

KIATNAKIN BANK KKP TB
THAILAND / BANKING

HOLD

ไม่ใช่ทางเลือกที่ดีในตอนนี้

- เรามีมุมมองเชิงลบต่อกลยุทธ์เชิงรุกของ KKP ในช่วงโรคระบาดโควิดซึ่งทำให้คุณภาพสินทรัพย์ตกต่ำ
- ตลาดหุ้นที่มีความผันผวนสูงจะกดดันผลประกอบการของบริษัทฯ อย่างต่อเนื่องในช่วง 2H23
- เราเริ่ม KKP ด้วยคำแนะนำถือ

TARGET PRICE	THB65.00
CLOSE	THB60.00
UP/DOWNSIDE	+8.3%
TP vs CONSENSUS	-17.1%

KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Operating profit	9,490	9,372	10,536	11,530
Net profit	7,602	7,482	8,414	9,203
EPS (THB)	8.98	8.84	9.94	10.87
vs Consensus (%)	-	(4.3)	(0.2)	2.0
Recurring net profit	7,602	7,482	8,414	9,203
Core EPS (THB)	8.98	8.84	9.94	10.87
EPS growth (%)	20.3	(1.6)	12.5	9.4
Core P/E (x)	6.7	6.8	6.0	5.5
Dividend yield (%)	5.4	5.4	6.3	7.0
Price/book (x)	0.9	0.8	0.7	0.7
ROE (%)	14.0	12.4	12.8	12.9
ROA (%)	1.6	1.4	1.5	1.5

กลยุทธ์เชิงรุกทำให้ผลประกอบการตกต่ำ

เรามีมุมมองเชิงลบต่อ 2 ธุรกิจหลักของ KKP ในปี 2023 อันประกอบด้วย 1) ธุรกิจการธนาคาร (69% ของรายได้รวมในปี 2022) โดยอัตราดอกเบี้ยที่ปรับขึ้นน่าจะผลักดันให้ต้นทุนในการระดมทุน (Cost of funds) เพิ่มขึ้น ในขณะที่พอร์ตสินเชื่อส่วนมาก (เกือบ 60%) เป็นสินเชื่ออัตราดอกเบี้ยคงที่ซึ่งน่าจะส่งผลกระทบต่อ Loan spread ในปี 2023 นอกจากนี้ตัวเลขการเติบโตของสินเชื่อเฉลี่ยที่ 17% ซึ่งสูงกว่าค่าเฉลี่ยของกลุ่มที่เพียง 6% CAGR ในช่วงปี 2020-22 (ช่วงที่โควิดระบาด) น่าจะส่งผลกระทบต่อคุณภาพสินทรัพย์โดยน่าจะทำให้หนี้ต่อคุณภาพ (NPL) และต้นทุนความเสี่ยงในการปล่อยสินเชื่อ (Credit cost) เพิ่มขึ้นพร้อมกับสัดส่วนสำรองต่อหนี้ต่อคุณภาพ (Coverage ratio) ที่ลดลง; และ 2) ธุรกิจตลาดทุน (31% ของรายได้รวมในปี 2022) ซึ่งได้รับผลกระทบจากสภาวะตลาดหุ้นที่ผันผวนในช่วง 1H23 อันส่งผลกระทบต่อรายได้ค่าธรรมเนียมนายหน้าซื้อขายหลักทรัพย์ ค่าธรรมเนียมที่ปรึกษาการลงทุนและกำไรจากการลงทุนทั้งจากการตีมูลค่าด้วยวิธีผ่านกำไรหรือขาดทุน (FVTPL), การตีมูลค่าด้วยวิธีผ่านกำไรขาดทุนเบ็ดเสร็จอื่น (FVOCI), และส่วนการลงทุนที่รับรู้แล้ว

กำไร 2023 มีทิศทางที่อ่อนแอจากสภาวะตลาดหุ้นที่ตกต่ำ

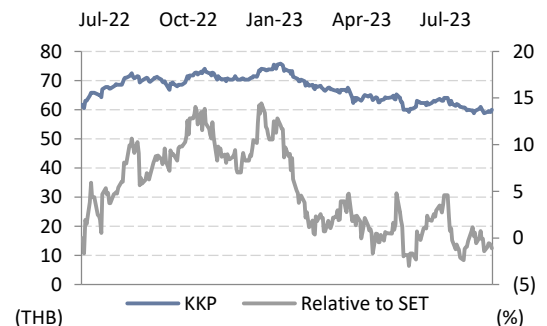
เราคาดว่ากำไรสุทธิ 2Q23 ที่ 1.73 พัน ลบ. (-17% q-q, -15% y-y) โดยจะได้รับผลกระทบจากธุรกิจตลาดทุนและจะสะท้อนปริมาณการซื้อขายต่อวันเฉลี่ยของ SET ที่ลดลงอย่างรุนแรง (-31% q-q, -35% y-y) รายได้ค่าธรรมเนียมจากการเป็นนายหน้าซื้อขายหลักทรัพย์และกำไรจากการลงทุนลดลง ในส่วนของธุรกิจการธนาคาร แม้ว่าสินเชื่อสุทธิน่าจะเพิ่ม 3% q-q และ 18% y-y ปัจจัยดังกล่าวน่าจะไม่เป็นผลบวกต่อ Loan spread (คาดว่าจจะทรงตัว q-q ที่ 4.19%) จากการมุ่งเน้นไปที่กลุ่มความเสี่ยงต่ำ อาทิเช่น สินเชื่อประเภทและที่อยู่อาศัย นอกจากนี้เรายังคาดว่า KKP จะบันทึกผลขาดทุนจากรถยนต์ในระดับสูงอย่างต่อเนื่องเช่นเดียวกับในไตรมาสก่อนหน้าที่ 1.1 พัน ลบ. (สูงกว่าค่าเฉลี่ยรายไตรมาสในปี 2022 ที่ 400 ลบ.)

คุณภาพสินทรัพย์น่าจะเป็นปัจจัยที่สร้างความกังวลอย่างต่อเนื่องตลอดช่วง 2H23

เรามีความกังวลเกี่ยวกับคุณภาพสินทรัพย์ของ KKP ในช่วง 2H23 จากนโยบายการขยายสินเชื่อเชิงรุกในช่วงโรคระบาด KKP วางแผนทบทวนเป้าหมายทางธุรกิจในปี 2023 ส่วนมากอยู่ที่สัดส่วน NPL และ Credit cost ที่สูงเกินเป้าในปี 2023 ไปแล้วตั้งแต่ใน 1Q23 อย่างไรก็ตาม เราได้รับผลกระทบดังกล่าวไว้ในประมาณการ Credit cost ของเราแล้ว (ซึ่งรวมถึงผลขาดทุนจากการขายรถยนต์) ที่ 230bp ใกล้เคียงกับใน 1Q23 NPL น่าจะปรับเพิ่มจาก 1Q23 แต่สัดส่วน NPL อาจไม่ได้รับผลกระทบมากนัก (3.50% ใน 1Q23 เทียบกับที่เราคาดไว้ที่ 3.40% ในช่วง 2H23) จากสินเชื่อที่เราคาดว่าจะโตต่อเนื่องที่ 10% y-y ในปี 2023 (ผลจากสินเชื่อตัวหารที่สูงขึ้น)

เริ่มด้วยคำแนะนำถือที่ราคาเป้าหมายปี 2023 ที่ 65 บาท (GGM)

เราเริ่ม KKP ด้วยคำแนะนำถือที่ราคาเป้าหมายปี 2023 ที่ 65 บาท (GGM) คิดเป็นค่า P/BV ที่ 0.88x



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(2.8)	(6.3)	(2.0)
Relative to country (%)	(0.1)	(1.6)	(0.8)
Mkt cap (USD m)	1,465		
3m avg. daily turnover (USD m)	6.7		
Free float (%)	93		
Major shareholder	Thai NVDR (8%)		
12m high/low (THB)	76.25/58.00		
Issued shares (m)	847		

Sources: Bloomberg consensus; FSSIA estimates



Usanee Liurut, CISA

Register no. 017928

usanee.l@fssia.com, +66 2646 9967

PREPARED BY FSS INTERNATIONAL INVESTMENT ADVISORY SECURITIES CO LTD (FSSIA). ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES CAN BE FOUND AT THE END OF THIS REPORT

บทวิเคราะห์ฉบับนี้แปลมาจากต้นฉบับภาษาอังกฤษ ที่ออกรายงานเมื่อวันที่ 17 กรกฎาคม 2023

Investment thesis

We have a negative view on KKP due to:

- Its aggressive strategy during the Covid-19 pandemic which resulted in poor asset quality.
- The capital market business should remain volatile throughout 2H23 based upon the capital market situation; pressuring fee income, advisory income, and investment gains.
- Credit cost should rise mainly from high exposure to losses from repossessed cars.
- We expect KKP's net profit growth to be at 7%, lower than the industry's average of 10% CAGR, during 2023-25.
- We do not think KKP's share price could outperform the sector average in the near term under the current circumstances.

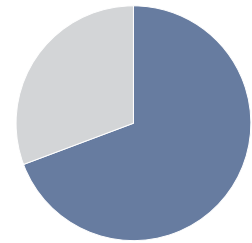
Company profile

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 49% of its loan portfolio at end-2022.

kiatnakin.co.th

Principal activities (revenue, 2022)

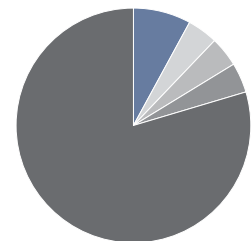
- Net interest income - 69.3 %
- Non-interest income - 30.7 %



Source: Kiatnakin Bank

Major shareholders

- Thai NVDR - 7.9 %
- Ms Thitinan Wattanavekin - 4.2 %
- Eastern Sugar and Cane - 4.1 %
- Ramkamhang Hospital - 4.1 %
- Others - 79.6 %



Source: Kiatnakin Bank

Catalysts

- Capital market conditions return to active mode with higher trading volumes.
- The efficiency of asset quality management is better than expected.
- Higher used car prices with lower supply from the bank and non-bank.
- The cost control policy of its cost of funds and operating expenses is better than expected.

Risks to our call

Downside risks to our GGM-based target price include weakening asset quality and lower fee income and upside risks include better capital market conditions, higher used car price, and strengthening asset quality.

Event calendar

Date	Event
21 Jul 2023	2Q23 results announcement

Key assumptions

	2023E	2024E	2025E
	(%)	(%)	(%)
Net profit (THB m)	7,482	8,414	9,203
Net profit growth (%)	(1.6)	12.5	9.4
NIM (%)	4.40	4.43	4.44
Loan growth (%)	10.0	10.0	10.0
Fee growth (%)	(11.4)	7.0	5.4
Non-interest income growth (%)	(12.1)	9.9	4.5
Credit cost (bp)	125.0	125.0	125.0
Cost to income (%)	50.4	49.3	48.6

Source: FSSIA estimates

Earnings sensitivity

		----- 2023E -----		
Loan growth (%)	±2ppt	8	10	12
<i>% change in net profit</i>		(1)	-	+1
Loan spread (%)	±5bp	4.14	4.19	4.24
<i>% change in net profit</i>		(2)	-	+2
Credit cost (bp)	±10bp	115	125	135
<i>% change in net profit</i>		+4	-	(4)

Source: FSSIA estimates

Exhibit 1: KKP - GGM-based TP

Target price	THB 65.00
Sustainable ROE	12.0%
g	2.0%
ROE-g	10.0%
Beta	1.08%
RF	2.50%
MRP	10.0%
COE	13.3%
COE-g	11.3%
ROE-g / COE-g (PBV)	0.88x

Source: FSSIA estimates

Exhibit 2: 2023 key financial guidance vs FSSIA estimates

	KKP*	KKP*	FSSIA
	2022	2023E	2023E
ROE	13.60%	~13.0% 3	12.4%
Loan growth	21.40%	~13.0%	10.0%
Loan spread	5.40%	~5.0%	4.4%
NPL ratio (gross) 1	3.30%	~3.1%	3.4%
Credit cost (bp) 2	210	~ 220	230

Note: *ROE comprehensive income; 1. NPL ratio: Excluding amount classified as Purchased or Originated Credit-Impaired (POCI) financial assets; 2. Credit cost: Expected credit loss plus loss from sale of repossessed cars excluding reversal of general provisions; 3. Excluding surplus on Land and Premises revaluation conducted during year 2022.

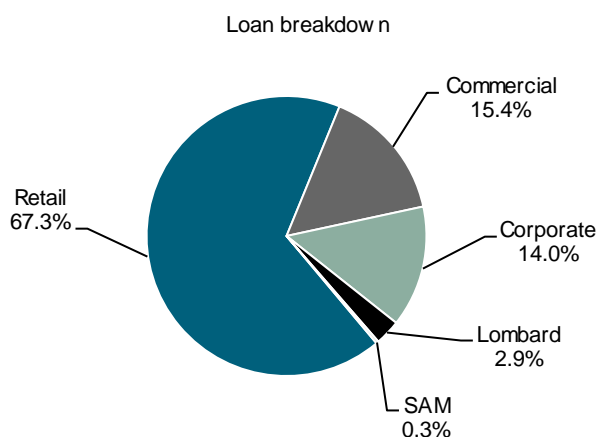
Sources: KKP; FSSIA estimates

Exhibit 3: Loans and allowance for expected credit loss (ECL)

	Loans & accrued interest					Allowance for ECL				
	2019	2020	2021	2022	1Q23	2019	2020	2021	2022	1Q23
	(THB b)	(THB b)	(THB b)	(THB b)	(THB b)	(THB b)	(THB b)	(THB b)	(THB b)	(THB b)
Stage 1 - Performing	216.5	247.5	287.1	346.2	355.5	6.3	5.6	8.3	8.5	8.5
Stage 2 - Under-performing	12.1	15.4	17.0	22.8	23.6	1.2	3.0	2.9	3.8	4.1
Stage 3 - Non-performing	9.5	8.3	10.6	13.9	14.7	3.1	3.1	4.3	6.0	6.3
Credit-impaired financial assets	0.0	0.8	0.9	0.9	1.0	0.0	0.0	0.0	0.1	0.1
Total	238.1	272.0	315.7	383.8	394.7	10.6	11.7	15.5	18.3	18.9
Excess allowance						0.0	1.5	1.1	0.8	0.7
Total allowance for ECL						10.6	13.2	16.6	19.1	19.6
Breakdown of loans by stage	% to respective loans					Allowance for ECL as % of respective loans				
	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)
Stage 1 - Performing	90.9	91.0	91.0	90.2	90.1	2.9	2.3	2.9	2.5	2.4
Stage 2 - Under-performing	5.1	5.7	5.4	5.9	6.0	9.6	19.6	16.8	16.7	17.2
Stage 3 - Non-performing	4.0	3.0	3.4	3.6	3.7	33.0	37.3	40.8	42.7	43.1
Credit-impaired financial assets	0.0	0.3	0.3	0.2	0.2	-	2.9	3.0	6.1	7.1
Total	100.0	100.0	100.0	100.0	100.0	4.4	4.3	4.9	4.8	4.8
NPL (THB b)						9.6	8.5	10.2	13.0	13.7
LLR/NPL (%)						111%	139%	152%	141%	138%

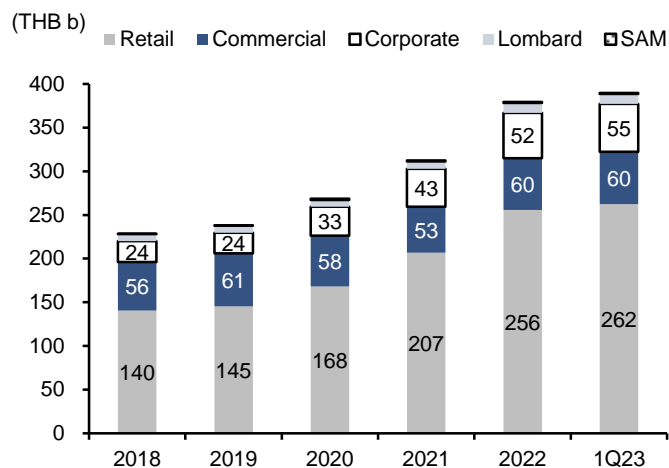
Sources: KKP; FSSIA's compilation

Exhibit 4: Loan breakdown, 1Q23



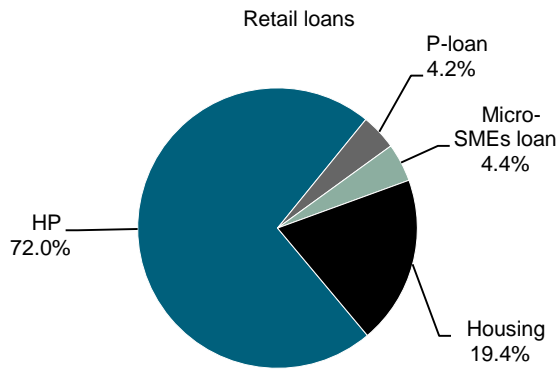
Sources: KKP; FSSIA's compilation

Exhibit 5: Loan breakdown, 2018 to 1Q23



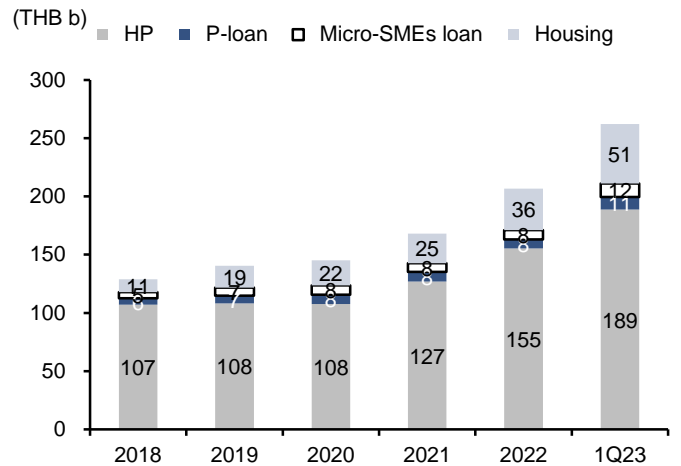
Sources: KKP; FSSIA's compilation

Exhibit 6: Breakdown of retail loans, 1Q23



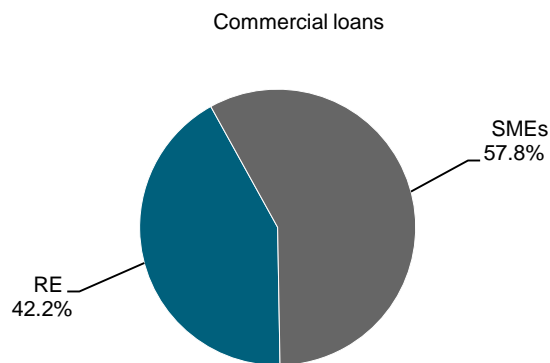
Sources: KKP; FSSIA's compilation

Exhibit 7: Retail loans, 2018-1Q23



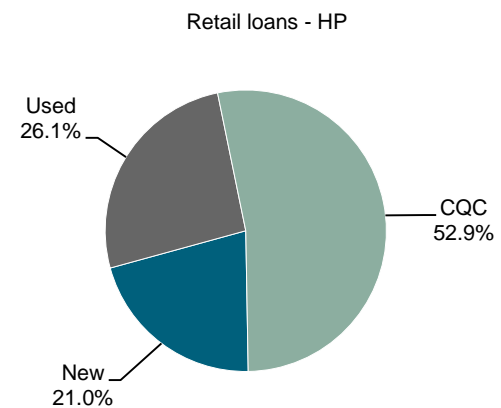
Sources: KKP; FSSIA's compilation

Exhibit 8: Breakdown of commercial loans, 1Q23



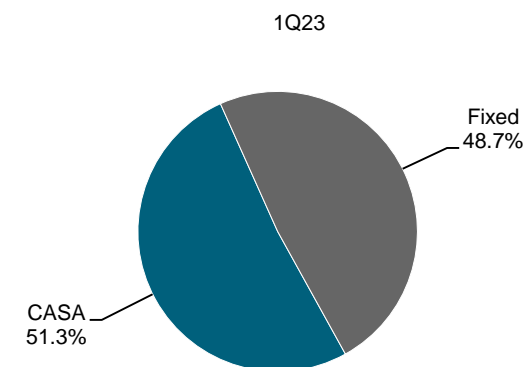
Sources: KKP; FSSIA's compilation

Exhibit 9: Breakdown of hire purchase (HP) loans



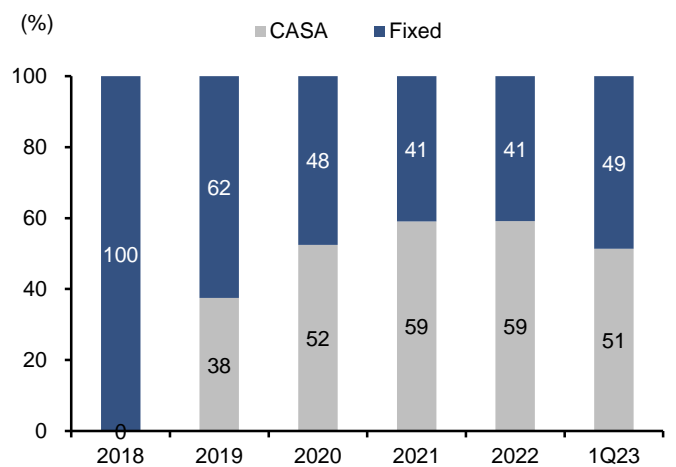
Sources: KKP; FSSIA's compilation

Exhibit 10: Deposit structure, 1Q23



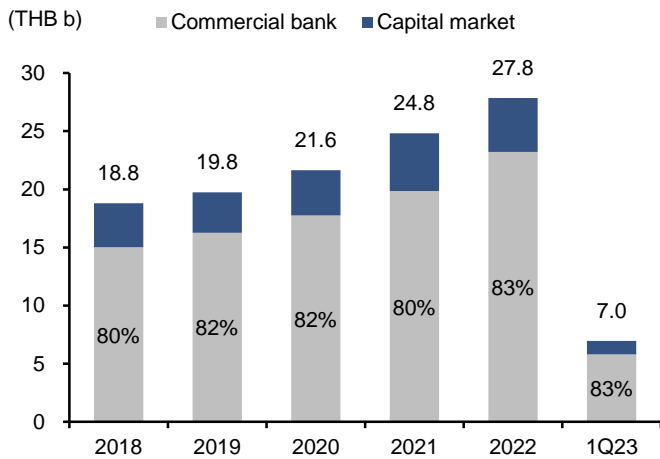
Sources: KKP; FSSIA's compilation

Exhibit 11: Deposit structure, 2018-1Q23



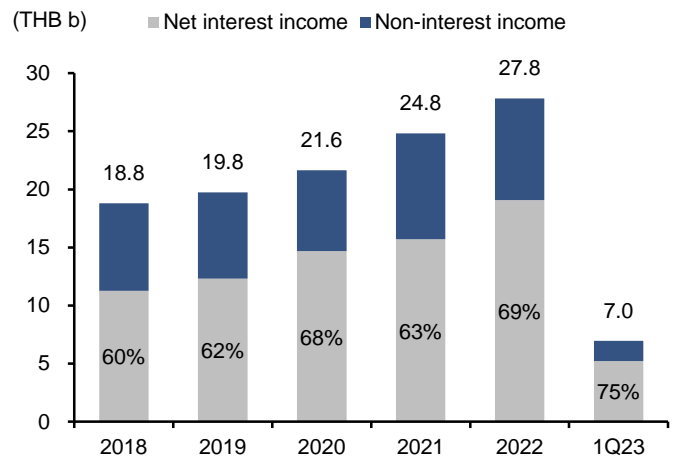
Sources: KKP; FSSIA's compilation

Exhibit 12: Net revenue breakdown by type of business



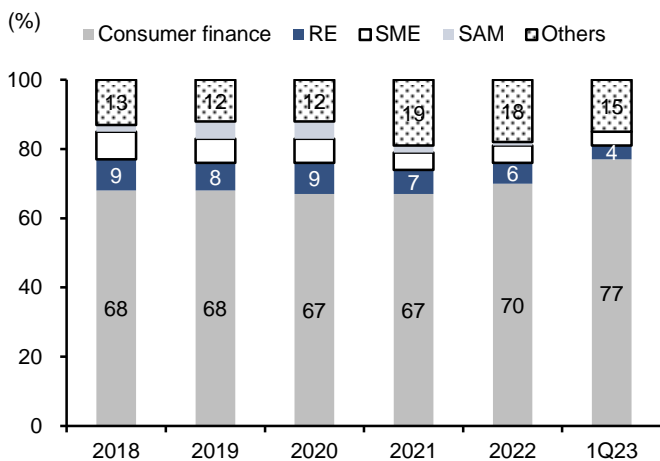
Sources: KKP; FSSIA's compilation

Exhibit 13: Net revenue breakdown by type of income



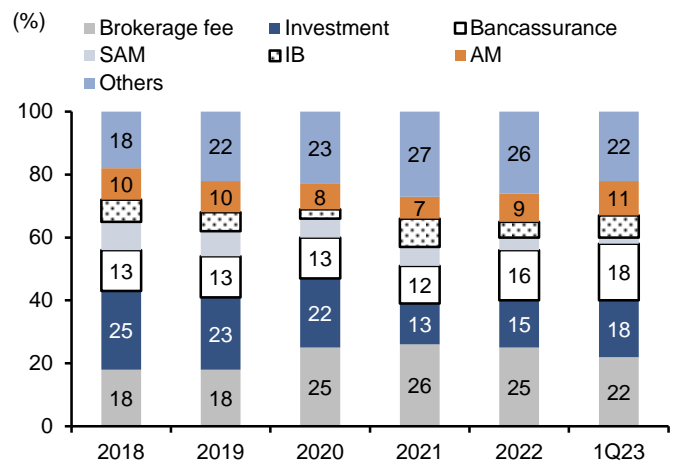
Sources: KKP; FSSIA's calculation

Exhibit 14: Breakdown of net interest income



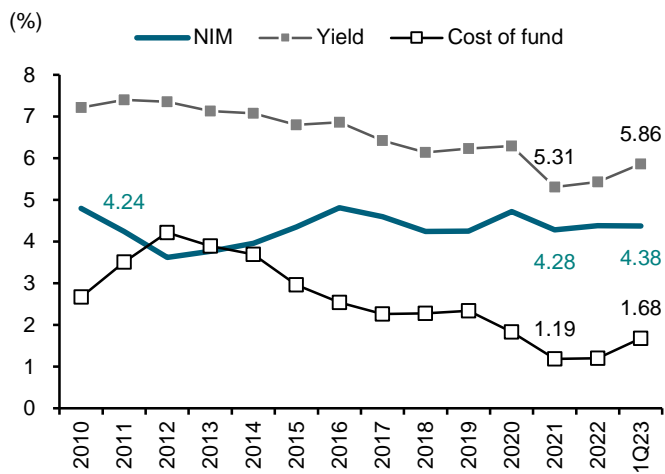
Sources: KKP; FSSIA's compilation

Exhibit 15: Breakdown of non-interest income



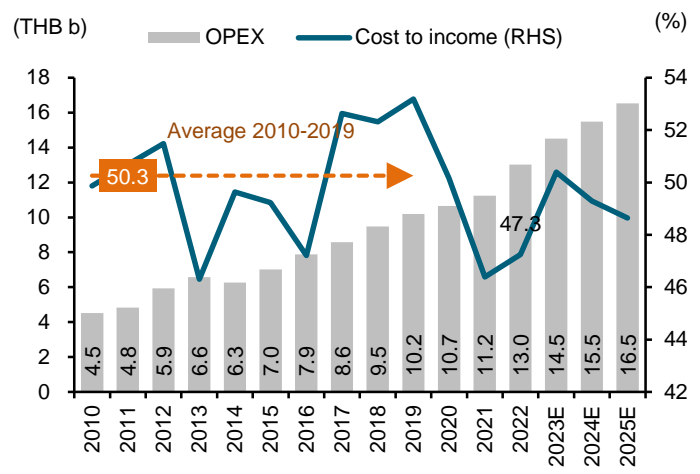
Sources: KKP; FSSIA's calculation

Exhibit 16: Yield, cost of funds, and NIM



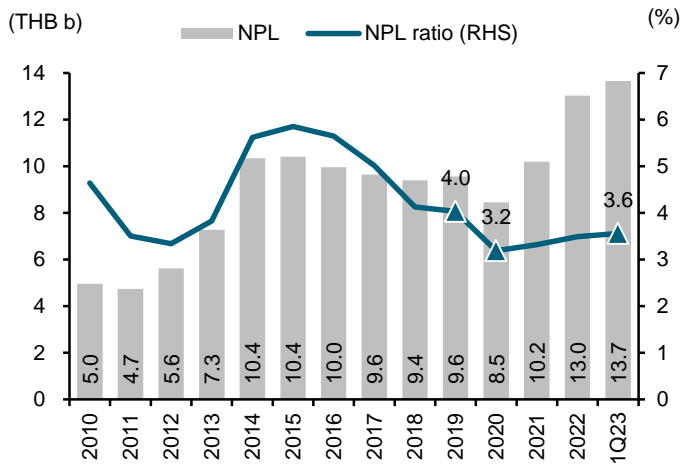
Sources: KKP; FSSIA's compilation

Exhibit 17: OPEX vs cost to income



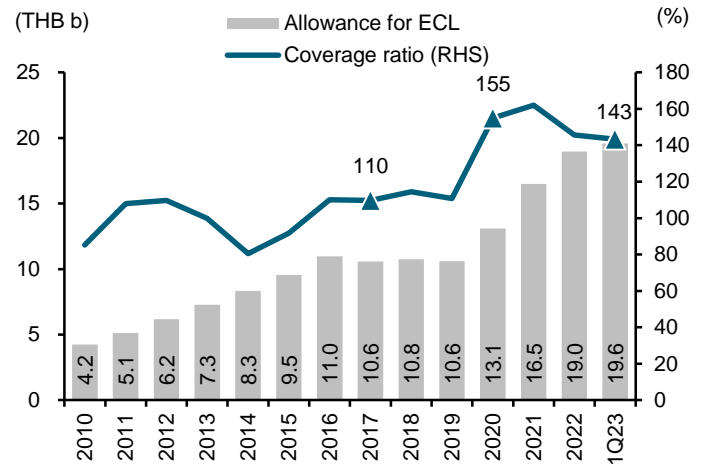
Sources: KKP; FSSIA estimates

Exhibit 18: NPL and NPL ratio*



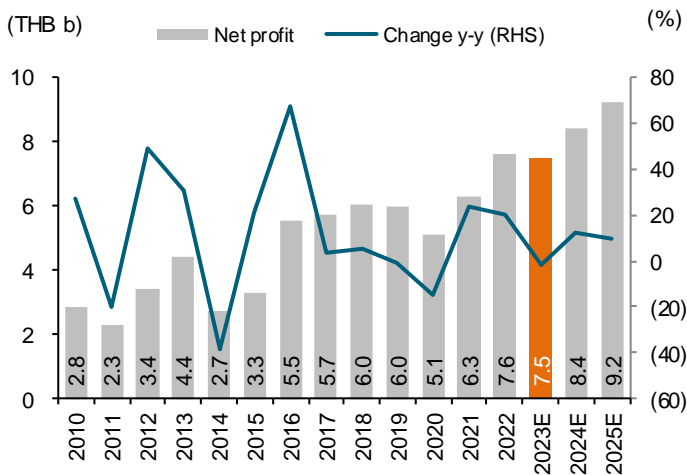
Sources: KKP; *FSSIA's calculation

Exhibit 19: Coverage ratio (allowance for ECL to NPL)*



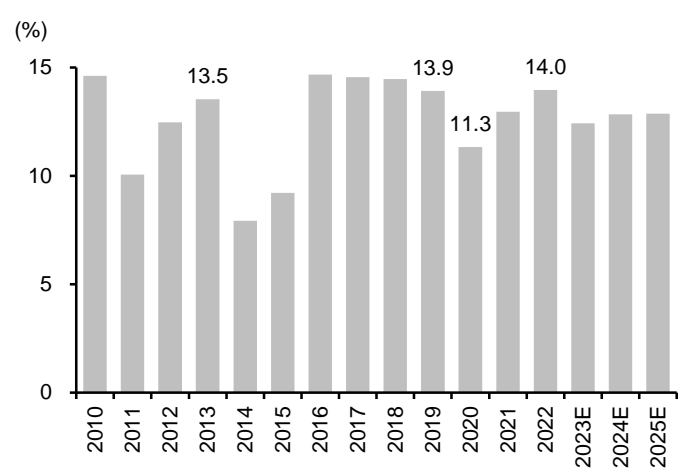
Sources: KKP; FSSIA's calculation

Exhibit 20: Net profit and growth



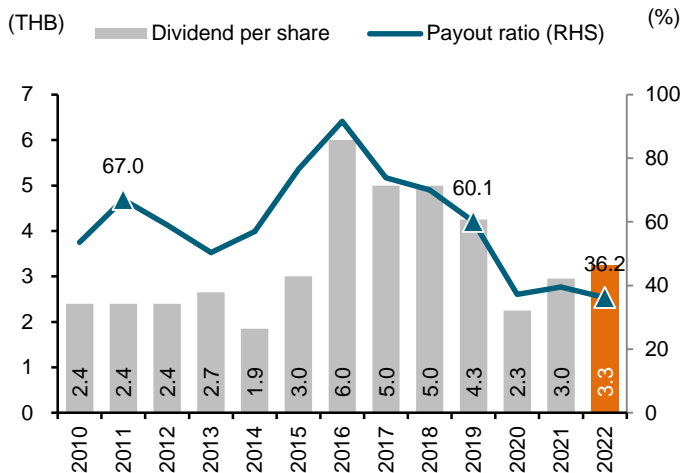
Sources: KKP; FSSIA estimates

Exhibit 21: ROE



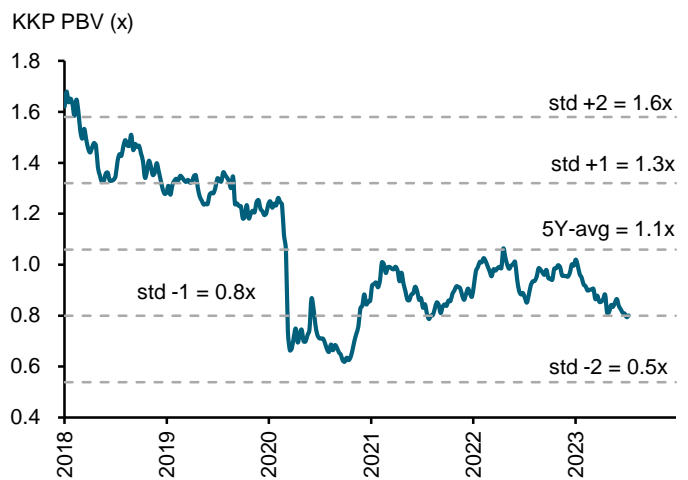
Sources: KKP; FSSIA estimates

Exhibit 22: Dividend and payout ratio



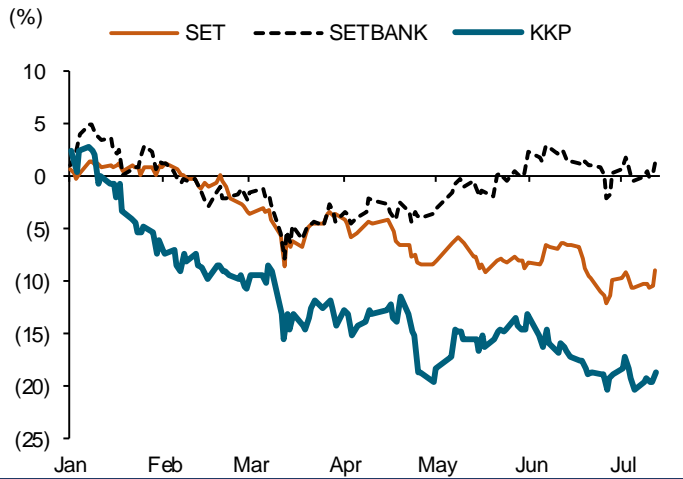
Sources: KKP; FSSIA's compilation

Exhibit 23: One-year forward rolling P/BV



Sources: Bloomberg; FSSIA estimates

Exhibit 24: Share price performance as of close on 14 July 2023



Source: Bloomberg

Exhibit 25: Share price performance of Thai banks under coverage, as of 14 July 2023

Price Performance					
BBG	1M	3M	6M	1Y	YTD
	(%)	(%)	(%)	(%)	(%)
BBL TB	(2.5)	0.6	1.0	24.4	6.8
KBANK TB	1.5	(2.6)	(14.5)	(5.4)	(10.2)
KKP TB	(2.4)	(6.3)	(18.6)	(1.2)	(18.6)
KTB TB	1.0	14.0	10.7	35.2	10.7
SCB TB	1.4	2.8	(2.7)	15.4	1.4
TISCO TB	0.8	(4.2)	(6.0)	12.1	(2.0)
TTB TB	(3.7)	11.4	10.6	39.3	10.6
SET Index	(2.7)	(5.2)	(9.7)	(1.0)	(9.0)
SETBANK Index	(0.2)	4.0	(1.3)	13.4	1.2

Source: Bloomberg

Exhibit 26: Operating results by segment, 2022

	Commercial banking business	Capital market business	Debt restructuring	Total
	(THB m)	(THB m)	(THB m)	(THB m)
Interest income, net	18,980	(69)	170	19,081
Fees and services income, net	2,698	3,467	-	6,165
Other operating income, net	1,048	1,238	6	2,292
Total income from operating	22,726	4,636	176	27,538
Income between segments	1,805	474	-	2,279
Depreciation and amortisation	500	126	7	633
Other expenses	8,746	3,560	74	12,380
Profit from operating before tax	8,535	950	4	9,489
Tax	1,679	194	-	1,873
Net income	6,856	756	4	7,616
Total assets	474,770	30,018	2,849	507,637

Sources: KKP; FSSIA's compilation

Exhibit 27: 2Q23 earnings preview

Year end Dec 31	2Q22	1Q23	2Q23E	---- Change ----		1H22	1H23E	Change	%of	2022	2023E	Change
	(THB m)	(THB m)	(THB m)	(y-y%)	(q-q%)	(THB m)	(THB m)	(y-y %)	23E	(THB m)	(THB m)	(y-y %)
Net interest income	4,475	5,223	5,444	22	4	8,779	10,667	22	50	19,081	21,337	12
Non-interest income	1,672	1,718	1,515	(9)	(12)	3,809	3,233	(15)	43	8,457	7,434	(12)
<i>Fee income - net</i>	1,396	1,343	1,219	(13)	(9)	2,950	2,562			6,165	5,465	(11)
Total operating income	6,147	6,941	6,959	13	0	12,589	13,901	10	48	27,539	28,772	4
Total operating expenses	2,818	3,239	3,505	24	8	5,611	6,744	20	47	13,013	14,499	11
PPOP before tax	3,329	3,702	3,454	4	(7)	6,977	7,157	3	50	14,526	14,273	(2)
Expected credit loss	812	1,097	1,200	48	9	1,878	2,297	22	47	5,036	4,901	(3)
Income tax	481	517	517	7	0	1,002	1,034	3	55	1,873	1,874	0
Non-controlling interest	2	3	3			9	7	(23)	41	14	16	12
Net profit	2,033	2,085	1,734	(15)	(17)	4,089	3,819	(7)	51	7,602	7,482	(2)
EPS (THB)	2.40	2.46	2.05	(15)	(17)	4.83	4.51	(7)	51	8.98	8.84	(2)
Key ratios	2Q22	1Q23	2Q23E	---- Change ----		1H22	1H23E			2022	2023E	
Asset quality ratio	(%)	(%)	(%)	(y-y%)	(q-q%)	(%)	(%)			(%)	(%)	
Gross NPLs (THB m)	10,951	13,660	14,000	28	2	10,951	14,000			13,031	13,943	
<i>Change (% from prior period)</i>	7.7	4.8	2.5			5.9	27.8			27.9	7.0	
NPL ratio (%) - reported	3.20	3.50	3.55							3.40		
NPL ratio (%)*	3.26	3.56	3.54			3.26	3.54			3.49	3.39	
Coverage ratio (%) - reported	169	152								154		
Coverage ratio (%)*	159	143	143			159	143			146	158	
Credit cost (bp)	138	234	241			161	250			148	125	
Profitability ratio	(%)	(%)	(%)			(%)	(%)			(%)	(%)	
Cost to income ratio	45.8	46.7	50.4			44.6	48.5			47.3	50.4	
Average yield (%)	5.06	5.86	5.89			5.36	5.99			5.43	5.91	
Cost of funds (%)	1.12	1.68	1.70			1.16	1.74			1.20	1.72	
NIM (%)*	4.08	4.38	4.41			4.35	4.48			4.38	4.40	
Non-int inc/total income (%)	27.2	24.7	21.8			30.3	23.3			30.7	25.8	
Loan growth	(%)	(%)	(%)			(%)	(%)			(%)	(%)	
Year-to-date	9.6	2.8	5.9			9.6	5.9					
y-y	19.2	17.4	17.6							21.7	10.0	
q-q	2.9	2.8	3.0									

*FSSIA's calculation

Sources: KKP; FSSIA estimates

Exhibit 28: Regional peers comparison as of 14 July 2023

Company	BBG	Share price (LCY)	Market Cap (USD b)	PE		PBV		ROE		Div yld	
				23E	24E	23E	24E	23E	24E	23E	24E
				(x)	(x)	(x)	(x)	(%)	(%)	(x)	(x)
Thailand											
Bangkok Bank	BBL TB	158.00	8.7	8.0	7.4	0.6	0.5	7.2	7.3	3.7	4.0
Kasikornbank	KBANK TB	132.50	9.1	7.9	7.1	0.6	0.6	7.9	8.2	3.6	4.0
Krung Thai Bank	KTB TB	19.60	7.9	7.2	6.9	0.7	0.6	9.7	9.6	4.0	4.2
SCB X	SCB TB	108.50	10.5	8.3	7.6	0.8	0.7	9.4	9.7	6.7	6.9
TMBThanachart Bank	TTB TB	1.56	4.4	9.2	8.5	0.7	0.6	7.3	7.6	5.4	5.9
Kiatnakin Bank	KKP TB	60.00	1.5	6.8	6.0	0.8	0.7	12.4	12.8	5.4	6.3
Tisco Financial Group	TISCO TB	97.25	2.2	10.4	9.9	1.8	1.7	17.2	17.8	8.2	8.5
Thailand average			44.3	8.2	7.6	0.8	0.8	10.2	10.4	4.0	4.3
Hong Kong											
Industrial & Comm Bank of China	1398 HK	3.66	224.5	3.3	3.1	0.4	0.3	11.0	10.8	9.4	9.9
China Construction Bank	939 HK	4.39	143.0	3.0	2.8	0.3	0.3	11.8	11.6	10.0	10.6
HSBC Holdings	5 HK	62.80	158.9	6.7	6.7	0.9	0.8	14.5	13.5	7.5	9.0
Bank of China	3988 HK	2.80	147.7	3.4	3.2	0.3	0.3	10.4	10.1	9.3	9.9
Hong Kong average			674.1	4.1	4.0	0.5	0.4	11.9	11.5	9.1	9.9
China											
Industrial & Comm Bank of China	601398 CH	4.87	224.5	4.8	4.5	0.5	0.5	11.0	10.7	6.5	6.8
Agricultural Bank of China	601288 CH	3.61	171.8	4.9	4.5	0.5	0.5	11.4	11.1	6.4	6.8
China Construction Bank	601939 CH	5.96	143.0	4.5	4.2	0.5	0.5	11.8	11.5	6.7	7.2
Bank of China	601988 CH	3.99	147.7	5.2	4.9	0.5	0.5	10.6	10.2	6.0	6.3
China average			687.0	4.8	4.5	0.5	0.5	11.2	10.9	6.4	6.8
South Korea											
KB Financial Group	105560 KS	48,750	15.5	4.0	3.8	0.4	0.3	9.5	9.1	6.8	7.2
KB Financial Group	055550 KS	34,100	13.9	3.9	3.7	0.3	0.3	9.2	8.9	6.3	6.7
Hana Financial Group	086790 KS	39,300	9.2	3.1	3.1	0.3	0.3	10.0	9.5	9.2	9.5
Industrial Bank of Korea	024110 KS	10,360	6.5	2.9	2.9	0.3	0.3	9.8	9.2	9.7	10.0
South Korea average			45.1	3.5	3.4	0.3	0.3	9.6	9.2	8.0	8.4
Indonesia											
Bank Central Asia	BBCA IJ	9,200	75.8	23.9	21.9	4.6	4.2	20.1	19.7	2.3	2.6
Bank Rakyat Indonesia Persero	BBRI IJ	5,525	56.0	14.2	12.7	2.6	2.4	18.8	19.5	5.2	6.0
Bank Mandiri Persero	BMRI IJ	5,400	33.7	10.8	9.8	2.0	1.8	19.5	19.6	5.3	5.9
Bank Negara Indonesia Persero	BBNI IJ	8,925	11.1	7.7	6.9	1.1	1.0	14.9	15.0	4.0	5.1
Bank Syariah Indonesia	BRIS IJ	1,695	5.2	14.3	11.8	2.1	1.8	15.5	16.6	1.2	1.3
Indonesia average			181.8	14.2	12.6	2.5	2.2	17.8	18.1	3.6	4.2
Malaysia											
Malayan Banking	MAY MK	8.80	23.4	11.3	10.7	1.2	1.1	10.6	10.7	7.0	7.4
Public Bank	PBK MK	3.99	17.1	11.4	11.0	1.4	1.3	13.1	12.8	4.6	4.7
CIMB Group Holdings	CIMB MK	5.30	12.5	8.5	7.9	0.8	0.8	10.0	10.1	6.1	6.6
Hong Leong Bank	HLBK MK	19.00	9.1	10.2	9.6	1.2	1.1	12.1	12.0	3.4	3.8
RHB Bank	RHBBANK MK	5.54	5.2	7.7	7.3	0.8	0.7	10.2	10.2	7.5	7.9
Malaysia average			67.4	9.8	9.3	1.1	1.0	11.2	11.1	5.7	6.1
Singapore											
DBS Group Holdings	DBS SP	31.99	62.4	8.5	8.6	1.4	1.3	16.8	15.8	5.7	6.2
Oversea-Chinese Banking	OCBC SP	12.37	42.1	8.1	8.1	1.0	0.9	12.7	12.0	6.3	6.4
United Overseas Bank	UOB SP	27.83	35.3	8.3	7.9	1.0	1.0	12.8	12.8	5.8	6.1
Singapore average			139.8	8.3	8.2	1.1	1.1	14.1	13.6	6.0	6.3
Regional average (excl. Thailand)			1,795.1	7.8	7.3	1.1	1.0	12.7	12.5	6.3	6.8
Total average (incl. Thailand)			1,839.4	7.9	7.3	1.0	0.9	12.3	12.2	6.2	6.6

*simple average

Sources: Bloomberg consensus; FSSIA estimates for Thai banks

Corporate Governance and ESG – KKP

Board structure, 2022 One report

Independent Directors (ID)	4/12 of board members, 3 female
Percentage of IDs on the board	33.33%
ID attendance at board meetings	100%
ID in audit/remuneration committee	3/3 in audit committee and 2/3 in remuneration committee
ID terms	Nine-consecutive years, eligible to be re-appointed

Additional information: The ratio of independent directors to the total number of directors on the Board should be at least 1:3 with no less than three independent directors. Also, at least half of the Board members must be independent directors or non-executive directors

Compensation and remuneration

Directors' remuneration vs earnings/ROE/share performance	THB36m, 0.47% of net profit
Changes/stability in senior management	None
Incidents of termination of senior management	None
Track record on insider sales	None

ESG and sustainability management – material aspects to the organisational' s sustainability performance

Kiatnakin Phatra Financial Group publishes a sustainability report every year to communicate its commitments, operation approaches, and sustainability performances, encompassing economic, social, and environmental dimensions for stakeholders of the organisation. The reporting boundary of the information disclosed in this Sustainability Report is limited to within Kiatnakin Phatra Bank Public Company Limited only. The KKP Sustainability Report 2022 was prepared in accordance with the GRI Standards - Core Option, developed by the Global Reporting Initiative.



Awards and rankings

- Received an "A" Rating with a "stable" outlook by TRIS Rating Company Limited.
- Selected Thailand Sustainability Investment 2022 by the Stock Exchange of Thailand for the eighth consecutive year - one of the 170 listed companies.
- Received the Sustainability Disclosure Award 2022 from the Thaipat Institute for the seventh consecutive year for its commitment to disclosure of sustainable business information, including ESG and financial information that is beneficial to stakeholders, and development toward long-term sustainability.
- Selected an ESG100 rating - one of the 100 listed companies to be on the ESG100 list for 2022 by the ESG Rating Unit of the Thaipat Institute for the eighth consecutive year as a result of its outstanding environmental, social, and governance performance.
- Received an excellent corporate governance scoring of five logos in the Corporate Governance Report of Thai Listed Companies 2022, published by the Thai Institute of Directors (IOD).
- Selected "5 TIA", one of the 340 listed companies to receive the scoring (with a full score of 100) from the 2022 Annual General Meeting of Shareholders Assessment Program, organised by the Thai Investors Association, SEC, and Thai Listed Companies Association.
- Received the ASEAN Asset Class Award from the ASEAN CG Scorecard 2021 (conducted every two years) on 1 December 2022.

Additional information: [KKP's 2022 Sustainability Report](#)

Source: FSSIA compilation

Audit Practices

Auditor	PricewaterhouseCoopers ABAS Ltd.
Length of service	More than five years
Reporting incidents	None
Fee track record	THB15.6m (THB8.5m for the bank and THB7.1m for subsidiaries which were expenses of each company)
Policy on change of audit firm	To review every five years

Additional information: None

Shareholders' rights

Practice	Activity
Communication - shareholder participation in AGMs/EGMs	AGM once annually, EGM when appropriated and in accordance with SEC guidelines
Related party transactions	In accordance with SEC guidelines
Voting issues - policies, incidents of rejected proposals	None

Economic and Governance Dimension (11)

- Anti-Corruption
- Anti-Crime Policy and Measures
- Socioeconomic Compliance
- Systemic Risk Management
- Product Design and Lifestyle Management
- Environmental and Social Impacts of Investments, Products and Services
- Controversial Issues, Dilemmas in Lending and Financing
- Product Portfolio
- Green Finance
- Economic Performance
- Innovation and Digitalization

Environmental Dimension (3)

- Effluents and Waste
- Energy
- Supplier Environmental Assessment

Social Dimension (13)

- Supplier Social Assessment
- Human Rights Assessment
- Training and Education
- Talent Attraction and Retention
- Employment and Employment Practices
- Labor Management and Relations
- Occupational Health and Safety
- Marketing and Labeling
- Financial Consumer Protection
- Data Security
- Customer Privacy
- Financial Consumer Protection
- Financial Literacy

Financial Statements

Kiatnakin Bank

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Interest Income	19,489	23,671	28,672	31,566	34,560
Interest expense	(3,788)	(4,589)	(7,335)	(8,328)	(9,109)
Net interest income	15,701	19,081	21,337	23,238	25,451
Net fees & commission	6,074	6,165	5,465	5,848	6,164
Foreign exchange trading income	(158)	831	584	886	886
Securities trading income	(10)	(4)	0	0	0
Dividend income	1,329	507	520	530	541
Other income	1,309	958	865	908	954
Non interest income	8,545	8,457	7,434	8,172	8,544
Total income	24,246	27,539	28,772	31,410	33,995
Staff costs	(6,428)	(6,954)	(7,163)	(7,378)	(7,820)
Other operating costs	(4,820)	(6,058)	(7,336)	(8,105)	(8,713)
Operating costs	(11,248)	(13,013)	(14,499)	(15,483)	(16,534)
Pre provision operating profit	12,998	14,526	14,273	15,928	17,461
Expected credit loss	(5,201)	(5,036)	(4,901)	(5,391)	(5,931)
Other provisions	-	-	-	-	-
Operating profit	7,797	9,490	9,372	10,536	11,530
Recurring non operating income	0	0	0	0	0
Associates	-	-	-	-	-
Goodwill amortization	-	-	-	-	-
Non recurring items	0	0	0	0	0
Profit before tax	7,797	9,490	9,372	10,536	11,530
Tax	(1,442)	(1,873)	(1,874)	(2,107)	(2,306)
Profit after tax	6,355	7,616	7,498	8,429	9,224
Non-controlling interest	(37)	(14)	(16)	(15)	(21)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	6,318	7,602	7,482	8,414	9,203
Non recurring items & goodwill (net)	-	-	0	0	0
Recurring net profit	6,318	7,602	7,482	8,414	9,203
Per share (THB)					
Recurring EPS *	7.46	8.98	8.84	9.94	10.87
Reported EPS	7.46	8.98	8.84	9.94	10.87
DPS	2.95	3.25	3.25	3.80	4.20
Growth					
Net interest income (%)	7.0	21.5	11.8	8.9	9.5
Non interest income (%)	30.4	(1.0)	(12.1)	9.9	4.5
Pre provision operating profit (%)	22.8	11.8	(1.7)	11.6	9.6
Operating profit (%)	20.2	21.7	(1.2)	12.4	9.4
Reported net profit (%)	23.3	20.3	(1.6)	12.5	9.4
Recurring EPS (%)	23.3	20.3	(1.6)	12.5	9.4
Reported EPS (%)	23.3	20.3	(1.6)	12.5	9.4
Income Breakdown					
Net interest income (%)	64.8	69.3	74.2	74.0	74.9
Net fees & commission (%)	25.1	22.4	19.0	18.6	18.1
Foreign exchange trading income (%)	(0.7)	3.0	2.0	2.8	2.6
Securities trading income (%)	0.0	0.0	-	-	-
Dividend income (%)	5.5	1.8	1.8	1.7	1.6
Other income (%)	5.4	3.5	3.0	2.9	2.8
Operating performance					
Gross interest yield (%)	5.31	5.43	5.91	6.02	6.03
Cost of funds (%)	1.19	1.20	1.72	1.81	1.82
Net interest spread (%)	4.12	4.23	4.19	4.21	4.21
Net interest margin (%)	4.3	4.4	4.4	4.4	4.4
Cost/income(%)	46.4	47.3	50.4	49.3	48.6
Cost/assets(%)	2.8	2.8	2.8	2.8	2.7
Effective tax rate (%)	18.5	19.7	20.0	20.0	20.0
Dividend payout on recurring profit (%)	39.5	36.2	36.8	38.2	38.6
ROE (%)	13.0	14.0	12.4	12.8	12.9
ROE - COE (%)	2.2	3.2	1.6	2.0	2.1
ROA (%)	1.6	1.6	1.4	1.5	1.5
RORWA (%)	2.1	2.2	2.0	2.1	2.1

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Kiatnakin Bank; FSSIA estimates

Financial Statements

Kiatnakin Bank

Balance Sheet (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Gross customer loans	306,910	373,436	410,780	451,858	497,043
Allowance for expected credit loss	(16,505)	(18,969)	(22,070)	(25,862)	(30,192)
interest in suspense	8,743	10,403	11,338	12,471	13,718
Net customer loans	299,148	364,871	400,047	438,467	480,569
Bank loans	55,238	45,732	48,019	50,420	52,941
Government securities	-	-	-	-	-
Trading securities	-	-	-	-	-
Investment securities	39,227	50,571	41,745	45,125	48,803
Cash & equivalents	1,242	1,000	1,286	1,172	1,199
Other interesting assets	-	-	-	-	-
Tangible fixed assets	7,483	13,200	14,438	15,826	17,000
Associates	-	-	-	-	-
Goodwill	3,066	3,066	3,066	3,066	3,066
Other intangible assets	1,533	1,670	1,670	1,670	1,670
Other assets	29,187	27,527	27,589	28,538	29,843
Total assets	436,123	507,637	537,861	584,285	635,092
Customer deposits	288,382	331,464	356,987	393,042	433,133
Bank deposits	16,664	20,175	20,579	21,196	21,832
Other interest bearing liabilities	43,805	61,354	61,968	65,066	68,319
Non interest bearing liabilities	36,110	36,532	35,372	36,242	36,957
Hybrid Capital	-	-	-	-	-
Total liabilities	384,961	449,526	474,905	515,547	560,241
Share capital	8,468	8,468	8,468	8,468	8,468
Reserves	42,579	49,356	54,186	59,954	66,050
Total equity	51,046	57,824	62,654	68,421	74,517
Non-controlling interest	116	288	302	317	333
Total liabilities & equity	436,123	507,637	537,861	584,285	635,092
Supplementary items					
Risk weighted assets (RWA)	313,428	374,621	386,544	419,907	456,420
Average interest earning assets	366,771	435,557	485,142	523,973	573,095
Average interest bearing liabilities	319,492	380,922	426,263	459,419	501,294
CET 1 capital	42,676	49,906	49,906	41,438	41,438
Total capital	54,380	62,299	62,299	53,832	53,832
Gross non performing loans (NPL)	10,191	13,031	13,943	15,337	16,871
Per share (THB)					
Book value per share	60.28	68.29	73.99	80.80	88.00
Tangible book value per share	54.85	62.69	68.40	75.21	82.41
Growth					
Gross customer loans	15.9	21.7	10.0	10.0	10.0
Average interest earning assets	17.9	18.8	11.4	8.0	9.4
Total asset (%)	20.0	16.4	6.0	8.6	8.7
Risk weighted assets (%)	8.7	19.5	3.2	8.6	8.7
Customer deposits (%)	14.7	14.9	7.7	10.1	10.2
Leverage & capital measures					
Customer loan/deposits (%)	103.7	110.1	112.1	111.6	111.0
Equity/assets (%)	11.7	11.4	11.6	11.7	11.7
Tangible equity/assets (%)	10.7	10.5	10.8	10.9	11.0
RWA/assets (%)	71.9	73.8	71.9	71.9	71.9
CET 1 CAR (%)	13.6	13.3	12.9	9.9	9.1
Total CAR (%)	17.4	16.6	16.1	12.8	11.8
Asset Quality (FSSIA's calculation)					
Change in NPL (%)	20.5	27.9	7.0	10.0	10.0
NPL/gross loans (%)	3.3	3.5	3.4	3.4	3.4
Allowance for ECL/gross loans (%)	5.4	5.1	5.4	5.7	6.1
Allowance for ECL/NPL (%)	162.0	145.6	158.3	168.6	179.0
Valuation					
Recurring P/E (x) *	8.0	6.7	6.8	6.0	5.5
Recurring P/E @ target price (x) *	8.7	7.2	7.4	6.5	6.0
Reported P/E (x)	8.0	6.7	6.8	6.0	5.5
Dividend yield (%)	4.9	5.4	5.4	6.3	7.0
Price/book (x)	1.0	0.9	0.8	0.7	0.7
Price/tangible book (x)	1.1	1.0	0.9	0.8	0.7
Price/tangible book @ target price (x)	1.2	1.0	1.0	0.9	0.8

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Kiatnakin Bank; FSSIA estimates

Public disclosures related to sustainable development evaluation of Thai listed companies

Rating regarding the sustainable development of Thai listed companies, both on the SET and MAI, are publicly available on the website of the Securities and Exchange Commission of Thailand (SEC). Currently, ratings available are 1) "**CG Score**" by the Thai Institute of Directors Association (Thai IOD); 2) "**AGM Checklist**" by the Thai Investors Association (TIA), a "**CAC certified member**" of the Thai Private Sector Collective Action Against Corruption (CAC); and 3) **Sustainability Investment List (THSI)** by the Stock Exchange of Thailand. The ratings are updated on an annual basis. FSS International Investment Advisory Company Limited does not confirm nor certify the accuracy of such ratings.

CG Score by the Thai Institute of Directors Association (Thai IOD)¹

The **CG Score** indicates corporate governance (CG) strength in the sustainable development of Thai listed companies. Annually, the Thai IOD, with support from the Stock Exchange of Thailand (SET), surveys and assesses the CG practices of companies and publishes the results on the [Thai IOD website](#) in a bid to promote and enhance the CG of Thai listed companies in order to promote compliance with international standards for better investment decisions. The results are from the perspective of a third party, not an evaluation of operations, as of the date appearing in the report, and may be changed after that date.

The **five underlying categories and weighting** used for the CG scoring in 2022 include the rights of shareholders and equitable treatment of shareholders (weight 25% combined), the role of stakeholders (25%), disclosure and transparency (15%), and board responsibilities (35%).

The CGR report rates CG in six categories: 5 for Excellent (score range 90-100), 4 for Very Good (score range 80-89), 3 for Good (Score range 70-79), 2 for Fair (score range 60-69), 1 for Pass (score range 60-69), and not rated (score below 50).

AGM Checklist by the Thai Investors Association (TIA)²

The "**AGM Checklist**" quantifies the extent to which shareholders' rights and equitable treatment are incorporated into business operations and the extent to which information is sufficiently disclosed and the level of its transparency. All the considered factors form important elements of two out of five the CG components. Annually, the TIA, with support from the SEC, leads the project to evaluate the quality of Annual General Meetings of Shareholders (AGMs) and to rate quality of the meetings.

The **Checklist** contains the minimum requirements under law that companies must comply with, or best practices according to international CG guidance. Representatives of the TIA will attend the meetings and perform the evaluation. The assessment criteria cover AGM procedures before the meeting (45%), at the meeting date (45%), and after the meeting (10%). The first assesses 1) advance circulation of sufficient information for voting; and 2) facilitating of how voting rights can be exercised. The second assesses 1) the ease of attending meetings; 2) transparency and verifiability; and 3) openness for Q&A. The third involves the meeting minutes that should contain discussion issues, resolutions and voting results.

The results are classified into four categories: 5 for Excellent (score 100), 4 for Very Good (score 90-99), 3 for Fair (score 80-89), and not rated (score below 79).

CAC certified member by the Thai Private Sector Collective Action Against Corruption (CAC)³

A **CAC certified member** is a listed company whose Checklist satisfies the CAC Certification's criteria and is approved by the CAC Council. The core elements of the Checklist include corruption risk assessment, establishment of key controls, and the monitoring and developing of policies. Note that the CAC does not certify the behaviour of the employees nor whether the companies have engaged in bribery, and Certification is good for three years.

Companies deciding to become a CAC certified member **start with** by submitting a Declaration of Intent signed by the Chairman of the Board to kick off the 18-month deadline for companies to submit the CAC Checklist for Certification. The 18-month provision is for risk assessment, in place of policy and control, training of managers and employees, establishment of whistleblowing channels, and communication of policies to all stakeholders.

The checklist document will be reviewed by the CAC Certification Committee for adequate information and evidence. It is worth noting that the committee consists of nine professionals in business law, corporate governance, internal audit, financial audit and experienced representatives from certified members.

A passed Checklist will move on to the **CAC Council** for granting certification approvals. The CAC Council consists of twelve prominent individuals who are highly respected in professionalism and ethical achievements. Among them are former ministers, a former central bank governor, the former head of the Thai Listed Companies Association, Chairman of Anti-Corruption Organizations (Thailand), Chairman of Thai Institute of Directors, and reputable academic scholars.

Sustainability Investment (THSI)⁴ by the Stock Exchange of Thailand (SET)

Thailand Sustainability Investment (**THSI**) quantifies responsibility in **E**nvironmental, and **S**ocial issues, by managing business with transparency in **G**overnance. The THSI serves as another choice for investors who desire to adopt a responsible investment approach, according to the SET.

Annually, the SET will announce the voluntary participation of the company candidates which pass the preemptive criteria, and whose two key crucial conditions are met, i.e. no irregular trading of the board members and executives and a free float of >15% by the number of shareholders, and combined holding must >15% of paid-up capital. Some key disqualifying criteria include a CG score of below 70%; independent directors and free float violation; executives' wrongdoing related to CG, social and environmental impacts, equity in negative territory, and earnings in the red for more than three years in the last five years. To become eligible for THSI, the candidate must pass three indicators in data declaration: **E**conomic (CG, risk management, customer relation management, supply chain management, and innovation); **E**nvironmental (environmental management, eco-efficiency, and climate risk); **S**ocial (human rights, talent attraction, operational health & safety, community development, and stakeholder engagement); and the incorporation of ESG in business operations.

To be approved for THSI inclusion, verified data must be scored at a 50% minimum for each indicator, unless the company is a part of the Dow Jones Sustainability Indices⁵ (DJSI) during the assessment year. The scoring will be fairly weighted against the nature of the relevant industry and materiality.

Note that, from the **THSI list**, the SET further developed a sustainability **SETTHSI Index** in June 2018 from selected THSI companies whose 1) market capitalisation > THB5b (~USD150b); 2) free float >20%; and 3) liquidity >0.5% of paid-up capital for at least 9 out of 12 months. The SETTHSI Index is a market capitalisation-weighted index, cap 5% quarterly weight at maximum, and no cap for number of stocks.

Sources: [SEC](#); [Thai IOD](#); [Thai CAC](#); [SET](#); FSSIA's compilation

Disclaimer:

¹ Thai Institute of Directors Association ([Thai IOD](#)) was established in December 1999 and is a membership organisation that strives to promote professionalism in directorship. The Thai IOD offers directors certification and professional development courses, provides a variety of seminars, forums and networking events, and conducts research on board governance issues and practices. Membership comprises board members from companies ranging from large publicly listed companies to small private firms.

² Thai Investors Association ([TIA](#)) was established in 1983 with a mission to promote investment knowledge and to protect the investment rights of Thai investors. In 2002, the association was appointed by the Securities and Exchange Commission (SEC) to represent individual shareholders. To obtain information for evaluation, the association recruits volunteer investors to join AGMs and score the meetings. Weightings for each meeting are at a 45:45:10 ratio. They have been applied since 2017 and subject to change.

³ Thai Private Sector Collective Action against Corruption ([CAC](#)) was founded in 2010 and is 100% privately funded. It is an initiative by the Thai private sector to take part in tackling corruption problems via collective action. The CAC promotes the implementation of effective anti-corruption policies in order to create a transparent business ecosystem by developing a unique certification program for large/medium/small companies to apply for and to control corruption risk systematically and efficiently. The CAC's operations are sponsored by the US-based Center for Private Enterprise (CIPE) and the UK Prosperity Fund.

⁴ Sustainability Investment List ([THSI](#)), created by the Stock Exchange of Thailand in 2015, comprises the listed companies that conduct sustainable business operations.

⁵ Dow Jones Sustainability Indices – [Wikipedia](#) – Launched in 1999, DJSI evaluates the sustainability performance of companies based on corporate economic, environmental, and social performance.

GENERAL DISCLAIMER

ANALYST(S) CERTIFICATION

Usanee Liurut, CISA FSS International Investment Advisory Securities Co., Ltd

The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s) was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed herein.

This report has been prepared by FSS International Investment Advisory Company Limited (FSSIA). The information herein has been obtained from sources believed to be reliable and accurate; however FSS makes no representation as to the accuracy and completeness of such information. Information and opinions expressed herein are subject to change without notice. FSS has no intention to solicit investors to buy or sell any security in this report. In addition, FSS does not guarantee returns nor price of the securities described in the report nor accept any liability for any loss or damage of any kind arising out of the use of such information or opinions in this report. Investors should study this report carefully in making investment decisions. All rights are reserved.

This report may not be reproduced, distributed or published by any person in any manner for any purpose without permission of FSSIA. Investment in securities has risks. Investors are advised to consider carefully before making investment decisions.

Company	Ticker	Price	Rating	Valuation & Risks
Kiatnakin Bank	KKP TB	THB 60.00	HOLD	Downside risks to our GGM-based target price include weakening asset quality and lower fee income and upside risks include better capital market conditions, higher used car price, and strengthening asset quality.
Bangkok Bank	BBL TB	THB 158.00	BUY	Downside risks to our GGM-based TP are 1) prolonged economic sluggishness affecting loan growth and asset quality; and 2) the impact of new regulations from the Bank of Thailand.
Kasikornbank	KBANK TB	THB 132.50	BUY	Downside risks to our GGM-based TP are 1) prolonged economic sluggishness affecting loan growth and asset quality; and 2) the impact of new regulations from the Bank of Thailand.
Krung Thai Bank	KTB TB	THB 19.60	BUY	Downside risks to our GGM-based TP are 1) prolonged economic sluggishness affecting loan growth and asset quality; and 2) the impact of new regulations from the Bank of Thailand.
SCB X	SCB TB	THB 108.50	BUY	Downside risks to our GGM-based TP are 1) prolonged economic sluggishness affecting loan growth and asset quality; and 2) the impact of new regulations from the Bank of Thailand.
Tisco Financial	TISCO TB	THB 97.25	BUY	Downside risks to our GGM-based TP are 1) prolonged economic sluggishness affecting loan growth and asset quality; and 2) the impact of new regulations from the Bank of Thailand.
TMBThanachart Bank	TTB TB	THB 1.56	BUY	Downside risks to our GGM-based TP are 1) prolonged economic sluggishness affecting loan growth and asset quality; and 2) the impact of new regulations from the Bank of Thailand.

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 14-Jul-2023 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.