

KIATNAKIN BANK KKP TB

THAILAND / BANKS

BUY

UNCHANGED

High NP growth & lofty dividend

- Record high 4Q21 NP of THB2b from strong top-line growth.
- Expect KKP to post the second highest 2022 net profit growth at 12% y-y, with the second highest dividend yield at 5-8% p.a.
- BUY maintained, revise up 2022 TP to THB80 from THB74.

TARGET PRICE	THB80.00
CLOSE	THB67.75
UP/DOWNSIDE	+18.1%
PRIOR TP	THB74.00
CHANGE IN TP	+8.1%
TP vs CONSENSUS	+6.4%

KEY STOCK DATA

YE Dec (THB m)	2021	2022E	2023E	2024E
Operating profit	7,797	8,817	10,168	11,499
Net profit	6,318	7,099	8,187	9,201
EPS (THB)	7.46	8.38	9.67	10.87
vs Consensus (%)	-	24.7	24.9	26.9
Core net profit	6,318	7,099	8,187	9,201
Core EPS (THB)	7.46	8.38	9.67	10.87
Chg. In EPS est. (%)	-	4.8	6.1	-
EPS growth (%)	23.3	12.4	15.3	12.4
Core P/E (x)	9.1	8.1	7.0	6.2
Dividend yield (%)	4.8	6.3	7.4	8.1
Price/book (x)	1.1	1.0	1.0	0.9
ROE (%)	13.0	13.4	14.4	15.0
ROA (%)	1.6	1.6	1.7	1.9

4Q21 net profit came as a surprise, hitting a record high

KKP reported a record high 4Q21 net profit of THB2,023m (+83% y-y, +37 q-q). Its 4Q21 core operations were solid, driven by 1) a 7.2% q-q loan volume increase due largely to a rise in its hire purchase loans; and 2) a rise in its fee income thanks to its strong brokerage fees, IB business, bancassurance fees, and mutual fund fees. On top of that, the bank booked an extra gain on written-off NPL sales of cTHB1b. Regarding asset quality, its NPLs declined by 6% q-q following the higher loan repayment ability of its clients.

Aggressive expansion set to continue

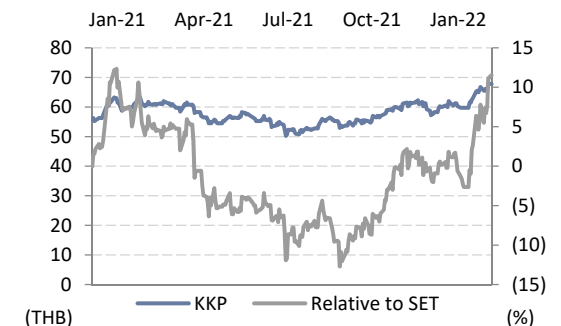
We came away from KKP's analyst meeting with a positive view thanks to its aggressive loan expansion plan. KKP provided its 2022 financial targets, including: 1) 12% y-y loan growth; 2) a slightly lower loan spread to 5.1% from 5.3% in 2021; and 3) credit cost of less than 220 bps. Its total loan volume increased at a 20% two-year CAGR in 2019-21 as the bank did a great job in the past two years with its hire purchase lending (50% of total loans). In 2022, KKP aims to gain more market share both in new car and used car lending, supported by its outstanding services and strong relationship with dealers. We think KKP's 2022 loan growth will outpace our 2022E loan growth for the banking sector at 2.9% y-y.

Records are there to break

We revise up our net profit forecasts for 2022-23 by 5%/6%. With the expectation of higher NII, solid fee income, and lower provisions in 2022, KKP's net profit should hit an all-time high again with 12% y-y growth. We expect KKP's net profit to enter into a new high-growth phase with a 13% three-year CAGR in 2022-24, driven by its solid loan growth since 2020.

Maintain BUY with higher GGM-based TP to THB80

We revise up our 2022 GGM-based TP to THB80 and rank KKP as our third most preferred top Buy. We think KKP has two main points that differentiate it from other banks. First, it is selectively growing quality loans in a situation where competitors are retreating from the market, enabling it to compete for market share. Second, KKP's dominant institutional brokerage position, plus its IB and financial advisory businesses, should help it to generate more sustainable performance.



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	12.4	14.8	19.9
Relative to country (%)	12.2	15.0	9.5
Mkt cap (USD m)	1,736		
3m avg. daily turnover (USD m)	7.2		
Free float (%)	80		
Major shareholder	Wattanavekin family (4%)		
12m high/low (THB)	68.75/49.75		
Issued shares (m)	847		

Sources: Bloomberg consensus; FSSIA estimates


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Investment thesis

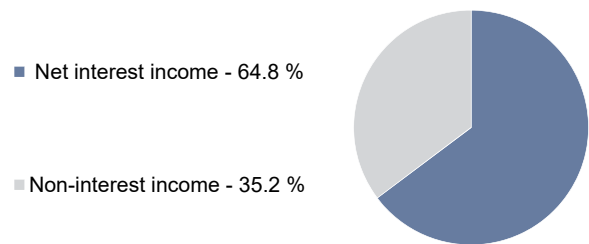
KKP is a modest commercial banking operation whose main portfolio includes hire purchase lending. The bank commands a medium-sized c5-6% market share in auto hire purchase lending. Moreover, KKP has a solid capital market arm, Phatra Securities PLC (PHATRA, not listed), under Phatra Capital (100% owned 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 institutional brokerage position, plus its IB and FA businesses, should help it to generate more sustainable performance vs 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.

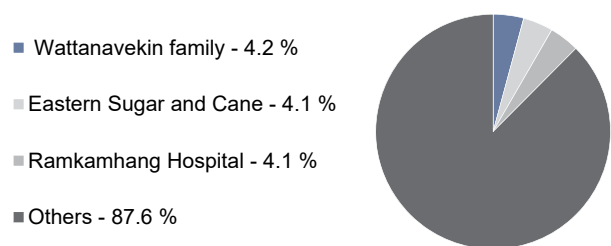
kiatnakin.co.th

Principal activities (revenue, 2021)



Source: Kiatnakin Bank

Major shareholders



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
Apr-2022	1Q22 results announcement

Key assumptions

	2022E	2023E	2024E
	(%)	(%)	(%)
Net profit (THB m)	7,099	8,187	9,201
Net profit growth	12.4	15.3	12.4
NIM	4.33	4.11	4.07
Loan growth	10.0	7.0	5.0
Fee growth	(0.1)	3.0	1.0
Non-NII growth*	(10.4)	3.0	2.9
Credit cost (bp)	140	120	110
Cost to income*	46.6	44.6	42.9

*Including share of profits from associates

Source: FSSIA estimates

Earnings sensitivity

		2022E		
Loan growth	±2ppt	8.00	10.00	12.00
<i>% change in net profit</i>		(1.2)	-	1.2
NIM (%)	±5bp	4.28	4.33	4.38
<i>% change in net profit</i>		2.8	-	(2.8)
Credit cost (bp)	±10bp	130	140	150
<i>% change in net profit</i>		3.7	-	(3.7)

Source: FSSIA estimates

4Q21 net profit came as a surprise, hitting a record high

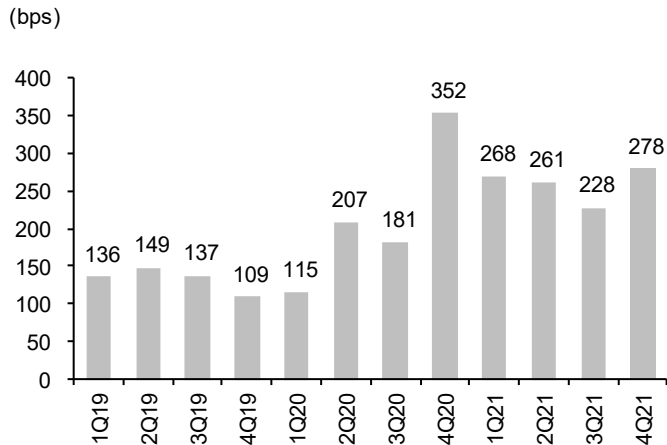
KKP reported a record high 4Q21 net profit of THB2,023m (+83% y-y, +37 q-q), beating Bloomberg’s consensus estimate and our forecast by 46% and 37%, respectively, thanks to stronger loan growth and an extra gain on written-off NPL sales. Its 4Q21 core operations were solid, driven by 1) a 7.2% q-q loan volume increase due largely to a rise in its hire purchase loans, housing loans, and corporate clients; and 2) a rise in its fee income thanks to its strong brokerage fees, IB business, bancassurance fees, and mutual fund fees. On top of that, the bank booked an extra gain on written-off NPL sales of cTHB1b. Regarding asset quality, its NPLs declined by 6% q-q following the higher loan repayment ability of its clients. However, KKP utilised its extra gain to set aside management overlay of THB928m, leading to a significantly higher provision q-q. Its losses from repossessed car sales remained at a high level of THB489m as KKP increased repossessions following the end of the debt relief program.

4Q21 key highlights

- The total loan volume surge by 7.2% q-q (16.4% YTD) from an increase in the hire purchase, housing, and corporate segments. KKP increased its new car lending penetration rate for the first eleven months of 2021 to 5.7% from 4.2% at the end of 2020, due mainly to its expansion into new business segments with higher asset quality.
- Losses from repossessed car sales remained at a high level of THB489m in 4Q21 due to the rise in the number of used cars sold. However, the loss per unit was relatively stable q-q, according to management. Thus, we have few concerns about its asset quality.

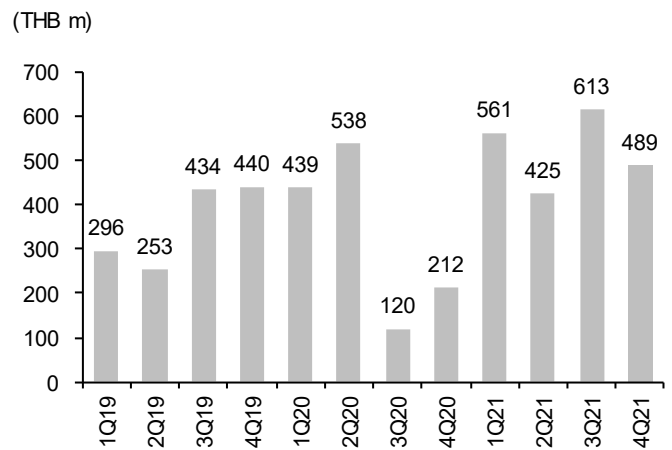
2021 net profit hit a record high, increasing by 23% y-y to THB6.3b. KKP had very strong core operations, driven by solid loan growth and fee incomes. Also, the bank booked an extra gain from written-off NPL sales.

Exhibit 1: Credit cost (including losses from repossessed car sales)



Source: KKP; FSSIA estimates

Exhibit 2: Losses from repossessed car sales



Source: KKP; FSSIA estimates

Exhibit 3: KKP – 4Q21/2021 results summary

Year end Dec 31	4Q20	3Q21	4Q21	--- Change ---		2021	Change	Comments
	(THB m)	(THB m)	(THB m)	(y-y%)	(q-q%)	(THB m)	(y-y %)	
Net interest income	3,996	3,823	4,253	6	11	15,701	7	
Non-interest income*	1,979	1,978	2,841	44	44	8,545	30	Extra gain on written-off NPL sales of cTHB1b
Operating income*	5,974	5,802	7,094	19	22	24,246	14	
Operating expenses	2,545	2,951	3,036	19	3	11,248	6	
PPOP before tax*	3,430	2,850	4,058	18	42	12,998	23	
Provision	2,077	1,007	1,582	(24)	57	5,201	27	Management overlay of THB928m
Income tax	235	364	450	92	24	1,442	7	
Minority interest	10	1	3	nm	nm	37	88	
Normalised profit	1,108	1,478	2,023	83	37	6,318	23	
Extraordinary items	0	0	0			0		
Net profit	1,108	1,478	2,023	83	37	6,318	23	
EPS (THB)	1.31	1.75	2.39	83	37	7.46	23	
Asset quality ratio								
Gross NPLs (THB m) ex POCI	7,751	10,047	9,491	22	(6)	9,491	22	
NPL ratios (%) ex POCI	2.90	3.50	3.00			3.00		
LLR/NPLs (%) ex POCI	171	157	174			174		
Credit cost (bp)**	320	141	213			185		
Profitability ratio								
Cost to income ratio*	42.6	50.9	42.8			46.4		
Average yield (%)	6.2	5.3	5.4			5.8		
Cost of fund (%)	1.5	1.2	1.1			1.3		
Net interest margin (NIM)	4.9	4.2	4.4			4.6		
Non-int inc/total income	33.1	34.1	40.0			35.2		
Liquidity ratio								
Loan to deposit ratio	105.3	110.2	106.8			106.8		
Loan growth								
Year-to-date	11.7	8.5	16.4					
y-y	11.7	12.7	16.4			16.4		
q-q	3.8	1.8	7.2					

*Including share of profits from associates

**Excluding losses from repossessed car sales

Source: FSSIA estimates

Aggressive balance sheet expansion set to continue

We came away from KKP’s analyst meeting with a positive view thanks to its aggressive loan expansion plan. KKP provided its 2022 financial targets, including: 1) 12% y-y loan growth; 2) a slightly lower loan spread to 5.1% from 5.3% in 2021; and 3) credit cost (including losses from repossessed car sales) of less than 220 bps.

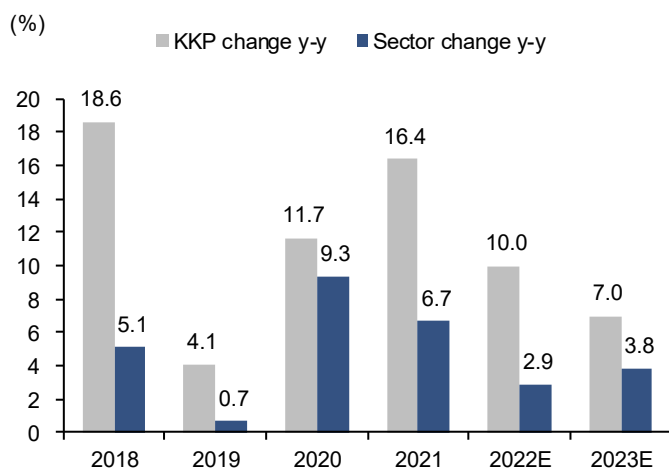
Exhibit 4: KKP’s 2022 financial guidance

	2021	----- 2022E -----	
	Actual	KKP	FSSIA
ROAE (comprehensive income) (%)	14.5	13	
Loan growth (y-y %)	16.4	12.00	10.00
Loan spread (%)	5.3	5.10	5.05
Credit cost (bps)	265.0	<220	212

Sources: KKP; FSSIA estimates

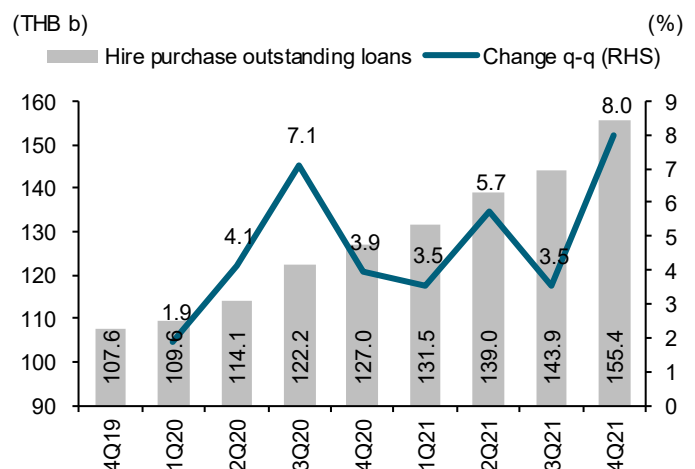
KKP’s total loan volume increased at a 20% two-year CAGR in 2019-21 as the bank did a great job in the past two years with its hire purchase lending (50% of total loans). It is selectively growing quality loans in a situation where competitors are retreating from the market, enabling it to compete for market share. KKP’s new car lending penetration rate skyrocketed in the first eleven months of 2021 to 5.7% from 2.2% in 2019. In 2022, KKP aims to gain more market share both in new car and used car lending, supported by its outstanding services and strong relationship with dealers. On top of that, the bank expects to grow its housing loans and corporate lending continuously. Accordingly, management affirmed that it should achieve its high loan growth target of 12% y-y in 2022. This target is much higher than that of the sector’s overall.

Exhibit 5: KKP’s total loan growth vs sector’s loan growth



Sources: KKP; FSSIA estimates

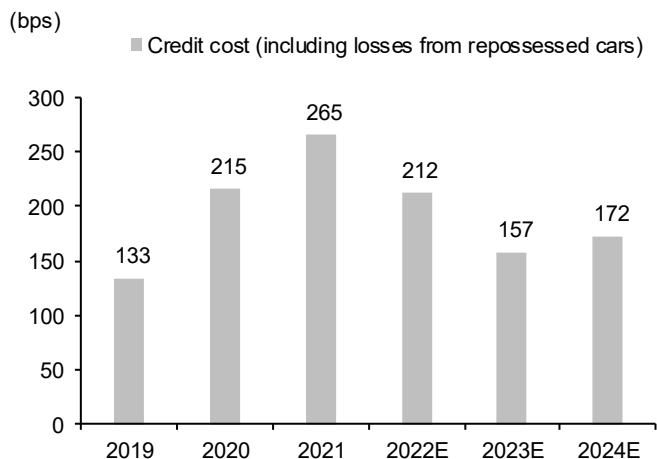
Exhibit 6: KKP’s hire purchase lending growth



Source: KKP

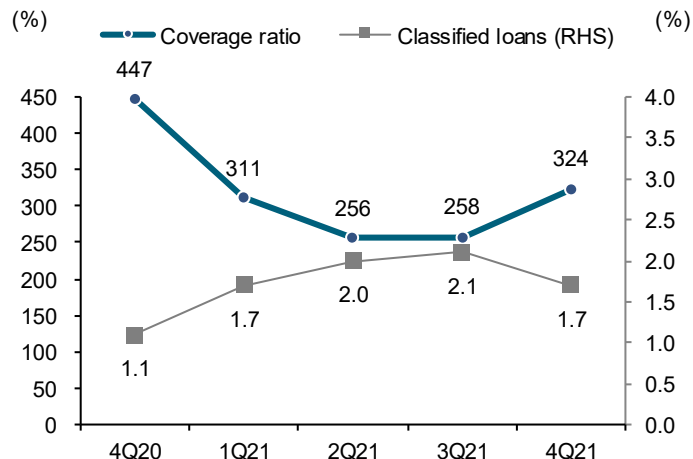
Regarding its asset quality, we think its NPLs in 2022 might increase moderately following a surge in its loans. We, however, believe they would be at a manageable level as most of its loan growth in past two years came from high-quality assets. Moreover, management has few concerns over losses from repossessed cars as the demand for used cars remains strong. Thus, the loss ratio per car should be relatively stable. On top of that, KKP has provided management overlay to cushion its accrued interest that its clients might not be able to repay. Thus, we believe that its credit cost (including losses from repossessed cars) should decline to 212 bps from 265 bps in 2021.

Exhibit 7: Credit cost



Sources: KKP; FSSIA estimates

Exhibit 8: Asset quality of hire purchase portfolio

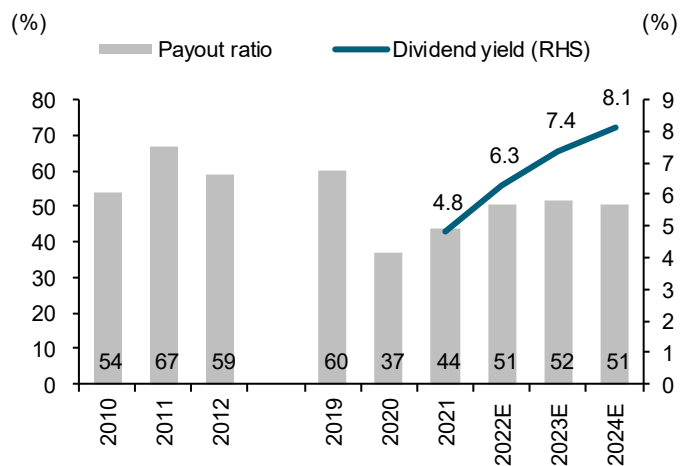


Source: KKP

Attractive dividend yield remains

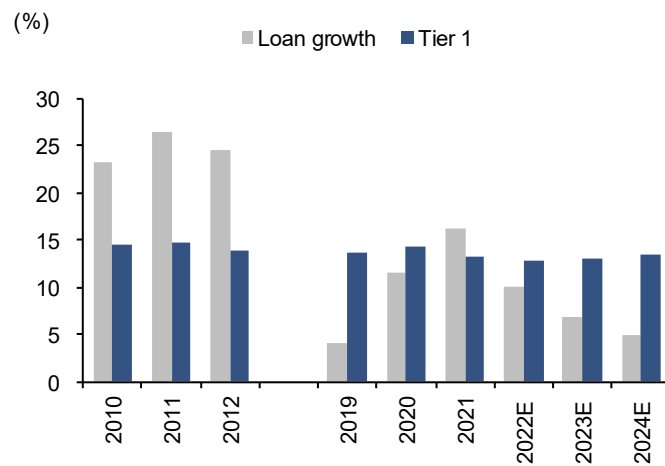
Although KKP intends to expand its balance sheet aggressively, management expects the bank continue to pay an attractive dividend thanks to its sufficient capital. We conservatively forecast a dividend payout of 44% for 2021 thanks to the potential uncertainties from Covid’s resurgence. Then, we expect the bank to accelerate its payments to c50% during 2022-24. Thus, KKP should offer an attractive dividend yield of c6-8% p.a. in the next three years. This level is still below its average payout ratio before Covid at c60-70% and during its aggressive balance sheet expansion phase in 2011-13 at c60%. We have a strong conviction that there is no downside risk to our dividend payment forecast.

Exhibit 9: Dividend payout ratio and dividend yield



Source: FSSIA estimates

Exhibit 10: Loan growth and tier 1 ratio

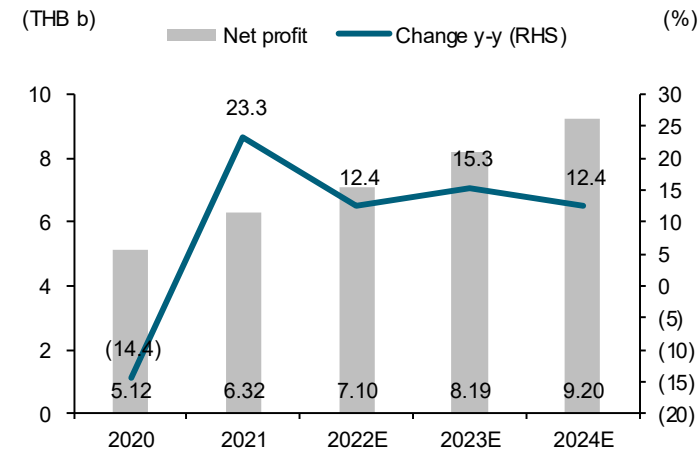


Source: FSSIA estimates

Another record high expected in 2022

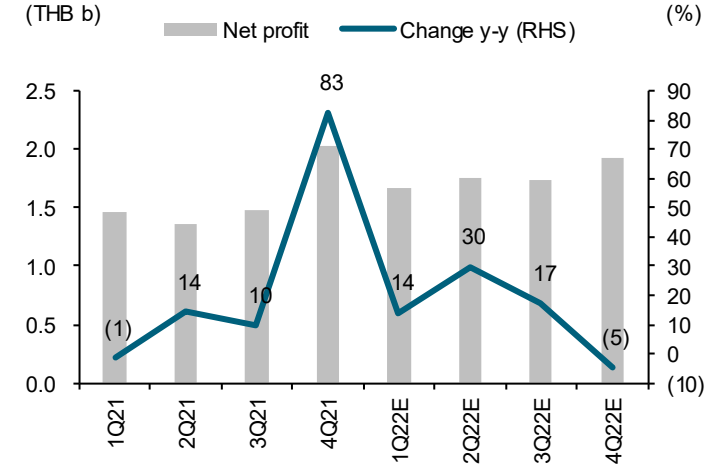
Amid the Covid spread, KKP is the only bank under coverage whose net profit was able to reach a record high in 2021. With the expectation of higher NII, solid fee income, and lower provisions in 2022, KKP's net profit should hit an all-time high again with 12% y-y growth. We also expect that KKP's net profit should enter into a new high-growth phase with a 13% three-year CAGR in 2022-24, driven by its solid loan growth since 2020. This should benefit its bottom line for at least four to five years thanks to the long duration nature of hire purchase lending.

Exhibit 11: KKP's yearly net profit growth



Sources: KKP; FSSIA estimates

Exhibit 12: KKP's quarterly net profit growth



Sources: KKP; FSSIA estimates

Net profit and TP revisions

We revise up our net profit forecasts for 2022-23 by 5%/6% to mainly reflect our higher loan growth assumptions. We raise our 2022-23 loan growth assumptions to 10%/7% from 1%/5% to reflect the success of its strategy to expand to lower-risk hire purchase segments.

Exhibit 13: Key changes in assumptions

	2021	2022E			2023E			2024E
	Actual (THB m)	Old (THB m)	New (THB m)	Change (%)	Old (THB m)	New (THB m)	Change (%)	New (THB m)
Net interest income	15,701	16,111	17,341	7.6	16,392	18,062	10.2	19,206
Non-interest income*	8,545	7,817	7,656	(2.1)	7,946	7,882	(0.8)	8,108
Operating income*	24,246	23,928	24,997	4.5	24,338	25,944	6.6	27,314
Operating expenses	11,248	11,203	11,651	4.0	11,100	11,567	4.2	11,727
PPOP before tax*	12,998	12,724	13,347	4.9	13,238	14,377	8.6	15,587
Provision (Reversal)	5,201	4,255	4,529	6.4	3,830	4,209	9.9	4,089
Tax expenses	1,442	1,694	1,675	(1.1)	1,694	1,932	14.1	2,242
Minority interest	37	1	43	nm.	2	49	nm.	56
Normalised profit	6,318	6,774	7,099	4.8	7,713	8,187	6.1	9,201
Extraordinary items	-	-	-	-	-	-	-	-
Net profit	6,318	6,774	7,099	4.8	7,713	8,187	6.1	9,201
EPS (THB)	7.46	8.00	8.38	4.8	9.11	9.67	6.1	10.87
Key statistic and ratio								
Asset quality ratio (%)								
Gross NPLs (THB m)	10,191	12,055	11,720	(2.8)	13,019	12,892	(1.0)	14,181
Gross NPLs / Loans	3.30	3.88	3.45	-	3.99	3.55	-	3.72
Loan loss reserve/NPLs	162	156	162	-	159	163	-	161
Credit cost (bp)	182	137	140	-	120	120	-	110
Profitability ratio (%)								
Cost to income ratio	46.4	46.8	46.6	-	45.6	44.6	-	42.9
Average yield	5.6	5.6	5.4	-	5.8	5.5	-	5.5
Cost of fund	1.2	1.2	1.2	-	1.6	1.6	-	1.7
Net interest margin (NIM)	4.51	4.48	4.33	-	4.41	4.11	-	4.07
Liquidity ratio (%)								
Loan to deposit ratio	106.8	114.9	109.0	-	119.4	111.1	-	114.3
Loan growth (%)								
y-y	16.4	1.1	10.0	-	5.0	7.0	-	5.0

*Including share of profits from associates

Source: FSSIA estimates

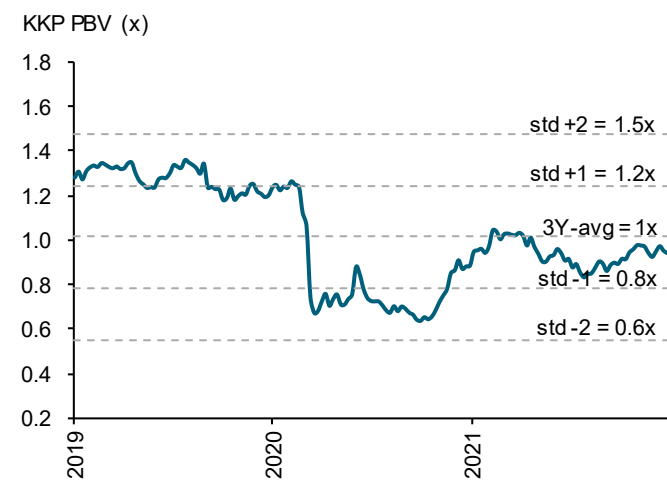
We revise up our 2022 GGM-based TP to THB80 from THB74, as we 1) increase our EPS forecast, leading to a higher book value; and 2) revise up our target 2022 P/BV to 1.24x from 1.16x as a result of our higher average long-term ROE target of 14.1% from 13.4%.

Exhibit 14: KKP – GGM-derived target price

Target price	THB 80 (from THB74)
Recommendation	BUY (unchanged)
Risk-free rate (%)	3.0 (unchanged)
Market risk premium (%)	8.0 (unchanged)
Cost to equity (%)	12.3 (unchanged)
Terminal growth (%)	5.0 (from 4.5)
ROE target (%)	14.1 (from 13.4)
Risk to TP	Downside risks to our GGM-based target price include weakening asset quality and lower fee income.

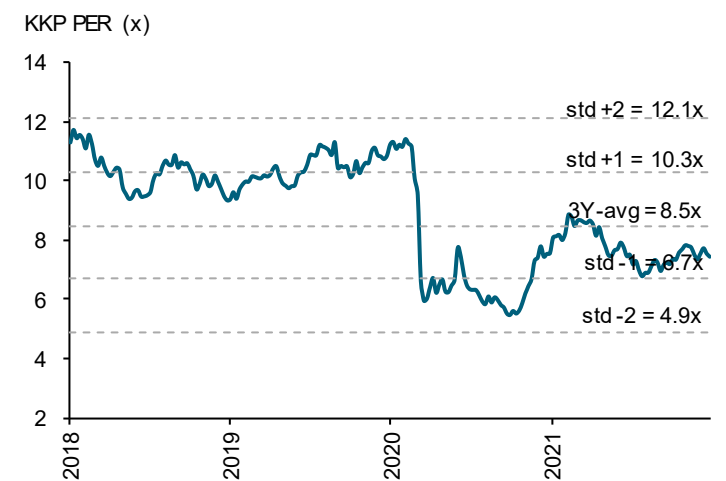
Source: FSSIA estimates

Exhibit 15: KKP – one-year forward rolling P/BV



Sources: Bloomberg; FSSIA estimates

Exhibit 16: KKP – one-year forward rolling P/E



Sources: Bloomberg; FSSIA estimates

Exhibit 17: Peers comparison

Company name	BBG code	Rec	--- Share price --		Up side (%)	Market Cap (USD m)	EPS growth		----- PE -----		- Div Yld -		---- ROE ----		--- PBV --	
			Current (THB)	Target (THB)			21 (%)	22E (%)	21 (x)	22E (x)	21 (%)	22E (%)	21 (%)	22E (%)	21 (x)	22E (x)
Bangkok Bank	BBL TB	HOLD	129.50	134.00	3	7,481	25.1	10.3	9.3	8.5	3.1	3.9	5.6	6.0	0.5	0.5
Kasikornbank	KBANK TB	BUY	140.00	180.00	29	10,039	29.0	9.2	8.7	8.0	1.9	3.2	8.3	8.4	0.7	0.6
Kiatnakin Bank	KKP TB	BUY	67.75	80.00	18	1,736	23.3	12.4	9.1	8.1	4.8	6.3	13.0	13.4	1.1	1.0
Krung Thai Bank	KTB TB	BUY	13.70	15.50	13	5,795	29.0	8.7	8.9	8.2	3.4	4.3	6.1	6.4	0.5	0.5
Siam Commercial Bank	SCB TB	BUY	123.00	160.00	30	12,640	30.8	1.9	11.7	11.5	5.5	4.1	8.4	8.0	0.9	0.9
Tisco Financial	TISCO TB	BUY	97.25	110.00	13	2,356	11.8	4.0	11.5	11.0	7.2	8.0	16.8	16.7	1.9	1.8
TMBThanachart	TTB TB	BUY	1.35	1.80	33	3,948	3.3	26.5	12.5	9.8	3.2	4.6	5.0	6.1	0.6	0.6
Coverage						43,995	8.8	8.1	10.2	9.4	3.8	4.2	7.9	8.1	0.8	0.8

Share prices as of 24 Jan 2022
Sources: Company data; FSSIA estimates

Financial Statements

Kiatnakin Bank

Profit and Loss (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Interest Income	19,584	19,489	21,676	24,050	25,897
Interest expense	(4,905)	(3,788)	(4,336)	(5,988)	(6,690)
Net interest income	14,679	15,701	17,341	18,062	19,206
Net fees & commission	4,336	6,074	6,067	6,249	6,312
Foreign exchange trading income	1,079	(158)	200	210	231
Securities trading income	50	(10)	(11)	(12)	(13)
Dividend income	389	1,329	700	700	770
Other income	700	1,309	700	735	809
Non interest income	6,554	8,545	7,656	7,882	8,108
Total income	21,233	24,246	24,997	25,944	27,314
Staff costs	(5,664)	(6,428)	(6,718)	(6,986)	(7,245)
Other operating costs	(4,988)	(4,820)	(4,933)	(4,580)	(4,482)
Operating costs	(10,652)	(11,248)	(11,651)	(11,567)	(11,727)
Pre provision operating profit	10,581	12,998	13,347	14,377	15,587
Provision for bad and doubtful debt	(4,095)	(5,201)	(4,529)	(4,209)	(4,089)
Other provisions	-	-	-	-	-
Operating profit	6,487	7,797	8,817	10,168	11,499
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	6,487	7,797	8,817	10,168	11,499
Tax	(1,344)	(1,442)	(1,675)	(1,932)	(2,242)
Profit after tax	5,143	6,355	7,142	8,236	9,256
Minority interests	(20)	(37)	(43)	(49)	(56)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	5,123	6,318	7,099	8,187	9,201
Non recurring items & goodwill (net)	-	-	0	0	0
Recurring net profit	5,123	6,318	7,099	8,187	9,201
Per share (THB)					
Recurring EPS *	6.05	7.46	8.38	9.67	10.87
Reported EPS	6.05	7.46	8.38	9.67	10.87
DPS	2.25	3.25	4.25	5.00	5.50
Growth					
Net interest income (%)	19.2	7.0	10.4	4.2	6.3
Non interest income (%)	(4.3)	30.4	(10.4)	3.0	2.9
Pre provision operating profit (%)	17.9	22.8	2.7	7.7	8.4
Operating profit (%)	(11.1)	20.2	13.1	15.3	13.1
Reported net profit (%)	(14.4)	23.3	12.4	15.3	12.4
Recurring EPS (%)	(14.4)	23.3	12.4	15.3	12.4
Reported EPS (%)	(14.4)	23.3	12.4	15.3	12.4
Income Breakdown					
Net interest income (%)	69.1	64.8	69.4	69.6	70.3
Net fees & commission (%)	20.4	25.1	24.3	24.1	23.1
Foreign exchange trading income (%)	5.1	(0.7)	0.8	0.8	0.8
Securities trading income (%)	0.2	0.0	0.0	0.0	0.0
Dividend income (%)	1.8	5.5	2.8	2.7	2.8
Other income (%)	3.3	5.4	2.8	2.8	3.0
Operating performance					
Gross interest yield (%)	6.42	5.60	5.41	5.47	5.49
Cost of funds (%)	1.83	1.18	1.21	1.59	1.72
Net interest spread (%)	4.59	4.42	4.20	3.88	3.77
Net interest margin (%)	4.8	4.5	4.3	4.1	4.1
Cost/income(%)	50.2	46.4	46.6	44.6	42.9
Cost/assets(%)	3.2	2.8	2.6	2.5	2.3
Effective tax rate (%)	20.7	18.5	19.0	19.0	19.5
Dividend payout on recurring profit (%)	37.2	43.6	50.7	51.7	50.6
ROE (%)	11.3	13.0	13.4	14.4	15.0
ROE - COE (%)	0.5	2.2	2.6	3.6	4.2
ROA (%)	1.5	1.6	1.6	1.7	1.9
RORWA (%)	1.9	2.2	2.2	2.2	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	2020	2021	2022E	2023E	2024E
Gross customer loans	264,773	308,108	338,919	362,643	380,776
Total provisions	(13,105)	(16,505)	(19,001)	(21,035)	(22,839)
interest in suspense	7,178	0	8,134	7,253	7,616
Net customer loans	258,846	299,148	328,052	348,862	365,552
Bank loans	32,771	55,238	47,391	47,684	66,354
Government securities	-	-	-	-	-
Trading securities	-	-	-	-	-
Investment securities	34,603	39,205	40,744	42,350	44,025
Cash & equivalents	1,491	1,242	1,052	1,225	627
Other interesting assets	-	-	-	-	-
Tangible fixed assets	6,451	7,804	7,408	7,068	6,777
Associates	-	-	-	-	-
Goodwill	-	-	-	-	-
Other intangible assets	-	-	-	-	-
Other assets	29,250	33,486	34,431	36,259	37,064
Total assets	363,411	436,123	459,078	483,447	520,400
Customer deposits	251,526	288,382	310,965	326,513	333,043
Bank deposits	-	-	-	-	-
Other interest bearing liabilities	39,184	61,378	56,283	59,097	60,287
Non interest bearing liabilities	26,076	35,201	36,961	38,809	36,869
Hybrid Capital	-	-	-	-	-
Total liabilities	316,785	384,961	404,209	424,420	430,199
Share capital	8,468	8,468	8,468	8,468	8,468
Reserves	38,050	42,579	46,277	50,426	55,378
Total equity	46,517	51,046	54,744	58,894	63,845
Minority interests	109	116	124	134	145
Total liabilities & equity	363,411	436,123	459,078	483,447	494,189
Supplementary items					
Risk weighted assets (RWA)	288,371	288,371	369,126	394,965	414,713
Average interest earning assets	305,121	348,265	400,831	439,866	471,916
Average interest bearing liabilities	267,916	320,023	358,258	376,171	389,199
Tier 1 capital	41,319	41,319	47,822	51,442	55,902
Total capital	52,714	52,714	59,216	62,837	67,297
Gross non performing loans (NPL)	8,456	10,191	11,720	12,892	14,181
Per share (THB)					
Book value per share	54.94	60.28	64.65	69.55	75.40
Tangible book value per share	54.94	60.28	64.65	69.55	75.40
Growth					
Gross customer loans	11.7	16.4	10.0	7.0	5.0
Average interest earning assets	6.3	14.1	15.1	9.7	7.3
Total asset (%)	16.6	20.0	5.3	5.3	7.6
Risk weighted assets (%)	7.9	-	28.0	7.0	5.0
Customer deposits (%)	46.1	14.7	7.8	5.0	2.0
Leverage & capital measures					
Customer loan/deposits (%)	102.9	103.7	105.5	106.8	109.8
Equity/assets (%)	12.8	11.7	11.9	12.2	12.3
Tangible equity/assets (%)	12.8	11.7	11.9	12.2	12.3
RWA/assets (%)	79.4	66.1	80.4	81.7	79.7
Tier 1 CAR (%)	14.3	14.3	13.0	13.0	13.5
Total CAR (%)	18.3	18.3	16.0	15.9	16.2
Asset Quality					
Change in NPL (%)	(11.5)	20.5	15.0	10.0	10.0
NPL/gross loans (%)	3.2	3.3	3.5	3.6	3.7
Total provisions/gross loans (%)	4.9	5.4	5.6	5.5	6.0
Total provisions/NPL (%)	155.0	162.0	162.1	163.2	161.1
Valuation					
Recurring P/E (x) *	11.2	9.1	8.1	7.0	6.2
Recurring P/E @ target price (x) *	13.2	10.7	9.5	8.3	7.4
Reported P/E (x)	11.2	9.1	8.1	7.0	6.2
Dividend yield (%)	3.3	4.8	6.3	7.4	8.1
Price/book (x)	1.2	1.1	1.0	1.0	0.9
Price/tangible book (x)	1.2	1.1	1.0	1.0	0.9
Price/tangible book @ target price (x)	1.5	1.3	1.2	1.2	1.1

* 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	SEAOIL	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	TRC	TSC	TSR	TSTE	TSTH
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:

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 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)

Disclaimer:

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

Yuvanart Suwanumphai FSS International Investment Advisory Securities Co., Ltd

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Company	Ticker	Price	Rating	Valuation & Risks
Kiatnakin Bank	KKP TB	THB 67.75	BUY	Downside risks to our GGM-based target price include weakening asset quality and lower fee income.
Bangkok Bank	BBL TB	THB 129.50	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 its NIM and potential new regulations from the Bank of Thailand on debt-servicing programs. The upside risk would be better-than-expected synergies with Permata.
Kasikornbank	KBANK TB	THB 140.00	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 13.70	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 further interest rate cuts on NIM and potential new regulations from the Bank of Thailand on debt-servicing programs; and 3) an increase in OPEX due to aggressive digital investment.
Siam Commercial Bank	SCB TB	THB 123.00	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 97.25	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 1.35	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.

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 24-Jan-2022 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.