

KIATNAKIN BANK KKP TB

THAILAND / BANKING

HOLD

UNCHANGED

TARGET PRICE	THB55.00
CLOSE	THB51.50
UP/DOWNSIDE	+6.8%
PRIOR TP	THB60.00
CHANGE IN TP	-8.3%
TP vs CONSENSUS	-11.0%

A bumpy road to recovery

- We were disappointed with KKP's 3Q23 results, which still showed weaker-than-expected asset quality.
- We have decreased our 2023-25E earnings to reflect lower-than-expected non-NII, pressured by poor market conditions.
- We maintain our HOLD call after cutting 2024 TP to THB55.

3Q23 results were sharply below our estimates and consensus

KKP reported a 3Q23 net profit of THB1.28b, declining 9.1% q-q and 38.5% y-y, mainly pressured by a higher loss from sales of foreclosed assets and lower non-interest income. PPOP also dropped by 12.9% q-q and 14.5% y-y, due primarily to a decline in non-NII, while net interest income still showed impressive growth in tandem with interest rate hikes, which also benefited NIM. Loan growth was lower than expected, increasing 0.5% q-q and 11.5% y-y, led by corporate and retail lending. The YTD loan increased by 7.4%, in line with KKP's and our guidance of 10% y-y. Asset quality continued deteriorating despite a slight decrease in the NPL ratio (FSSIA's calculation) and stable coverage ratio from 2Q23. 9M23 net profit accounted for 72% of our 2023 forecasts.

Prolonged weak asset quality and high credit cost

Although NPL was under control, KKP proactively managed the quality of its loan portfolios through debt restructuring, write-offs, and various assistance measures. There was a positive development in both NPL and coverage ratios. The NPL ratio (FSSIA's calculation) decreased to 3.53% from 3.57% in 2Q23, while the coverage ratio increased slightly to 143% from 142% in 2Q23. However, stage 2 loans increased by 4.5% q-q and 12.7% y-y. Overall credit cost jumped to 304bp from 292bp in 2Q23. If excluding the loss from sales of foreclosed assets, the credit cost decreased to 168bp from 192bp. KKP also disclosed a plan to release its excess reserve of THB283m by the end of 2023.

Revised down 2023-25E earnings to reflect poor 9M23 results

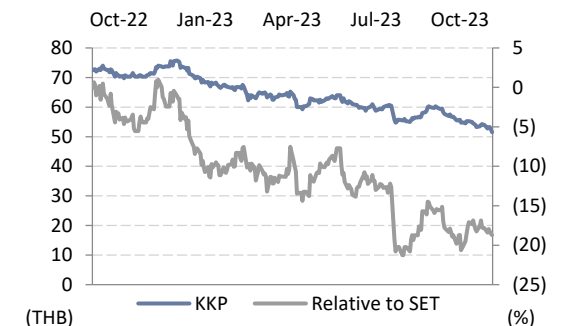
We still have a negative view of KKP's 4Q23 outlook. It has pressures mainly from the prospect of a stubbornly high level of ECL and a loss from sales of repossessed assets due to poor asset quality. We have, therefore, cut our 2023-25E net profit by 9.9%-19.0% to reflect the prolonged asset quality management and unfavorable market conditions, which would hurt its fees, investment, and other non-NII income as shown in Exhibit 1.

Maintain HOLD, our 2024 TP cut to THB55

We reiterate our HOLD call for KKP. Our 2024 GGM-based TP decreases to THB55 (vs our prior 2023 TP of THB60), implying a P/BV of 0.71x (from 0.83x).

KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Operating profit	9,490	7,454	8,496	9,342
Net profit	7,602	5,947	6,779	7,452
EPS (THB)	8.98	7.02	8.01	8.80
vs Consensus (%)	-	(12.9)	(10.9)	(12.1)
Recurring net profit	7,602	5,947	6,779	7,452
Core EPS (THB)	8.98	7.02	8.01	8.80
Chg. In EPS est. (%)	-	(9.9)	(10.9)	(9.5)
EPS growth (%)	20.3	(21.8)	14.0	9.9
Core P/E (x)	5.7	7.3	6.4	5.9
Dividend yield (%)	6.3	6.3	6.0	6.6
Price/book (x)	0.8	0.7	0.7	0.6
ROE (%)	14.0	10.0	10.7	11.0
ROA (%)	1.6	1.1	1.2	1.2



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(7.2)	(14.9)	(27.2)
Relative to country (%)	1.0	(7.0)	(17.2)
Mkt cap (USD m)	1,194		
3m avg. daily turnover (USD m)	6.3		
Free float (%)	93		
Major shareholder	Thai NVDR (8%)		
12m high/low (THB)	76.25/51.00		
Issued shares (m)	847		

Sources: Bloomberg consensus; FSSIA estimates



Usanee Liurut, CISA

Fundamental Investment Analyst on Capital Market; License no. 017928
usanee.l@fssia.com, +66 2646 9967

Maeta CherdSATIRAKUL

Research Assistant
maeta.c@fssia.com, +66 2646 9971

Investment thesis

We have a negative view of 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 4Q23 based on the capital market situation, which would pressure fee income, advisory income, and investment gains.
- The credit cost should rise mainly from high exposure to losses from repossessed cars.
- We do not think KKP's share price could outperform the sector average in the near term under the current circumstances.

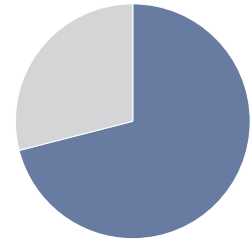
Company profile

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, 20223)

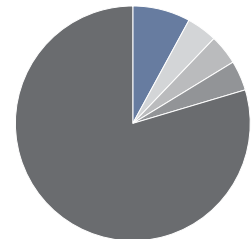
- Net interest income - 71.0 %
- Non-interest income - 29.0 %



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 both banks and non-banks.
- 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. By contrast, upside risks comprise better capital market conditions, higher used car prices, and strengthening asset quality.

Event calendar

Date	Event
25 Oct 2023	Post 3Q23 result analyst meeting
22-23 Feb 2024	2023 result announcement

Key assumptions

	2023E	2024E	2025E
Net profit (THB m)	5,947	6,779	7,452
Net profit growth (%)	(21.8)	14.0	9.9
Loan growth (%)	10.0	10.0	10.0
Fee growth (%)	(11.4)	7.0	5.4
Non-NII growth (%)	(14.5)	6.0	4.8
Credit cost (bp)	260	231	213
NPL ratio (%)	3.51	3.46	3.46
LLR/NPL (%)	140	142	142

*1. NPLs 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

Source: FSSIA estimates

Earnings sensitivity

		----- 2024E -----		
Loan growth	±2ppt	8	10	12
<i>% change in net profit</i>		(1)	-	+1
Loan spread (%)	±5bp	4.99	5.14	5.19
<i>% change in net profit</i>		(3)	-	+3
Credit cost (bp)	±10bp	221	231	241
<i>% change in net profit</i>		+5	-	(5)

Source: FSSIA estimates

Exhibit 1: 2023-25E earnings revision

	New			Previous			Change		
	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E
Net profit (THB m)	5,947	6,779	7,452	6,600	7,611	9,203	-9.9%	-10.9%	-19.0%
Net interest income (THB m)	22,510	23,888	25,847	21,250	23,167	25,477	5.9%	3.1%	1.5%
Non-interest income (THB m)	7,230	7,663	8,032	8,080	8,517	8,890	-10.5%	-10.0%	-9.7%
ECL (including loss from sales of repossessed assets) (THB m)	10,178	9,970	10,117	10,962	9,970	10,117	-7.2%	0.0%	0.0%
Net profit growth (%)	(21.8)	14.0	9.9	(13.2)	15.3	8.2			
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 (%)	(14.5)	6.0	4.8	(4.5)	5.4	4.4			
Credit cost (bp)	260	231	213	280	231	213			
NPL ratio (%)	3.51	3.46	3.46	3.51	3.46	3.46			
LLR/NPL (%)	140	142	142	131	135	140			

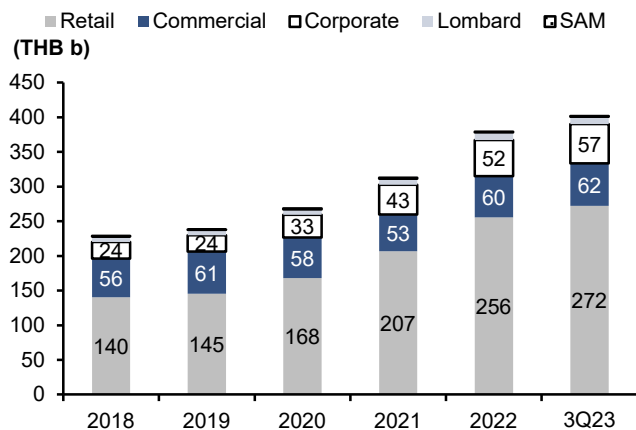
Source: FSSIA estimates

Exhibit 2: KKP – GGM-based TP, 2024E revision

	New	Previous
Sustainable ROE	10.6%	12.0%
g	2.0%	2.0%
ROE-g	8.6%	10.0%
Beta	1.08	1.08
Risk free rate	2.5%	2.5%
Risk premium	10.7%	10.7%
COE	14.1%	14.1%
COE-g	12.1%	12.1%
ROE-g/COE-g ; PBV (x)	0.71	0.83

Source: FSSIA estimates

Exhibit 4: Loan breakdown



Sources: KKP; FSSIA's compilation

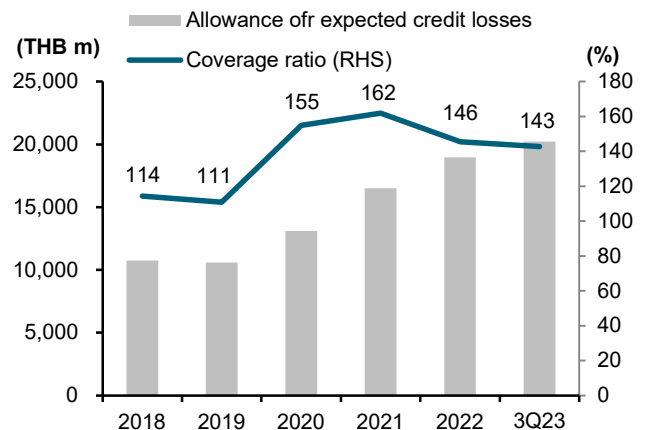
Exhibit 3: 2023 key financial guidance vs FSSIA estimates

Key financial guidance	KKP* 2022	KKP* 2023E	FSSIA** 2023E
ROE	13.60%	~11-12%3	14.0%
Loan growth	21.40%	~10.0%	10.0%
Loan spread	5.40%	~5.0%	5.8%
NPL ratio (gross) 1	3.30%	~3.5%	3.5%
Credit cost (bp) (inc. GR) 2	210	~ 260-280	260

Note: *ROE comprehensive income; 1. NPLs ratio : Excluding amount classified as Purchased or Originated Credit-Impaired (POC) 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 5: Allowance for ECL, Sep-23



Sources: KKP; FSSIA's compilation

Exhibit 6: KKP – 3Q23s result summary

Year end Dec 31	3Q22	4Q22	1Q23	2Q23	3Q23	---- Change ----		9M22	9M23	Change	%of	2023E	Change
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)	(THB m)	(THB m)	(y-y %)	23E	(THB m)	(y-y %)
Net interest income	4,775	5,527	5,223	5,521	5,988	8.4	25.4	13,555	16,732	23.4	74	22,510	18
Non-interest income	2,028	2,620	1,718	1,902	1,456	(23.4)	(28.2)	5,838	5,076	(13.0)	70	7,230	(15)
Fee income - net	1,570	1,646	1,343	1,464	1,337	(8.6)	(14.8)	4,519	4,144	(8.3)	76	5,465	(11)
Total operating income	6,804	8,146	6,941	7,423	7,444	0.3	9.4	19,392	21,808	12.5	73	29,741	8
Total operating expenses	3,106	4,295	3,239	3,791	4,281	12.9	37.8	8,717	11,311	29.7	70	16,209	25
PPOP before tax	3,698	3,851	3,702	3,632	3,163	(12.9)	(14.5)	10,675	10,497	(1.7)	78	13,532	(7)
Expected credit loss	1,089	2,069	1,097	1,878	1,678	(10.7)	54.0	2,967	4,653	56.8	77	6,078	21
Income tax	523	349	517	342	201	(41.3)	(61.5)	1,525	1,060	(30.4)	71	1,491	(20)
Non-controlling interest	2	4	3	3	4	18.6	70.7	11	10	(5.1)	64	16	12
Normalised profit	2,083	1,430	2,085	1,408	1,281	(9.1)	(38.5)	4,923	4,774	(3.0)	80	5,947	(22)
Net profit	2,083	1,430	2,085	1,408	1,281	(9.1)	(38.5)	6,172	4,774	(22.7)	80	5,947	(22)
EPS (THB)	2.46	1.69	2.46	1.66	1.51	(9.1)	(38.5)	7.29	5.64	(22.7)	80	7.02	(22)
Key ratios	3Q22	4Q22	1Q23	2Q23	3Q23	---- Change ----		9M22	9M23	Change		2023E	Change
Asset quality ratio	(%)	(%)	(%)	(%)	(%)	(q-q%)	(y-y%)	(THB m)	(THB m)	(y-y %)		(%)	(y-y %)
Gross NPLs (THB m)	11,149	12,362	12,980	14,248	14,170	(0.5)	27.1	11,149	14,170	27.1		14,399	
Change (% from prior period)	8.6	10.9	5.0	9.8	(0.5)			11.0	27.1			10.5	
NPL ratios (%) - reported	3.00	3.30	3.30	3.60	3.50			3.00	3.50				
NPL ratio (%)*	3.10	3.31	3.38	3.57	3.53			3.10	3.53			3.51	
Coverage ratio (%) - reported	160	154	152	143	145			160	145				
Coverage ratio (%)*	160	154	150	142	143			160	143			140	
Credit cost (bp) - incl loss from repossessed car	182	307	234	292	304			168	284			260	
Profitability ratio	(%)	(%)	(%)	(%)	(%)							(%)	
Cost to income ratio	45.7	52.7	46.7	51.1	57.5			45.0	51.9			54.5	
Average yield (%)	5.19	5.87	5.86	6.14	6.57			5.35	6.19			6.25	
Cost of funds (%)	1.18	1.32	1.68	1.82	2.00			1.17	1.83			1.87	
Loan spread	5.56	6.05	5.71	5.72	5.44			5.69	5.81			5.76	
NIM (%)*	4.15	4.71	4.38	4.53	4.80			4.32	4.57			4.61	
Non-int inc/total income (%)	29.8	32.2	24.7	25.6	19.6			30.1	23.3			24.3	
Loan growth	(%)	(%)	(%)	(%)	(%)							(%)	
q-q	7.0	3.8	2.8	3.9	0.5								
y-y	25.2	21.7	17.4	18.6	11.5			25.2	11.5			10.0	
Year-to-date	17.2	21.7	2.8	6.9	7.4			17.2	7.4				
KKP - Loss (gain) from repossessed cars	497.0	742.0	1,120.0	978.0	1,364.0			1,102	3,462			4,100	
Credit cost (bp) excl. loss from repossessed cars	125.2	225.7	115.9	191.9	167.7			122.3	163.1			155	

Sources: KKP; FSSIA estimates

Financial Statements

Kiatnakin Bank

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Interest Income	19,489	23,671	30,517	33,339	36,480
Interest expense	(3,788)	(4,589)	(8,007)	(9,451)	(10,633)
Net interest income	15,701	19,081	22,510	23,888	25,847
Net fees & commission	6,074	6,165	5,465	5,848	6,164
Foreign exchange trading income	(158)	831	550	550	550
Securities trading income	(10)	(4)	0	0	0
Dividend income	1,329	507	350	357	364
Other income	1,309	958	865	908	954
Non interest income	8,545	8,457	7,230	7,663	8,032
Total income	24,246	27,539	29,741	31,552	33,878
Staff costs	(6,428)	(6,954)	(7,163)	(7,378)	(7,820)
Other operating costs	(4,820)	(6,058)	(9,046)	(9,208)	(9,600)
Operating costs	(11,248)	(13,013)	(16,209)	(16,586)	(17,420)
Pre provision operating profit	12,998	14,526	13,532	14,966	16,459
Expected credit loss	(5,201)	(5,036)	(6,078)	(6,470)	(7,117)
Other provisions	-	-	-	-	-
Operating profit	7,797	9,490	7,454	8,496	9,342
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	7,454	8,496	9,342
Tax	(1,442)	(1,873)	(1,491)	(1,699)	(1,868)
Profit after tax	6,355	7,616	5,963	6,797	7,473
Non-controlling interest	(37)	(14)	(16)	(18)	(21)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	6,318	7,602	5,947	6,779	7,452
Non recurring items & goodwill (net)	-	-	0	0	0
Recurring net profit	6,318	7,602	5,947	6,779	7,452
Per share (THB)					
Recurring EPS *	7.46	8.98	7.02	8.01	8.80
Reported EPS	7.46	8.98	7.02	8.01	8.80
DPS	2.95	3.25	3.25	3.10	3.40
Growth					
Net interest income (%)	7.0	21.5	18.0	6.1	8.2
Non interest income (%)	30.4	(1.0)	(14.5)	6.0	4.8
Pre provision operating profit (%)	22.8	11.8	(6.8)	10.6	10.0
Operating profit (%)	20.2	21.7	(21.5)	14.0	10.0
Reported net profit (%)	23.3	20.3	(21.8)	14.0	9.9
Recurring EPS (%)	23.3	20.3	(21.8)	14.0	9.9
Reported EPS (%)	23.3	20.3	(21.8)	14.0	9.9
Income Breakdown					
Net interest income (%)	64.8	69.3	75.7	75.7	76.3
Net fees & commission (%)	25.1	22.4	18.4	18.5	18.2
Foreign exchange trading income (%)	(0.7)	3.0	1.8	1.7	1.6
Securities trading income (%)	0.0	0.0	-	-	-
Dividend income (%)	5.5	1.8	1.2	1.1	1.1
Other income (%)	5.4	3.5	2.9	2.9	2.8
Operating performance					
Gross interest yield (%)	5.31	5.43	6.25	6.29	6.30
Cost of funds (%)	1.19	1.20	1.87	2.04	2.10
Net interest spread (%)	4.12	4.23	4.38	4.25	4.20
Net interest margin (%)	4.3	4.4	4.6	4.5	4.5
Cost/income(%)	46.4	47.3	54.5	52.6	51.4
Cost/assets(%)	2.8	2.8	3.1	2.9	2.8
Effective tax rate (%)	18.5	19.7	20.0	20.0	20.0
Dividend payout on recurring profit (%)	39.5	36.2	46.3	38.7	38.6
ROE (%)	13.0	14.0	10.0	10.7	11.0
ROE - COE (%)	2.2	3.2	(0.8)	(0.1)	0.2
ROA (%)	1.6	1.6	1.1	1.2	1.2
RORWA (%)	2.1	2.2	1.5	1.6	1.7

* 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)	(20,147)	(22,116)	(24,333)
interest in suspense	8,743	10,403	11,338	12,471	13,718
Net customer loans	299,148	364,871	401,971	442,213	486,429
Bank loans	55,238	45,732	57,000	60,135	63,000
Government securities	-	-	-	-	-
Trading securities	22,365	18,703	12,500	13,125	13,781
Investment securities	16,862	31,868	25,848	28,432	31,276
Cash & equivalents	1,242	1,000	1,243	1,054	1,984
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
Total assets	436,123	507,637	540,395	586,552	637,609
Customer deposits	288,382	331,464	356,987	392,685	432,739
Bank deposits	16,664	20,175	22,193	24,412	26,365
Other interest bearing liabilities	43,805	61,354	64,422	67,643	71,025
Non interest bearing liabilities	36,110	36,532	35,372	36,242	36,957
Hybrid Capital	-	-	-	-	-
Total liabilities	384,961	449,526	478,973	520,983	567,086
Share capital	8,468	8,468	8,468	8,468	8,468
Reserves	42,579	49,356	52,652	56,784	61,722
Total equity	51,046	57,824	61,119	65,252	70,190
Non-controlling interest	116	288	302	317	333
Total liabilities & equity	436,123	507,637	540,395	586,552	637,609
Supplementary items					
Risk weighted assets (RWA)	313,428	374,621	398,795	432,857	470,536
Average interest earning assets	366,771	435,557	487,933	529,839	579,325
Average interest bearing liabilities	319,492	380,922	428,297	464,171	507,435
CET 1 capital	42,676	49,906	54,891	51,776	51,776
Total capital	54,380	62,299	67,285	64,170	64,170
Gross non performing loans (NPL)	10,191	13,031	14,399	15,623	17,186
Per share (THB)					
Book value per share	60.28	68.29	72.18	77.06	82.89
Tangible book value per share	54.85	62.69	66.59	71.47	77.30
Growth					
Gross customer loans	15.9	21.7	10.0	10.0	10.0
Average interest earning assets	17.9	18.8	12.0	8.6	9.3
Total asset (%)	20.0	16.4	6.5	8.5	8.7
Risk weighted assets (%)	8.7	19.5	6.5	8.5	8.7
Customer deposits (%)	14.7	14.9	7.7	10.0	10.2
Leverage & capital measures					
Customer loan/deposits (%)	103.7	110.1	112.6	112.6	112.4
Equity/assets (%)	11.7	11.4	11.3	11.1	11.0
Tangible equity/assets (%)	10.7	10.5	10.4	10.3	10.3
RWA/assets (%)	71.9	73.8	73.8	73.8	73.8
CET 1 CAR (%)	13.6	13.3	13.8	12.0	11.0
Total CAR (%)	17.4	16.6	16.9	14.8	13.6
Asset Quality (FSSIA's calculation)					
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	4.9	4.9	4.9
Allowance for ECL/NPL (%)	162.0	145.6	139.9	141.6	141.6
Valuation					
Recurring P/E (x) *	6.9	5.7	7.3	6.4	5.9
Recurring P/E @ target price (x) *	7.4	6.1	7.8	6.9	6.2
Reported P/E (x)	6.9	5.7	7.3	6.4	5.9
Dividend yield (%)	5.7	6.3	6.3	6.0	6.6
Price/book (x)	0.9	0.8	0.7	0.7	0.6
Price/tangible book (x)	0.9	0.8	0.8	0.7	0.7
Price/tangible book @ target price (x)	1.0	0.9	0.8	0.8	0.7

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Kiatnakin Bank; FSSIA estimates

Kiatnakin Phatra Bank PCL (KKP TB)

FSSIA ESG rating

★ ★ ★ ★

62.96/100

Exhibit 7: FSSIA ESG score implication

Rating	Score	Implication
★ ★ ★ ★ ★	>79-100	Leading its industry peers in managing the most significant ESG risks which not only better cost efficiency but also lead to higher profitability.
★ ★ ★ ★	>59-79	A mixed track record of managing the most significant ESG risks and opportunities relative to industry peers.
★ ★ ★	>39-59	Relevant ESG materiality matrix has been constructively addressed, well-managed and incorporated into day-to-day operations, in which targets and achievements are evaluated annually.
★ ★	>19-39	Relevant ESG materiality matrix has been identified with key management in charge for progress to be followed up on and to provide intensive disclosure. Most targets are conventional and achievable.
★	1-19	The company has adopted the United Nations Sustainable Development Goals (UN SDGs), established sustainability management guidelines and fully complies with regulations or ESG suggested guidance from related organizations such as the SET and SEC.

Sources: FSSIA estimates

Exhibit 8: ESG – peer comparison

	FSSIA ESG score	Domestic ratings						Global ratings				Bloomberg			
		DJSI	SET THSI	THSI	CG score	AGM level	Thai CAC	Morningstar	ESG Book	MSCI	Moody's	Refinitiv	S&P Global	ESG score	Disclosure score
SET100	69.20	5.34	4.40	4.40	4.76	4.65	3.84	Medium	51.76	BBB	20.87	58.72	63.91	3.72	28.17
Coverage	67.12	5.11	4.15	4.17	4.83	4.71	3.53	Medium	52.04	BB	16.97	56.85	62.09	3.40	31.94
BBL	62.08	--	Y	Y	5.00	5.00	Certified	Medium	54.70	--	29.00	58.68	67.00	2.19	60.06
KBANK	84.17	Y	Y	Y	5.00	5.00	Certified	Medium	62.19	AA	46.00	73.83	83.00	4.05	59.77
KTB	63.10	--	Y	Y	5.00	5.00	Certified	Medium	53.59	BBB	34.00	64.64	64.00	2.12	59.11
SCB	62.57	Y	Y	Y	5.00	4.00	--	High	--	A	--	--	86.00	3.43	--
KKP	62.96	--	Y	Y	5.00	5.00	Certified	Medium	52.81	BBB	--	77.56	26.00	2.18	45.90
TISCO	61.17	--	Y	Y	5.00	5.00	Certified	Medium	61.41	--	--	66.13	29.00	3.57	44.21
TTB	63.69	--	Y	Y	5.00	5.00	Certified	Medium	53.98	--	36.00	56.17	71.00	3.20	52.96

Sources: SETTRADE.com; FSSIA's compilation

Exhibit 9: ESG score by Bloomberg

FY ending Dec 31	FY 2019	FY 2020	FY 2021	FY 2022
ESG financial materiality scores				
BESG ESG score	—	—	2.86	2.18
BESG environmental pillar score	—	—	0.08	0.08
BESG social pillar score	—	—	3.95	2.45
BESG governance pillar score	—	—	5.02	4.76
ESG disclosure score	46.15	46.69	45.56	45.90
Environmental disclosure score	31.23	31.56	28.18	28.18
Social disclosure score	19.71	20.98	20.98	22.01
Governance disclosure score	87.36	87.36	87.36	87.36
Environmental				
Emissions reduction initiatives	Yes	Yes	Yes	Yes
Climate change policy	No	Yes	Yes	Yes
Climate change opportunities discussed	No	No	No	No
Risks of climate change discussed	No	No	No	No
GHG scope 2 location-based	4	4	3	4
Biodiversity policy	No	No	No	No
Energy efficiency policy	Yes	Yes	Yes	Yes
Waste reduction policy	Yes	Yes	Yes	Yes
Environmental supply chain management	Yes	Yes	Yes	Yes
Water policy	Yes	Yes	Yes	Yes

Sources: Bloomberg; FSSIA's compilation

Exhibit 10: ESG score by Bloomberg (cont.)

FY ending Dec 31	FY 2019	FY 2020	FY 2021	FY 2022
ESG financial materiality scores				
BESG ESG score	—	—	2.86	2.18
ESG disclosure score	46.15	46.69	45.56	45.90
Social				
Human rights policy	Yes	Yes	Yes	Yes
Policy against child labor	No	Yes	Yes	Yes
Quality assurance and recall policy	No	No	No	No
Consumer data protection policy	No	No	No	Yes
Community spending	—	—	—	—
No. of customer complaints	—	—	—	—
Equal opportunity policy	Yes	Yes	Yes	Yes
Pct women in workforce	61	61	62	63
Business ethics policy	Yes	Yes	Yes	Yes
Anti-bribery ethics policy	Yes	Yes	Yes	Yes
Health and safety policy	Yes	Yes	Yes	Yes
Fatalities - employees	—	—	—	—
Training policy	Yes	Yes	Yes	Yes
Fair remuneration policy	No	No	No	No
No. of employees - CSR	4,042	3,761	3,704	3,876
Employee turnover pct	10	10	11	13
Total hours by firm - employee training	73,784	71,497	48,597	60,117
Social supply chain management	Yes	Yes	Yes	Yes
Governance				
Board size	12	12	12	12
No. of independent directors (ID)	4	4	4	4
No. of women on board	2	3	3	3
No. of non-executive directors on board	7	8	8	8
Company conducts board evaluations	Yes	Yes	Yes	Yes
No. of board meetings for the year	11	14	11	13
Board meeting attendance pct	94	99	99	97
Board duration (years)	3	3	3	3
Director share ownership guidelines	No	No	No	No
Age of the youngest director	50	51	52	53
Age of the oldest director	71	72	73	70
No. of executives / company managers	42	40	40	45
No. of female executives	12	15	15	16
Executive share ownership guidelines	No	No	No	No
Size of audit committee	3	3	3	3
No. of ID on audit committee	3	3	3	3
Audit committee meetings	11	12	16	13
Audit meeting attendance %	100	100	94	98
Size of compensation committee	3	3	3	3
No. of ID on compensation committee	2	2	2	2
No. of compensation committee meetings	7	5	6	6
Compensation meeting attendance %	100	100	94	100
Size of nomination committee	3	3	3	3
No. of nomination committee meetings	7	5	6	6
Nomination meeting attendance %	100	100	94	100
Sustainability governance				
Verification type	No	No	No	No

Sources: Bloomberg; FSSIA's compilation

Disclaimer for ESG scoring

ESG score	Methodology	Rating																												
The Dow Jones Sustainability Indices (DJSI) By S&P Global	The DJSI World applies a transparent, rules-based component selection process based on the companies' Total Sustainability Scores resulting from the annual S&P Global Corporate Sustainability Assessment (CSA). Only the top-ranked companies within each industry are selected for inclusion.	Be a member and invited to the annual S&P Global Corporate Sustainability Assessment (CSA) for DJSI. Companies with an S&P Global ESG Score of less than 45% of the S&P Global ESG Score of the highest scoring company are disqualified. The constituents of the DJSI indices are selected from the Eligible Universe.																												
Sustainability Investment List (THSI) by The Stock Exchange of Thailand (SET)	THSI quantifies responsibility in Environmental and Social issues by managing business with transparency in Governance, updated annually. Candidates must pass the preemptive criteria, with two crucial conditions: 1) no irregular trading of the board members and executives; and 2) free float of >150 shareholders, and combined holding must be >15% of paid-up capital. Some key disqualifying criteria include: 1) CG score of below 70%; 2) independent directors and free float violation; 3) executives' wrongdoing related to CG, social & environmental impacts; 4) equity in negative territory; and 5) earnings in red for > 3 years in the last 5 years.	To be eligible for THSI inclusion , verified data must be scored at a minimum of 50% for each indicator, unless the company is a part of DJSI during the assessment year. The scoring will be fairly weighted against the nature of the relevant industry and materiality. SETTHSI Index is extended from the THSI companies whose 1) market capitalization > 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.																												
CG Score by Thai Institute of Directors Association (Thai IOD)	An indicator of CG strength in sustainable development, measured annually by the Thai IOD, with support from the Stock Exchange of Thailand (SET). The results are from the perspective of a third party, not an evaluation of operations.	Scores are rated in six categories: 5 for Excellent (90-100), 4 for Very Good (80-89), 3 for Good (70-79), 2 for Fair (60-69), 1 for Pass (60-69), and not rated for scores below 50. Weightings include: 1) the rights; 2) and equitable treatment of shareholders (weight 25% combined); 3) the role of stakeholders (25%); 4) disclosure & transparency (15%); and 5) board responsibilities (35%).																												
AGM level By Thai Investors Association (TIA) with support from the SEC	It quantifies the extent to which shareholders' rights and equitable treatment are incorporated into business operations and information is transparent and sufficiently disclosed. All form important elements of two out of five the CG components to be evaluated annually. The assessment criteria cover AGM procedures before the meeting (45%), at the meeting date (45%), and after the meeting (10%). <i>(The first assesses 1) advance circulation of sufficient information for voting; and 2) facilitating 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.)</i>	The scores are classified into four categories: 5 for Excellent (100), 4 for Very Good (90-99), 3 for Fair (80-89), and not rated for scores below 79.																												
Thai CAC By Thai Private Sector Collective Action Against Corruption (CAC)	The core elements of the Checklist include corruption risk assessment, establishment of key controls, and the monitoring and developing of policies. The Certification is good for three years. <i>(Companies deciding to become a CAC certified member start by submitting a Declaration of Intent to kick off an 18-month deadline to submit the CAC Checklist for Certification, including risk assessment, in place of policy and control, training of managers and employees, establishment of whistleblowing channels, and communication of policies to all stakeholders.)</i>	The document will be reviewed by a committee of nine professionals. A passed Checklist will move for granting certification by the CAC Council approvals whose members are twelve highly respected individuals in professionalism and ethical achievements.																												
Morningstar Sustainalytics	The Sustainalytics' ESG risk rating provides an overall company score based on an assessment of how much of a company's exposure to ESG risk is unmanaged. <i>Sources to be reviewed include corporate publications and regulatory filings, news and other media, NGO reports/websites, multi-sector information, company feedback, ESG controversies, issuer feedback on draft ESG reports, and quality & peer reviews.</i>	A company's ESG risk rating score is the sum of unmanaged risk. The more risk is unmanaged, the higher ESG risk is scored. <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>NEGL</th> <th>Low</th> <th>Medium</th> <th>High</th> <th>Severe</th> </tr> </thead> <tbody> <tr> <td>0-10</td> <td>10-20</td> <td>20-30</td> <td>30-40</td> <td>40+</td> </tr> </tbody> </table>	NEGL	Low	Medium	High	Severe	0-10	10-20	20-30	30-40	40+																		
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0-10	10-20	20-30	30-40	40+																										
ESG Book	The ESG score identifies sustainable companies that are better positioned to outperform over the long term. The methodology considers the principle of financial materiality including information that significantly helps explain future risk-adjusted performance. Materiality is applied by over-weighting features with higher materiality and rebalancing these weights on a rolling quarterly basis.	The total ESG score is calculated as a weighted sum of the features scores using materiality-based weights. The score is scaled between 0 and 100 with higher scores indicating better performance.																												
MSCI	MSCI ESG ratings aim to measure a company's management of financially relevant ESG risks and opportunities. It uses a rules-based methodology to identify industry leaders and laggards according to their exposure to ESG risks and how well they manage those risks relative to peers. <table border="1" style="margin-left: auto; margin-right: auto;"> <tbody> <tr> <td>AAA</td> <td>8.571-10.000</td> <td>Leader:</td> <td>leading its industry in managing the most significant ESG risks and opportunities</td> </tr> <tr> <td>AA</td> <td>7.143-8.570</td> <td></td> <td></td> </tr> <tr> <td>A</td> <td>5.714-7.142</td> <td></td> <td></td> </tr> <tr> <td>BBB</td> <td>4.286-5.713</td> <td>Average:</td> <td>a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers</td> </tr> <tr> <td>BB</td> <td>2.857-4.285</td> <td></td> <td></td> </tr> <tr> <td>B</td> <td>1.429-2.856</td> <td></td> <td></td> </tr> <tr> <td>CCC</td> <td>0.000-1.428</td> <td>Laggard:</td> <td>lagging its industry based on its high exposure and failure to manage significant ESG risks</td> </tr> </tbody> </table>	AAA	8.571-10.000	Leader:	leading its industry in managing the most significant ESG risks and opportunities	AA	7.143-8.570			A	5.714-7.142			BBB	4.286-5.713	Average:	a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers	BB	2.857-4.285			B	1.429-2.856			CCC	0.000-1.428	Laggard:	lagging its industry based on its high exposure and failure to manage significant ESG risks	
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Moody's ESG solutions	Moody's assesses the degree to which companies take into account ESG objectives in the definition and implementation of their strategy policies. It believes that a company integrating ESG factors into its business model and relatively outperforming its peers is better positioned to mitigate risks and create sustainable value for shareholders over the medium to long term.																													
Refinitiv ESG rating	Designed to transparently and objectively measure a company's relative ESG performance, commitment and effectiveness across 10 main themes, based on publicly available and auditable data. The score ranges from 0 to 100 on relative ESG performance and insufficient degree of transparency in reporting material ESG data publicly. <i>(Score ratings are 0 to 25 = poor; >25 to 50 = satisfactory; >50 to 75 = good; and >75 to 100 = excellent.)</i>																													
S&P Global	The S&P Global ESG Score is a relative score measuring a company's performance on and management of ESG risks, opportunities, and impacts compared to its peers within the same industry classification. The score ranges from 0 to 100.																													
Bloomberg	ESG Score	Bloomberg score evaluating the company's aggregated Environmental, Social and Governance (ESG) performance. The score is based on Bloomberg's view of ESG financial materiality. The score is a weighted generalized mean (power mean) of Pillar Scores, where the weights are determined by the pillar priority ranking. Values range from 0 to 10; 10 is the best.																												
Bloomberg	ESG Disclosure Score	Disclosure of a company's ESG used for Bloomberg ESG score. The score ranges from 0 for none to 100 for disclosure of every data point, measuring the amount of ESG data reported publicly, and not the performance on any data point.																												

Source: FSSIA's compilation

GENERAL DISCLAIMER

ANALYST(S) CERTIFICATION

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

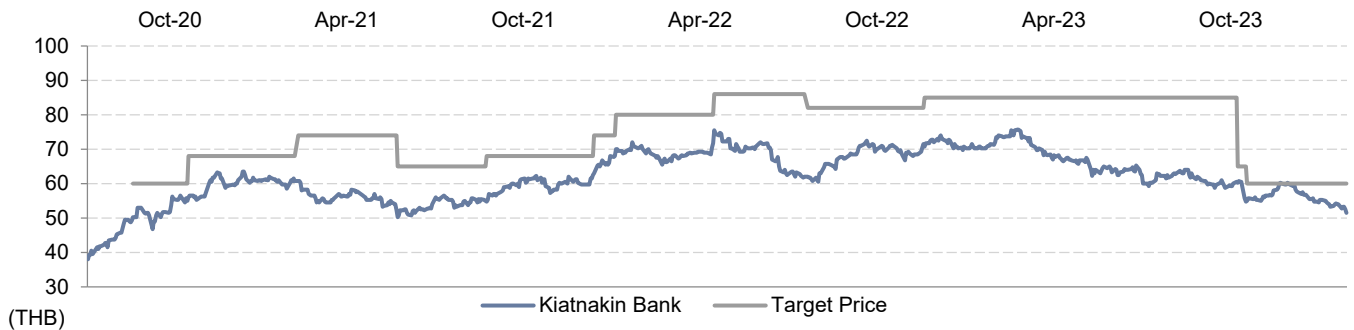
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History of change in investment rating and/or target price

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	25-Jul-2023	HOLD	60.00

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 51.50	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.

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.

All share prices are as at market close on 20-Oct-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.