL	RBF	RCI	RJH	ROJNA	RP	RPH	RSP	SF	SFLEX
SGP	SISB	SKN	SLP	SMART	SOLAR	SPG	SQ	SSP	STARK	STC
SUPER	SVOA	TC	TCCC	THMUI	TIW	TNH	TOPP	TPCH	TIPIP	TPLAS
TTI	TYCN	UKEM	UMS	VCOM	VRANDA	WIN	WORK	WPH		

Description	Score Range
Excellent	90-100
Very Good	80-89
Good	70-79

Disclaimer:

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\* 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 2020

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

DECLARED										
7UP	ABICO	AF	ALT	AMARIN	AMATA	AMATAV	ANAN	APURE	B52	BKD
BM	BROCK	BUI	CHO	CI	COTTO	DDD	EA	EFORL	EP	ERW
ESTAR	ETE	EVER	FSMART	GPI	ILINK	IRC	J	JKN	JMART	JMT
JSP	JTS	KWG	LDC	MAJOR	META	NCL	NOBLE	NOK	PK	PLE
ROJNA	SAAM	SAPPE	SCI	SE	SHANG	SINGER	SKR	SPALI	SSP	STANLY
SUPER	SYNEX	THAI	TKS	TOPP	TRITN	TTA	UPF	UV	WIN	ZIGA

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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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

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**ANALYST(S) CERTIFICATION**

Yuvanart Suwanumphai FSS International Investment Advisory Securities Co., Ltd

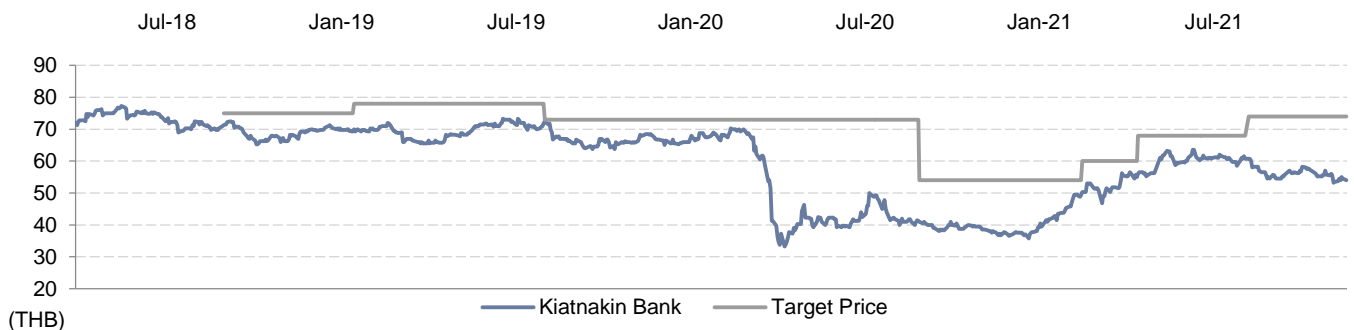
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**History of change in investment rating and/or target price**

**Kiatnakin Bank (KKP TB)**



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
27-Nov-2018	HOLD	75.00	02-Apr-2020	HOLD	73.00	20-Jan-2021	BUY	68.00
19-Mar-2019	HOLD	78.00	16-Jul-2020	BUY	54.00	23-Apr-2021	BUY	74.00
30-Aug-2019	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 54.00	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

FSSIA may incorporate the recommendations and target prices of companies currently covered by FSS Research into equity research reports, denoted by an 'FSS' before the recommendation. FSS Research is part of Finansia Syrus Securities Public Company Limited, which is the parent company of FSSIA.

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

## RECOMMENDATION STRUCTURE

### Stock ratings

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