

# KIATNAKIN BANK KKP TB

THAILAND / BANKING

## HOLD

  
 UNCHANGED

## 2H23 outlook remains gloomy

- KKP will focus on new loan growth via quality customers while accelerating improvements in the repossessed car business to reduce losses.
- We cut 2023-25E net profit to reflect the new business targets.
- Maintain HOLD – negative sentiment remains.

TARGET PRICE	THB60.00
CLOSE	THB55.75
UP/DOWNSIDE	+7.6%
PRIOR TP	THB65.00
CHANGE IN TP	-7.7%
TP vs CONSENSUS	-19.3%

### KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Operating profit	9,490	8,270	9,532	10,316
Net profit	7,602	6,600	7,611	8,232
EPS (THB)	8.98	7.79	8.99	9.72
vs Consensus (%)	-	(13.3)	(7.2)	(7.5)
Recurring net profit	7,602	6,600	7,611	8,232
Core EPS (THB)	8.98	7.79	8.99	9.72
Chg. In EPS est. (%)	-	(11.8)	(9.5)	(10.6)
EPS growth (%)	20.3	(13.2)	15.3	8.2
Core P/E (x)	6.2	7.2	6.2	5.7
Dividend yield (%)	5.8	5.8	6.3	6.6
Price/book (x)	0.8	0.8	0.7	0.7
ROE (%)	14.0	11.0	11.8	11.9
ROA (%)	1.6	1.3	1.4	1.4

### Focus on credit quality, reduce losses on repossessed cars

At KKP's analyst meeting today, management focused mainly on asset quality, the approach to managing losses from repossessed cars (including setting up a new department for improving losses on car repossessions), proactive management to pre-empt the slippage of loans (especially the used car segment into Stage 2 and 3 loans), screen better-qualified customers, and proactive collection strategies. Management insisted that the aggressive lending growth policy during 2020-22 was the right decision – reflected in the higher profit base approaching THB8b in 2022 when KKP focused more on used car loans. However, when the economic situation did not recover as expected, it took 6-9 months to see the impact of deteriorating credit quality, so the bank tightened used car lending from 4Q22 onward, with credit quality improving in 2023.

### Revised down 2023 business targets to reflect 1H23 performance

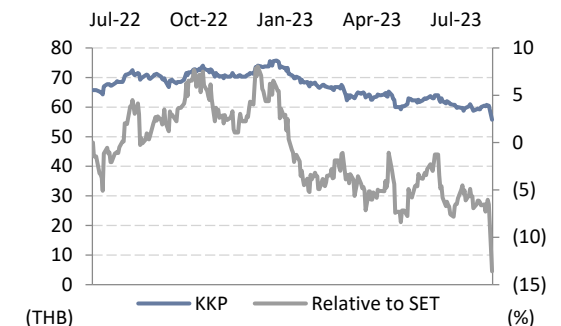
Based on the 1H23 results, KKP revised its 2023 business targets, mainly downgrading the key targets such as ROE and loans, and increasing NPL and credit cost (including losses from repossessed cars). As a result, we downgrade our 2023-25E net profit by 12%, 10%, and 11%, respectively, mainly from the higher-than-expected credit cost. KKP has an optimistic outlook for credit costs in 2024 to fall back to the 2022 level at around 202bp, driven by the positive results from credit quality improvement. However, we remain cautious, maintaining our credit cost assumptions at 231bp in 2024 and 213bp in 2025.

### Weaker 2H23E performance compared to 1H23

We expect 2H23 profit to be weaker, mainly from the high credit cost level to tackle the new NPL inflow, write-offs, and continued losses from repossessed cars. 3Q23 could be the worst quarter, then pick up in 4Q23, supported by a potential recovery for repossessed cars.

### 2023 TP cut to THB60, maintain HOLD

We cut our 2023 GGM-based TP to THB60, implying a P/BV of 0.83x (from THB65, implying a P/BV of 0.88x). We maintain HOLD. Though the share price has largely factored in the negative results, it is unlikely to outperform the sector averages amid the asset quality concerns.



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(7.1)	(12.9)	(11.5)
Relative to country (%)	(8.2)	(10.9)	(9.8)
Mkt cap (USD m)	1,371		
3m avg. daily turnover (USD m)	6.5		
Free float (%)	93		
Major shareholder	Thai NVDR (8%)		
12m high/low (THB)	76.25/55.50		
Issued shares (m)	847		

Sources: Bloomberg consensus; FSSIA estimates



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### 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 on the capital market situation; pressuring fee income, advisory income, and investment gains.
- Credit cost should rise mainly from its high exposure to losses from repossessed cars.
- We expect KKP's net profit growth to be at 3% CAGR, lower than the industry's average of 15% CAGR, during 2023-25.
- We do not think KKP's share price can outperform the sector average in the near term under the current circumstances.

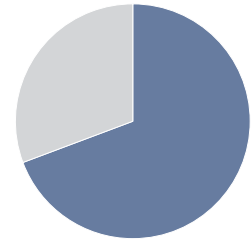
### Company profile

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

### Principal activities (revenue, 2022)

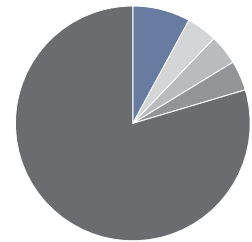
- Net interest income - 69.3 %
- Non-interest income - 30.7 %



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 prices, and strengthening asset quality.

### Event calendar

Date	Event
19-20 Oct 2023	3Q23 results announcement

### Key assumptions

	2023E	2024E	2025E
	(%)	(%)	(%)
Net profit (THB m)	6,600	7,611	8,232
Net profit growth (%)	(13.2)	15.3	8.2
Loan growth (%)	10.0	10.0	10.0
Fee growth (%)	(11.4)	7.0	5.4
Non-NII growth (%)	(4.5)	5.4	4.4
Credit cost (bp)	280	231	213
NPL ratio (%)	3.51	3.46	3.46
LLR/NPL (%)	131	135	140

Source: FSSIA estimates

### Earnings sensitivity

		----- 2023E -----		
<b>Loan growth (%)</b>	<b>±2ppt</b>	8	<b>10</b>	12
<i>% change in net profit</i>		(0.6)	-	+0.6
<b>NIM (%)</b>	<b>±5bp</b>	4.33	<b>4.38</b>	4.43
<i>% change in net profit</i>		(2)	-	+2
<b>Credit cost (bp)</b>	<b>±10bp</b>	270	<b>280</b>	290
<i>% change in net profit</i>		+5	-	(5)

Source: FSSIA estimates

**Exhibit 1: Changes in key assumptions**

	Current			Previous			Change		
	2023E	2024E	2025E	2023E	2024E	2025E	2023E (%)	2024E (%)	2025E (%)
Net profit (THB m)	6,600	7,611	8,232	7,482	8,414	9,203	-11.8%	-9.5%	-10.6%
Net profit growth (%)	(13.2)	15.3	8.2	(1.6)	12.5	9.4			
Loan growth (%)	10.0	10.0	10.0	10.0	10.0	10.0			
Fee growth (%)	(11.4)	7.0	5.4	(11.4)	7.0	5.4			
Non-NII growth (%)	(4.5)	5.4	4.4	(12.1)	9.9	4.5			
Credit cost (bp)	280	231	213	230	206	188	50	25	25
NPL ratio (%)	3.51	3.46	3.46	3.39	3.39	3.39			
LLR/NPL (%)	131	135	140	158	169	179			

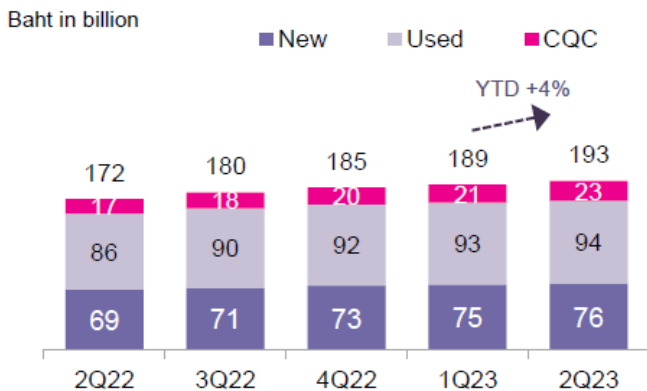
Source: FSSIA estimates

**Exhibit 2: KKP – GGM-based TP**

Target price	New	Old
	THB60.00	THB65.00
Sustainable ROE	12.0%	12.0%
g	2.0%	2.0%
ROE-g	10.0%	10.0%
Beta	1.08	1.08
RF	2.50%	2.50%
MRP	10.7%	10.0%
COE	14.1%	13.3%
COE-g	12.1%	11.3%
ROE-g / COE-g (PBV)	0.83x	0.88x

Source: FSSIA estimates

**Exhibit 4: KKP’s hire purchase loans, 2Q23**



Source: KKP

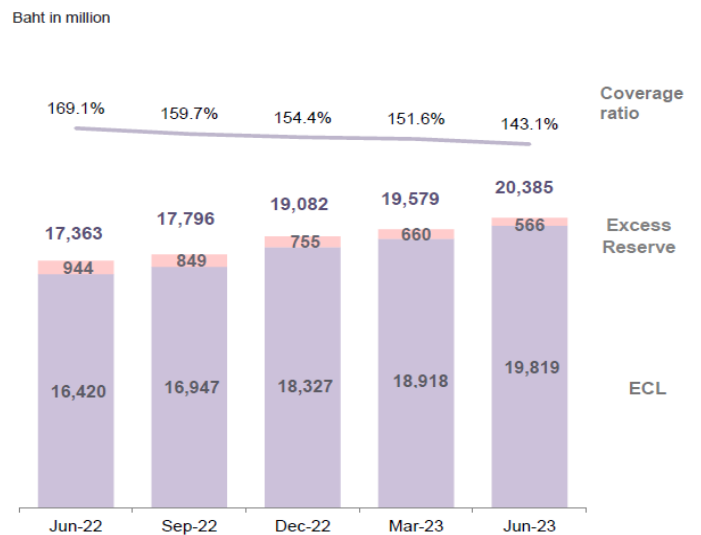
**Exhibit 3: 2023 key financial guidance vs FSSIA estimates**

	2023E			
	KKP		FSSIA	
	New	Old	New	Old
ROE	~11-12% <sup>3</sup>	~13.0% <sup>3</sup>	11.0%	12.4%
Loan growth	~10.0%	~13.0%	10.0%	10.0%
NPL ratio (gross) <sup>1</sup>	~3.5%	~3.1%	3.51%	3.4%
Credit cost (bp) <sup>2</sup>	~260-280	~220	280	230

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

Sources: KKP; FSSIA estimates

**Exhibit 5: Allowance for ECL, Jun-23**



Source: KKP

## Financial Statements

Kiatnakin Bank

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Interest Income	19,489	23,671	29,236	32,410	35,701
Interest expense	(3,788)	(4,589)	(7,986)	(9,243)	(10,224)
Net interest income	15,701	19,081	21,250	23,167	25,477
Net fees & commission	6,074	6,165	5,465	5,848	6,164
Foreign exchange trading income	(158)	831	1,200	1,200	1,200
Securities trading income	(10)	(4)	0	0	0
Dividend income	1,329	507	550	561	572
Other income	1,309	958	865	908	954
Non interest income	8,545	8,457	8,080	8,517	8,890
Total income	24,246	27,539	29,330	31,685	34,367
Staff costs	(6,428)	(6,954)	(7,163)	(7,378)	(7,820)
Other operating costs	(4,820)	(6,058)	(7,036)	(8,305)	(9,113)
Operating costs	(11,248)	(13,013)	(14,199)	(15,683)	(16,934)
Pre provision operating profit	12,998	14,526	15,132	16,002	17,433
Expected credit loss	(5,201)	(5,036)	(6,862)	(6,470)	(7,117)
Other provisions	-	-	-	-	-
Operating profit	7,797	9,490	8,270	9,532	10,316
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	8,270	9,532	10,316
Tax	(1,442)	(1,873)	(1,654)	(1,906)	(2,063)
Profit after tax	6,355	7,616	6,616	7,626	8,253
Non-controlling interest	(37)	(14)	(16)	(15)	(21)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	6,318	7,602	6,600	7,611	8,232
Non recurring items & goodwill (net)	-	-	0	0	0
Recurring net profit	6,318	7,602	6,600	7,611	8,232
<b>Per share (THB)</b>					
Recurring EPS *	7.46	8.98	7.79	8.99	9.72
Reported EPS	7.46	8.98	7.79	8.99	9.72
DPS	2.95	3.25	3.25	3.50	3.70
<b>Growth</b>					
Net interest income (%)	7.0	21.5	11.4	9.0	10.0
Non interest income (%)	30.4	(1.0)	(4.5)	5.4	4.4
Pre provision operating profit (%)	22.8	11.8	4.2	5.7	8.9
Operating profit (%)	20.2	21.7	(12.9)	15.3	8.2
Reported net profit (%)	23.3	20.3	(13.2)	15.3	8.2
Recurring EPS (%)	23.3	20.3	(13.2)	15.3	8.2
Reported EPS (%)	23.3	20.3	(13.2)	15.3	8.2
<b>Income Breakdown</b>					
Net interest income (%)	64.8	69.3	72.5	73.1	74.1
Net fees & commission (%)	25.1	22.4	18.6	18.5	17.9
Foreign exchange trading income (%)	(0.7)	3.0	4.1	3.8	3.5
Securities trading income (%)	0.0	0.0	-	-	-
Dividend income (%)	5.5	1.8	1.9	1.8	1.7
Other income (%)	5.4	3.5	2.9	2.9	2.8
<b>Operating performance</b>					
Gross interest yield (%)	5.31	5.43	6.02	6.17	6.21
Cost of funds (%)	1.19	1.20	1.87	2.01	2.04
Net interest spread (%)	4.12	4.23	4.15	4.16	4.17
Net interest margin (%)	4.3	4.4	4.4	4.4	4.4
Cost/income(%)	46.4	47.3	48.4	49.5	49.3
Cost/assets(%)	2.8	2.8	2.7	2.8	2.8
Effective tax rate (%)	18.5	19.7	20.0	20.0	20.0
Dividend payout on recurring profit (%)	39.5	36.2	41.7	38.9	38.1
ROE (%)	13.0	14.0	11.0	11.8	11.9
ROE - COE (%)	2.2	3.2	0.2	1.0	1.1
ROA (%)	1.6	1.6	1.3	1.4	1.4
RORWA (%)	2.1	2.2	1.7	1.9	1.9

\* 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)	(18,831)	(21,101)	(24,017)
interest in suspense	8,743	10,403	11,338	12,471	13,718
<b>Net customer loans</b>	<b>299,148</b>	<b>364,871</b>	<b>403,286</b>	<b>443,228</b>	<b>486,745</b>
Bank loans	55,238	45,732	48,934	51,625	54,981
Government securities	-	-	-	-	-
Trading securities	-	-	-	-	-
Investment securities	39,227	50,571	41,745	45,125	48,803
Cash & equivalents	1,242	1,000	1,181	1,029	1,022
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	22,659	21,030	19,404
<b>Total assets</b>	<b>436,123</b>	<b>507,637</b>	<b>536,980</b>	<b>582,600</b>	<b>632,689</b>
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	-	-	-	-	-
<b>Total liabilities</b>	<b>384,961</b>	<b>449,526</b>	<b>474,905</b>	<b>515,547</b>	<b>560,241</b>
Share capital	8,468	8,468	8,468	8,468	8,468
Reserves	42,579	49,356	53,305	58,269	63,648
<b>Total equity</b>	<b>51,046</b>	<b>57,824</b>	<b>61,772</b>	<b>66,736</b>	<b>72,115</b>
Non-controlling interest	116	288	302	317	333
<b>Total liabilities &amp; equity</b>	<b>436,123</b>	<b>507,637</b>	<b>536,980</b>	<b>582,600</b>	<b>632,689</b>
<b>Supplementary items</b>					
Risk weighted assets (RWA)	313,428	374,621	385,910	418,697	454,694
Average interest earning assets	366,771	435,557	485,599	525,033	574,717
Average interest bearing liabilities	319,492	380,922	426,263	459,419	501,294
CET 1 capital	42,676	49,906	49,906	45,787	54,200
Total capital	54,380	62,299	62,299	58,180	66,594
Gross non performing loans (NPL)	10,191	13,031	14,399	15,623	17,186
<b>Per share (THB)</b>					
Book value per share	60.28	68.29	72.95	78.81	85.17
Tangible book value per share	54.85	62.69	67.36	73.22	79.57
<b>Growth</b>					
Gross customer loans	15.9	21.7	10.0	10.0	10.0
Average interest earning assets	17.9	18.8	11.5	8.1	9.5
Total asset (%)	20.0	16.4	5.8	8.5	8.6
Risk weighted assets (%)	8.7	19.5	3.0	8.5	8.6
Customer deposits (%)	14.7	14.9	7.7	10.1	10.2
<b>Leverage &amp; capital measures</b>					
Customer loan/deposits (%)	103.7	110.1	113.0	112.8	112.4
Equity/assets (%)	11.7	11.4	11.5	11.5	11.4
Tangible equity/assets (%)	10.7	10.5	10.6	10.6	10.6
RWA/assets (%)	71.9	73.8	71.9	71.9	71.9
CET 1 CAR (%)	13.6	13.3	12.9	10.9	11.9
Total CAR (%)	17.4	16.6	16.1	13.9	14.6
<b>Asset Quality (FSSIA's calculation)</b>					
Change in NPL (%)	20.5	27.9	10.5	8.5	10.0
NPL/gross loans (%)	3.3	3.5	3.5	3.5	3.5
Allowance for ECL/gross loans (%)	5.4	5.1	4.6	4.7	4.8
Allowance for ECL/NPL (%)	162.0	145.6	130.8	135.1	139.8
<b>Valuation</b>					
Recurring P/E (x) *	7.5	6.2	7.2	6.2	5.7
Recurring P/E @ target price (x) *	8.0	6.7	7.7	6.7	6.2
Reported P/E (x)	7.5	6.2	7.2	6.2	5.7
Dividend yield (%)	5.3	5.8	5.8	6.3	6.6
Price/book (x)	0.9	0.8	0.8	0.7	0.7
Price/tangible book (x)	1.0	0.9	0.8	0.8	0.7
Price/tangible book @ target price (x)	1.1	1.0	0.9	0.8	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)<sup>1</sup>

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)<sup>2</sup>

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)<sup>3</sup>

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)<sup>4</sup> 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 >150 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 Indices<sup>5</sup> (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:

<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> 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.

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

<sup>5</sup> 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

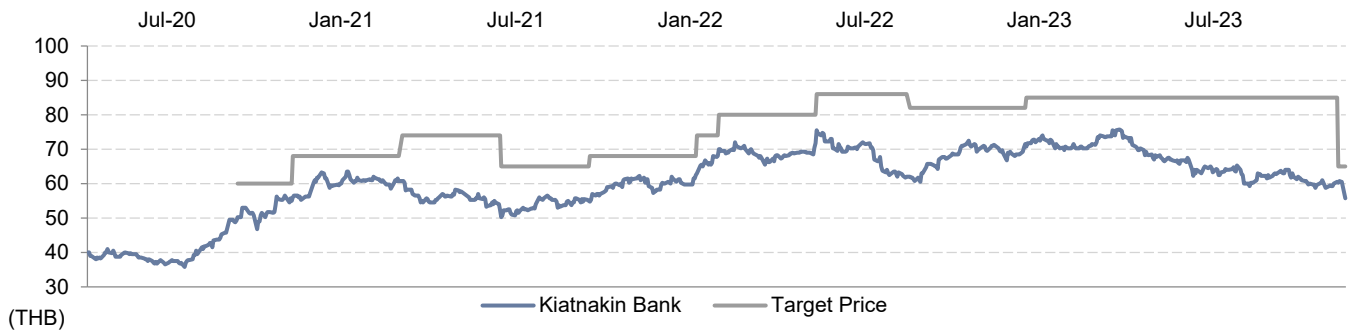
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**History of change in investment rating and/or target price**

**Kiatnakin Bank (KKP TB)**



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
03-Dec-2020	BUY	60.00	05-Oct-2021	BUY	68.00	08-Jul-2022	BUY	82.00
20-Jan-2021	BUY	68.00	06-Jan-2022	BUY	74.00	19-Oct-2022	BUY	85.00
23-Apr-2021	BUY	74.00	25-Jan-2022	BUY	80.00	17-Jul-2023	HOLD	65.00
20-Jul-2021	BUY	65.00	20-Apr-2022	BUY	86.00			

Usanee Liurut, CISA started covering this stock from 17-Jul-2023

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Kiatnakin Bank	KKP TB	THB 55.75	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 prices, and strengthening asset quality.

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-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.