

5 OCTOBER 2021

THAILAND / BANKS

KIATNAKIN BANK KKP TB

BUY

UNCHANGED

TARGET PRICE	THB68.00
CLOSE	THB55.25
UP/DOWNSIDE	+23.1%
PRIOR TP	THB65.00
CHANGE IN TP	+4.6%
TP vs CONSENSUS	+5.4%

การเติบโตของกำไรสุทธิและผลตอบแทนในรูปเงินปันผลสูงเป็นอันดับสอง

ห้หมามอง KKP เป็นบวกมากยิ่งขึ้น

เราเห็นหมามอง KKP เป็นบวกมากยิ่งขึ้นหลัง ธปท. ประกาศผ่อนคลายนโยบายการปรับขึ้นหนี้และการจัดสรรสำรอง บัญชีดังกล่าวทำให้เวลาเพิ่มขึ้นแก่ KKP ในการจัดการกับหนี้ที่มีปัญหาและดอกเบี้ยค้างจ่ายที่เพิ่มอย่างมีนัยสำคัญ (ปัจจุบันตัวเลขดังกล่าวเพิ่มในอัตราสูงที่สุดเมื่อเทียบกับธนาคารอื่น อย่างไรก็ตามการเพิ่มดังกล่าวอาจกลายเป็นภาระในอนาคต ถ้าลูกค้าไม่สามารถชำระคืนหนี้ได้) นอกจากนี้เรายังเชื่อว่า KKP น่าจะรายงานรายได้โตในระดับสูงต่อเนื่องจาก 1) กลยุทธ์ในการขยายสินเชื่อเช่าซื้อไปยังตลาดใหม่; และ 2) รายได้ค่าธรรมเนียมที่อยู่ในระดับสูง

3Q21: การดำเนินงานหลักดีแต่ขาดสำรองในระดับสูง

เราคาดว่า KKP จะรายงานกำไรสุทธิ 3Q21 ที่ 1.32 พัน ลบ. (-2% y-y, -3% q-q) ใน 3Q21 การดำเนินงานหลักน่าจะอยู่ในระดับดีจาก 1) ปริมาณสินเชื่อที่คาดว่าจะเพิ่ม 1.0% q-q ส่วนมากจากการเพิ่มของสินเชื่อเช่าซื้อ; และ 2) รายได้ค่าธรรมเนียมที่คาดว่าจะอยู่ในระดับสูง (ลดลงในระดับปานกลาง q-q จากฐานที่สูงมากใน 2Q21) จากธุรกิจนายหน้าซื้อขายหลักทรัพย์และวณิชธนกิจ (IB) ที่ดี ยกตัวอย่างเช่น ดิล CPALL และ MAKRO อย่างไรก็ตามเราเชื่อว่า KKP จะตั้งสำรองในระดับสูงเพื่อเป็นกันชนสำหรับดอกเบี้ยค้างจ่ายที่เพิ่มอย่างต่อเนื่อง ประกอบกับเราคิดว่าหนี้ต่อคุณภาพจะเพิ่มหลังมาตรการบรรเทาหนี้สิ้นสุดลง

ปรับกำไรตามแนวทางใหม่ของ ธปท.

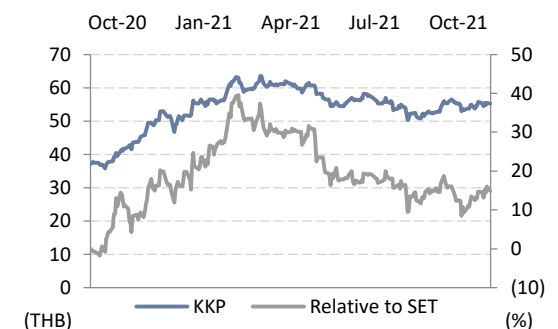
ธปท. ได้สนับสนุนส่งเสริมให้ธนาคารออกแผนปรับโครงสร้างหนี้ระยะยาวแบบเบ็ดเสร็จ (CDR) แก่ลูกค้าของตนเอง ผลกระทบเชิงลบน่าจะอยู่ที่การลดลงของผลตอบแทนสินเชื่อซึ่งขึ้นอยู่กับ CDR ที่จะออกมา จากการคำนวณของเรา ผลตอบแทนสินเชื่อของ KKP ในปี 2022 จะลดลง 0.39% จากปัจจุบันที่ 6.6% อย่างไรก็ตามเราคิดว่า 1) มาตรการขยายการลดเงินนำส่งเข้า FIDF มาอยู่ที่ 0.23% น่าจะช่วยบรรเทาผลกระทบต่อรายได้ดอกเบี้ยสุทธิ; และ 2) ต้นทุนความเสี่ยงในการปล่อยสินเชื่อ (Credit Cost) ในปี 2022 น่าจะลดลงเหลือ 120 bps จากที่เราคาดไว้ที่ 193 bps ในปี 2021 ซึ่งใกล้เคียงกับอัตราปกติที่ 100-120 bps เราปรับเพิ่มสมมติฐานรายได้ค่าธรรมเนียมปี 2022-23 โดยได้ปัจจัยหนุนจากธุรกิจ IB ที่ดีและสถานะตลาดทุนที่เป็นบวกมากยิ่งขึ้น ซึ่งทำให้เราปรับเพิ่มประมาณการกำไรสุทธิปี 2022-23 ขึ้น 5%/4%

การเติบโตของกำไรสุทธิและผลตอบแทนในรูปเงินปันผลสูงเป็นอันดับสอง

เราปรับเพิ่มราคาเป้าหมายเป็น 68 จาก 65 บาท (GGM) ราคาเป้าหมายของเราคิดเป็น 1.1x ของค่า 2021E P/BV ซึ่งใกล้เคียงกับค่าเฉลี่ยย้อนหลัง 3 ปี เราคาดว่าผลประกอบการของ KKP จะผ่านจุดต่ำสุดใน 3Q21 พร้อมคาดว่ากำไรจะโตขึ้นตั้งแต่ 4Q21 เป็นต้นไป เราคาดว่า KKP จะรายงานอัตราดอกเบี้ยของกำไรสุทธิปี 2022 สูงที่สุดเป็นอันดับสองที่ 21% y-y พร้อมผลตอบแทนในรูปเงินปันผลที่สูงที่สุดเป็นอันดับสองที่ 5-7% ต่อปี ดังนั้น KKP จึงเป็นหุ้นที่เราเลือกซื้อเป็นอันดับสามในกลุ่มธนาคาร

KEY STOCK DATA

YE Dec (THB m)	2020	2021E	2022E	2023E
Operating profit	6,487	6,761	8,376	9,478
Net profit	5,123	5,543	6,700	7,581
EPS (THB)	6.05	6.55	7.91	8.95
vs Consensus (%)	-	(0.7)	7.9	8.6
Core net profit	5,123	5,543	6,700	7,581
Core EPS (THB)	6.05	6.55	7.91	8.95
Chg. In EPS est. (%)	-	(2.7)	4.5	4.0
EPS growth (%)	(14.4)	8.2	20.9	13.2
Core P/E (x)	9.1	8.4	7.0	6.2
Dividend yield (%)	4.1	4.5	6.3	7.2
Price/book (x)	1.0	0.9	0.9	0.8
ROE (%)	11.3	11.6	13.0	13.6
ROA (%)	1.5	1.5	1.7	1.9



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	0.0	(0.9)	51.4
Relative to country (%)	2.2	(3.1)	16.0
Mkt cap (USD m)	1,385		
3m avg. daily turnover (USD m)	5.1		
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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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 a 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.

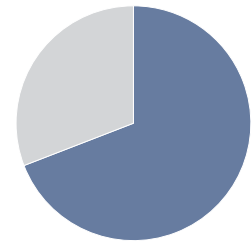
Company profile

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

Principal activities (revenue, 2020)

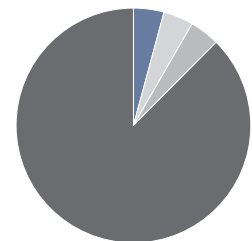
- Net interest income - 69.1 %
- Non-interest income - 30.9 %



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
Mid Oct-2021	3Q21 results announcement

Key assumptions

	2021E	2022E	2023E
	(%)	(%)	(%)
Net profit (THB m)	5,543	6,700	7,581
Net profit growth	8.2	20.9	13.2
NIM	4.50	4.24	4.33
Loan growth	8.5	5.0	5.0
Fee growth	33.5	(0.2)	2.0
Non-NII growth*	14.6	1.2	2.5
Credit cost (bp)	193	120	110
Cost to income*	46.8	47.9	46.0

*Including share of profits from associates

Source: FSSIA estimates

Earnings sensitivity

		----- 2021E -----		
Loan growth	±2ppt	6.50	8.50	10.50
% change in net profit		(1.5)	-	1.5
NIM (%)	±5bp	4.45	4.50	4.55
% change in net profit		(2.5)	-	2.5
Credit cost (bp)	±10bp	170	180	190
% change in net profit		1.6	-	(1.6)

Source: FSSIA estimates

3Q21: strong core operations but high provisions expected

We expect KKP to report a 3Q21 net profit of THB1,320m (-2% y-y, -3% q-q). Its 3Q21 core operations should be strong, driven by 1) a 1.0% q-q loan volume increase due largely to a rise in its hire purchase loans; and 2) a high fee income level (moderately dropping q-q due to the very high base in 2Q21) thanks to its strong brokerage and investment banking (IB) businesses, i.e. the CP All (CPALL TB, BUY, TP THB76) and Siam Makro (MAKRO TB, HOLD, TP THB52) deal. However, we believe that KKP will still set aside a huge management overlay to cushion the continued rise in accrued interest. We also think its non-performing loans (NPLs) will increase after the end of the debt forbearance program.

Exhibit 1: KKP – 3Q21E results preview

Year-end Dec 31	3Q20	2Q21	3Q21E		9M21E		2021E		Comments		
	(THBm)	(THBm)	(THBm)	(y-y%)	(q-q%)	(THBm)	(y-y%)	%21E	(THB m)	(y-y%)	3Q21E
Net interest income	3,530	3,794	3,952	12	4	11,576	8	76	15,201	4	Strong loan growth
Non-interest income	1,283	1,941	1,703	33	(12)	5,429	19	72	7,509	15	Lower fee income q-q due to high base effect
Operating income	4,813	5,735	5,654	17	(1)	17,005	11	75	22,710	7	
Operating expenses	2,130	2,678	2,673	25	(0)	7,934	(2)	75	10,621	(0)	
PPOP before tax	2,682	3,058	2,981	11	(2)	9,071	27	75	12,089	14	
Provision	1,017	1,378	1,347	32	(2)	3,960	96	74	5,327	30	
Income tax	310	322	310	(0)	(4)	938	(15)	77	1,217	(9)	
Minority interest	8	4	3			37	257		1		
Normalised profit	1,347	1,354	1,320	(2)	(3)	4,137	3	75	5,543	8	
Extraordinary items	0	0	0			0			0		
Net profit	1,347	1,354	1,320	(2)	(3)	4,137	3	75	5,543	8	
EPS (THB)	1.59	1.60	1.56	(2)	(3)	4.89	3	75	6.55	8	
Asset quality ratio											
Gross NPLs (THB m) ex POCI	7,518	9,652	10,156	35	5				11,416	47	
NPL ratios (%) ex POCI	2.90	3.40	3.56						3.98		
LLR/NPLs (%) ex POCI	153	160	158						148		
Credit cost (bp)	162	200	190						193		
Profitability ratio	(%)	(%)	(%)						(%)		
Cost to income ratio	44.3	46.7	47.3						46.8		
Average yield	5.6	5.4	5.4						5.7		
Cost of fund	1.6	1.2	1.2						1.4		
NIM	4.2	4.3	4.4						4.5		
Non-int inc/total income	26.7	33.8	30.1						33.1		
Liquidity ratio	(%)	(%)	(%)						(%)		
Loan/deposit ratio	105.3	113.2	119.1						119.2		
Capital adequacy	(%)	(%)	(%)						(%)		
CAR	19.1	18.1	18.1						17.7		
CET 1/ Risk assets	14.6	13.8	13.9						14.0		
Tier 2 / Risk assets	4.4	4.3	4.2						3.6		
Loan growth	(%)	(%)	(%)						(%)		
Year-to-date	7.5	6.6	7.7								
y-y	7.3	14.0	11.8						8.5		
q-q	2.9	4.4	1.0								

*Including share of profits from associates

Sources: KKP; FSSIA estimates

Earnings revisions following the Bank of Thailand’s new guidance

The Bank of Thailand (BoT) is encouraging banks to provide comprehensive debt restructuring (CDR) to their clients by extending the relaxed loan classification and provision setup rules to Dec-23 and extending the reduction of the Financial Institutions Development Fund (FIDF) fee at 0.23% to Dec-22.

Currently, most banks have still not provided any clues about their CDR plans, except for Siam Commercial Bank (SCB TB, BUY, TP THB158) which will offer c20% of its total portfolio to its clients. We think it is still difficult to quantify the precise impact that CDR could have on banks’ net profits, and will mostly depend on the CDR that they choose to apply. Accordingly, we have 1) collected forbearance program data and previous debt restructuring program data; and 2) followed up with each bank’s management. Thus, we assess the impact on banks’ bottom lines using the following assumptions:

Assumptions:

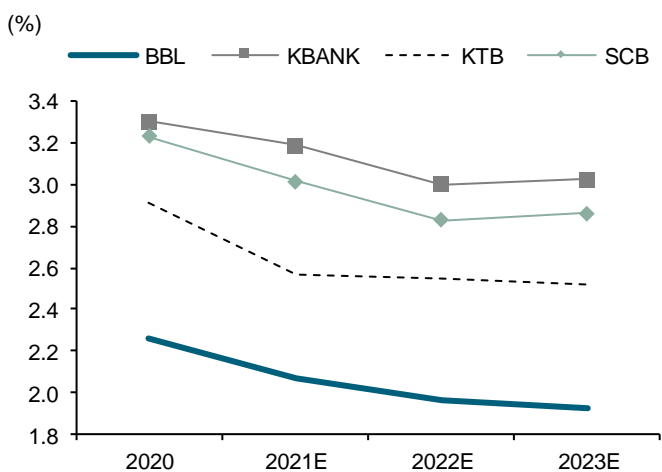
- 2021 forbearance programs should increase slightly to moderately from the current level as of 2Q21, depending on each bank’s portfolio makeup and client profiles;
- Banks will likely offer CDR at 60% of their 2021 forbearance programs;
- Banks will also offer CDR for some of their trouble loans which are not classified under the forbearance program, depending on each bank’s portfolio makeup and client profiles;
- The CDR EIR would be 50% lower than that of each bank’s current level;
- Banks will set credit costs in 2022-23 close to their normal rates.

Exhibit 2: CDR impact on loan yield

	Forbearance program (FB)		----- Banks will offer CDR -----			Net negative impact
	2Q21 (% total loans)	2021E (% total loans)	60% of FB	Other trouble loans (% of total loans)	Total expected CDR (% of total loans)	on 2022E EIR (bps)
BBL	12	12	7	3	10	(0.20)
KBANK	14	18	11	8	19	(0.44)
KKP	13	15	9	3	12	(0.39)
KTB	4	7	4	5	9	(0.20)
SCB	16	20	12	8	20	(0.46)
TISCO	3	7	4	3	7	(0.24)
TTB	14	16	10	5	15	(0.33)

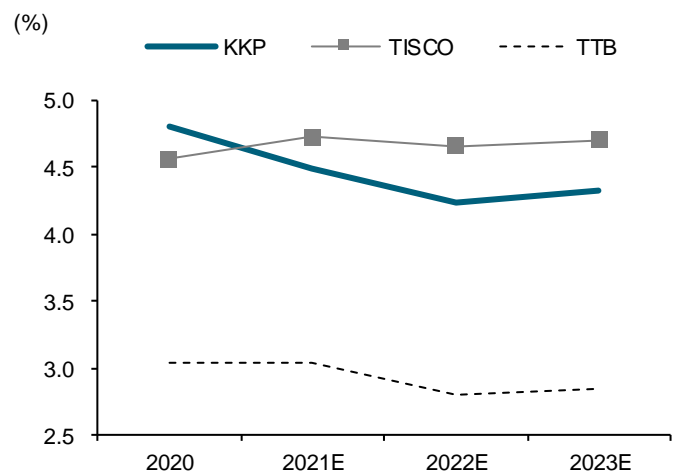
Sources: Company data; FSSIA estimates

Exhibit 3: NIM assumptions for big banks



Sources: Company data; FSSIA estimates

Exhibit 4: NIM assumptions for auto lenders



Sources: Company data; FSSIA estimates

Exhibit 5: Credit cost assumptions

----- Credit cost -----					Expected normal
	2020	2021E	2022E	2023E	credit cost
	(bps)	(bps)	(bps)	(bps)	(bps)
BBL	141	117	88	84	80-100
KBANK	205	180	160	150	120-140
KKP	163	193	120	110	100-120
KTB	203	140	140	130	120-140
SCB	214	188	140	135	120-140
TISCO	142	115	90	90	90-110
TTB	178	175	145	138	120-140

Sources: Company data; FSSIA estimates

Based on our calculation, KKP's 2022 loan yield would decline by 39 bps from its current yield of 6.6%. However, we think that 1) the extension of the FIDF fee at 0.23% should mitigate the impact on its NII; and 2) its credit cost in 2022 should decline to 120 bps vs our projected 193 bps in 2021, close to its normal rate of 100-120 bps. We raise our 2022-23 fee income assumptions, supported by the strong IB team and the more favourable capital market conditions. Accordingly, we increase our 2022-23 net profit forecasts by 5%/4%. However, due to the weaker asset quality we expect in 2021, we increase our expected credit loss assumptions, resulting in a lower 2021E net profit by 3%.

Exhibit 6: KKP – change of key 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	15,201	15,201	-	15,597	15,247	(2.2)	16,538	16,066	(2.9)
Non-interest income*	6,554	7,509	7,509	-	7,185	7,600	5.8	7,369	7,792	5.7
Operating income*	21,233	22,710	22,710	-	22,782	22,847	0.3	23,907	23,858	(0.2)
Operating expenses	10,652	10,621	10,621	-	10,937	10,937	-	11,079	10,979	(0.9)
PPOP before tax*	10,581	12,089	12,089	-	11,845	11,910	0.5	12,828	12,879	0.4
Expected credit loss (Reversal)	4,095	4,968	5,327	7.2	3,828	3,534	(7.7)	3,710	3,401	(8.3)
Tax expenses	1,344	1,424	1,217	(14.5)	1,603	1,675	4.5	1,824	1,896	4.0
Minority interest	20	1	1	(2.7)	1	1	4.5	1	2	4.0
Normalised profit	5,123	5,695	5,543	(2.7)	6,412	6,700	4.5	7,293	7,581	4.0
Extraordinary items	-	-	-	-	-	-	-	-	-	-
Net profit	5,123	5,695	5,543	(2.7)	6,412	6,700	4.5	7,293	7,581	4.0
EPS (THB)	6.05	6.73	6.55	(2.7)	7.57	7.91	4.5	8.61	8.95	4.0
Key statistics and ratios										
Asset quality ratio										
Gross NPLs (THB m)	8,456	10,993	11,416	3.8	12,092	12,329	2.0	12,455	13,315	6.9
Gross NPLs / Loans (%)**	3.20	3.83	3.98		4.02	4.10		3.94	4.21	
Loan loss reserve/NPLs (%)	155	150	148		153	151		163	151	
Credit cost (bps)	163	180	193		130	120		120	110	
Profitability ratio (%)										
Cost to income ratio*	50.2	46.8	46.8		48.0	47.9		46.3	46.0	
Average yield	6.4	5.7	5.7		5.7	5.4		5.8	5.7	
Cost of funds	1.8	1.4	1.4		1.7	1.4		1.6	1.6	
Net interest margin (NIM)	4.81	4.50	4.50		4.34	4.24		4.47	4.33	
Loan growth (%)										
y-y	105.3	119.2	119.2		116.7	116.7		120.7	120.7	

*Including share of profits from associates

Source: FSSIA estimates

Exhibit 7: KKP – GGM-derived target price

Target price	THB 68 (from THB65)
Recommendation	BUY
Risk-free rate (%)	3.0
Market risk premium (%)	8.0
Cost to equity (%)	12.3 (unchanged)
Terminal growth (%)	4.5 (from 4.3)
ROE target (%)	12.9 (from 12.5)
Risk to TP	Downside risks to our GGM-based target price include weakening asset quality and lower fee income.

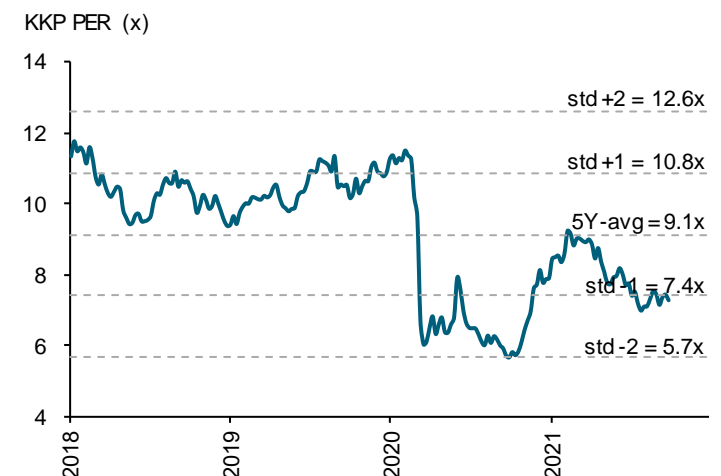
Source: FSSIA estimates

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



Sources: Bloomberg, FSSIA estimates

Exhibit 9: KKP – one-year forward rolling P/E



Sources: Bloomberg, FSSIA estimates

Exhibit 10: Peers comparison

Company name	BBG code	Rec	--- Share price ---		Up side (%)	Market Cap (USD m)	EPS growth		----- PE -----		---- ROE ----		--- PBV ---	
			Current (THB)	Target (THB)			21E (%)	22E (%)	21E (x)	22E (x)	21E (%)	22E (%)	21E (x)	22E (x)
Bangkok Bank	BBL TB	HOLD	116.50	128.00	10	6,582	17.2	9.9	9.0	8.2	5.5	5.8	0.5	0.5
Kasikornbank	KBANK TB	BUY	137.00	168.00	23	9,608	12.4	12.6	9.8	8.7	7.2	7.5	0.7	0.6
Kiatnakin Bank	KKP TB	BUY	55.25	68.00	23	1,385	8.2	20.9	8.4	7.0	11.6	13.0	0.9	0.9
Krung Thai Bank	KTB TB	HOLD	11.10	12.20	10	4,592	21.5	5.5	7.6	7.2	5.8	5.8	0.4	0.4
Siam Commercial Bank	SCB TB	BUY	124.00	158.00	27	12,463	18.1	14.2	13.1	11.5	7.6	8.4	1.0	1.0
Tisco Financial	TISCO TB	BUY	92.25	110.00	19	2,186	6.7	9.0	11.4	10.5	16.1	16.7	1.8	1.7
TMBThanachart	TTB TB	BUY	1.12	1.40	25	3,199	(1.1)	32.1	10.8	8.2	4.8	6.1	0.5	0.5
Coverage						40,015	0.8	13.6	10.6	9.3	7.3	7.9	0.8	0.7

Share prices as of 4 Oct 2021

Sources: Company data; 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	19,480	21,065
Interest expense	(5,720)	(4,905)	(4,187)	(4,233)	(4,999)
Net interest income	12,316	14,679	15,201	15,247	16,066
Net fees & commission	4,604	4,336	5,790	5,776	5,892
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	7,600	7,792
Total income	19,168	21,233	22,710	22,847	23,858
Staff costs	(5,577)	(5,664)	(5,893)	(6,128)	(6,373)
Other operating costs	(4,617)	(4,988)	(4,729)	(4,809)	(4,606)
Operating costs	(10,194)	(10,652)	(10,621)	(10,937)	(10,979)
Pre provision operating profit	8,974	10,581	12,089	11,910	12,879
Provision for bad and doubtful debt	(1,676)	(4,095)	(5,327)	(3,534)	(3,401)
Other provisions	-	-	-	-	-
Operating profit	7,297	6,487	6,761	8,376	9,478
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	6,761	8,376	9,478
Tax	(1,307)	(1,344)	(1,217)	(1,675)	(1,896)
Profit after tax	5,990	5,143	5,544	6,701	7,583
Minority interests	(1)	(20)	(1)	(1)	(2)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	5,988	5,123	5,543	6,700	7,581
Non recurring items & goodwill (net)	-	-	0	0	0
Recurring net profit	5,988	5,123	5,543	6,700	7,581
Per share (THB)					
Recurring EPS *	7.07	6.05	6.55	7.91	8.95
Reported EPS	7.07	6.05	6.55	7.91	8.95
DPS	5.00	2.25	2.50	3.50	4.00
Growth					
Net interest income (%)	9.4	19.2	3.6	0.3	5.4
Non interest income (%)	0.2	(4.3)	14.6	1.2	2.5
Pre provision operating profit (%)	3.9	17.9	14.2	(1.5)	8.1
Operating profit (%)	(1.2)	(11.1)	4.2	23.9	13.2
Reported net profit (%)	(0.9)	(14.4)	8.2	20.9	13.2
Recurring EPS (%)	(0.9)	(14.4)	8.2	20.9	13.2
Reported EPS (%)	(0.9)	(14.4)	8.2	20.9	13.2
Income Breakdown					
Net interest income (%)	64.3	69.1	66.9	66.7	67.3
Net fees & commission (%)	24.0	20.4	25.5	25.3	24.7
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
Operating performance					
Gross interest yield (%)	6.28	6.42	5.74	5.41	5.67
Cost of funds (%)	2.34	1.83	1.41	1.39	1.63
Net interest spread (%)	3.94	4.59	4.33	4.02	4.04
Net interest margin (%)	4.3	4.8	4.5	4.2	4.3
Cost/income(%)	53.2	50.2	46.8	47.9	46.0
Cost/assets(%)	3.3	3.2	2.8	2.8	2.8
Effective tax rate (%)	17.9	20.7	18.0	20.0	20.0
Dividend payout on recurring profit (%)	70.7	37.2	38.2	44.2	44.7
ROE (%)	13.9	11.3	11.6	13.0	13.6
ROE - COE (%)	3.1	0.5	0.8	2.2	2.8
ROA (%)	1.9	1.5	1.5	1.7	1.9
RORWA (%)	2.3	1.9	1.8	2.1	2.3

* 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)	(16,852)	(18,576)	(20,076)
interest in suspense	1,128	7,178	8,044	7,239	6,334
Net customer loans	227,677	258,846	278,470	290,306	302,983
Bank loans	11,982	32,771	31,084	27,215	21,873
Government securities	-	-	-	-	-
Trading securities	-	-	-	-	-
Investment securities	39,201	34,603	35,750	36,940	38,175
Cash & equivalents	1,110	1,491	2,195	1,394	2,685
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	30,754	31,460	32,300
Total assets	311,690	363,411	384,427	393,253	403,752
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	-	-	-	-	-
Total liabilities	267,679	316,785	334,934	339,595	345,894
Share capital	8,468	8,468	8,468	8,468	8,468
Reserves	35,435	38,050	40,909	45,065	49,256
Total equity	43,902	46,517	49,377	53,533	57,723
Minority interests	109	109	115	125	135
Total liabilities & equity	311,690	363,411	384,427	393,253	403,752
Supplementary items					
Risk weighted assets (RWA)	267,295	288,371	312,883	328,527	344,954
Average interest earning assets	287,099	305,121	338,016	359,955	371,285
Average interest bearing liabilities	244,834	267,916	296,336	303,658	307,457
Tier 1 capital	36,377	41,319	43,901	47,482	51,235
Total capital	45,975	52,714	55,296	58,877	62,630
Gross non performing loans (NPL)	9,560	8,456	11,416	12,329	13,315
Per share (THB)					
Book value per share	51.85	54.94	58.31	63.22	68.17
Tangible book value per share	51.85	54.94	58.31	63.22	68.17
Growth					
Gross customer loans	4.1	11.7	8.5	5.0	5.0
Average interest earning assets	9.7	6.3	10.8	6.5	3.1
Total asset (%)	1.8	16.6	5.8	2.3	2.7
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
Leverage & capital measures					
Customer loan/deposits (%)	132.2	102.9	115.6	112.3	115.4
Equity/assets (%)	14.1	12.8	12.8	13.6	14.3
Tangible equity/assets (%)	14.1	12.8	12.8	13.6	14.3
RWA/assets (%)	85.8	79.4	81.4	83.5	85.4
Tier 1 CAR (%)	13.6	14.3	14.0	14.5	14.9
Total CAR (%)	17.2	18.3	17.7	17.9	18.2
Asset Quality					
Change in NPL (%)	1.7	(11.5)	35.0	8.0	8.0
NPL/gross loans (%)	4.0	3.2	4.0	4.1	4.2
Total provisions/gross loans (%)	4.5	4.9	5.9	5.9	6.3
Total provisions/NPL (%)	110.8	155.0	147.6	150.7	150.8
Valuation					
Recurring P/E (x) *	7.8	9.1	8.4	7.0	6.2
Recurring P/E @ target price (x) *	9.6	11.2	10.4	8.6	7.6
Reported P/E (x)	7.8	9.1	8.4	7.0	6.2
Dividend yield (%)	9.0	4.1	4.5	6.3	7.2
Price/book (x)	1.1	1.0	0.9	0.9	0.8
Price/tangible book (x)	1.1	1.0	0.9	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 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	TTB	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	TTB	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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Yuvanart Suwanumchai FSS International Investment Advisory Securities Co., Ltd

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Company	Ticker	Price	Rating	Valuation & Risks
Kiatnakin Bank	KKP TB	THB 55.25	BUY	Downside risks to our GGM-based target price include weakening asset quality and lower fee income.
Bangkok Bank	BBL TB	THB 116.50	HOLD	Downside risks to our GGM-based TP are 1) prolonged economic sluggishness and further waves of the COVID-19 pandemic affecting loan growth and asset quality; and 2) the impact of further interest rate cuts on NIM and potential new regulations from the Bank of Thailand on debt-servicing programs. The upside risk is the better-than-expected Permata synergies.
Kasikornbank	KBANK TB	THB 137.00	BUY	Downside risks to our GGM-based TP are 1) prolonged economic sluggishness and further waves of the Covid-19 pandemic affecting loan growth and asset quality; and 2) the impact of further interest rate cuts on NIM and potential new regulations from the Bank of Thailand on debt-servicing programs.
Krung Thai Bank	KTB TB	THB 11.10	HOLD	Downside risks to our GGM-based TP are 1) prolonged economic sluggishness and further waves of the Covid-19 pandemic affecting loan growth and asset quality; and 2) the impact of further interest rate cuts on NIM and potential new regulations from the Bank of Thailand on debt-servicing programs. The upside risk is the better-than-expected ability to control cost of funds.
Siam Commercial Bank	SCB TB	THB 124.00	BUY	Downside risks to our SOTP-based TP are 1) prolonged economic sluggishness and further waves of the Covid-19 pandemic affecting loan growth and asset quality; and 2) the impact of further interest rate cuts on its NIM.
Tisco Financial	TISCO TB	THB 92.25	BUY	Downside risks to our GGM-based TP are 1) prolonged economic sluggishness and further waves of the Covid-19 pandemic affecting loan growth and asset quality; 2) the impact of new regulations from the Bank of Thailand on debt-servicing programs; and 3) the slow expansion of its high-yield auto cash portfolio.
TMBThanachart Bank	TTB TB	THB 1.12	BUY	Downside risks to our GGM-based TP are 1) prolonged economic sluggishness and further waves of the Covid-19 pandemic affecting loan growth and asset quality; and 2) the impact of further interest rate cuts on NIM and potential new regulations from the Bank of Thailand on debt-servicing programs.
CP All	CPALL TB	THB 63.25	BUY	The key downside risks to our DCF-derived TP are: 1) the higher-than-expected impact from a loss of service income from the convenience store business; 2) the worse-than-expected overseas performance of Makro; and 3) the slow recovery of tourist numbers.
Siam Makro	MAKRO TB	THB 48.25	HOLD	The key downside risks to our DCF-based TP include: 1) lower-than-expected SSSG; 2) lower-than-expected GPM improvement; and 3) operational losses from its overseas business. The key upside risks include: 1) the faster-than-expected recovery of Lotus' performance; and 2) a more aggressive expansion plan.

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 Finasia 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 Finasia Syrus Securities Public Company Limited, which is the parent company of FSSIA.

All share prices are as at market close on 04-Oct-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.