

## KIATNAKIN PHATRA BANK

## KKP TB

THAILAND / BANKING

HOLD

UNCHANGED

## กำไร 2Q24 ต่ำกว่าคาดโดยมีคุณภาพสินทรัพย์เป็นตัวถ่วง

- ต้นทุนความเสี่ยงในการปล่อยสินเชื่อ (Credit cost) ที่เพิ่มสูงและ Spread ที่ลดลงเป็นปัจจัยสำคัญที่ฉุดกำไร 2Q24 ให้ลดลง
- เราปรับลดประมาณการกำไรสุทธิปี 2024-26 ของเราอย่างมีนัยสำคัญเพื่อสะท้อนสถานการณ์ที่ไม่เอื้ออำนวยในช่วง 1H24 และการปรับเป้าประมาณการของบริษัทฯ
- คงคำแนะนำถือที่ราคาเป้าหมายปี 2024 ใหม่ที่ 39.10 บาท

TARGET PRICE	THB39.10
CLOSE	THB41.00
UP/DOWNSIDE	-4.6%
PRIOR TP	THB50.60
CHANGE IN TP	-22.7%
TP vs CONSENSUS	-24.0%

## KEY STOCK DATA

YE Dec (THB m)	2023	2024E	2025E	2026E
Operating profit	6,787	5,362	5,924	6,585
Net profit	5,443	4,271	4,718	5,244
EPS (THB)	6.43	5.04	5.57	6.19
vs Consensus (%)	-	(25.0)	(26.0)	(28.6)
Recurring net profit	5,443	4,271	4,718	5,244
Core EPS (THB)	6.43	5.04	5.57	6.19
Chg. In EPS est. (%)	-	(26.3)	(23.5)	(20.8)
EPS growth (%)	(28.4)	(21.5)	10.5	11.1
Core P/E (x)	6.4	8.1	7.4	6.6
Dividend yield (%)	7.3	5.7	6.5	7.2
Price/book (x)	0.6	0.6	0.5	0.5
ROE (%)	9.2	6.9	7.3	7.8
ROA (%)	1.0	0.8	0.9	1.0

## ECL ที่สูงขึ้นและ Spread ที่ลดลงทำให้กำไร 2Q24 สะดุด

KKP รายงานกำไรสุทธิ 2Q24 ที่ต่ำกว่าคาดโดยอยู่ในระดับที่ต่ำผิดปกติที่ 769 ลบ. ลดลง 49.0% q-q และ 45.4% y-y โดยมีปัจจัยถ่วงสำคัญอยู่ที่ผลขาดทุนทางเครดิตที่คาดว่าจะเกิดขึ้น (ECL) และ Credit cost ที่สูงขึ้น อย่างไรก็ตาม ผลขาดทุนจากการขายรายปีลดลงอย่างมีนัยสำคัญเป็น 1.07 พัน ลบ. (จาก 1.44 พัน ลบ. ใน 1Q24) จากการขายรายปีที่ลดลง กำไรก่อนหักสำรอง (PPOP) เพิ่ม 9.0% q-q แต่ลดลง 24.5% y-y เป็น 2.74 พัน ลบ. จากค่าใช้จ่ายในการดำเนินงานที่ลดลงส่วนมากจากผลขาดทุนจากการขายรายปีที่ลดลงทำให้สัดส่วนค่าใช้จ่ายในการดำเนินงานต่อรายได้ (Cost-to-income ratio) ลดลงเหลือ 58.1% (41.8% เมื่อหักผลขาดทุนจากการขายรายปีเทียบกับ 42.1% ใน 1Q24) อย่างไรก็ตาม ไรก็ตามกำไรจากการดำเนินงานอันประกอบด้วยรายได้ดอกเบี้ยสุทธิ (NII) และรายได้ที่ไม่ใช่ดอกเบี้ยสุทธิ (Non-NII) หดตัวอย่างมีนัยสำคัญทั้ง q-q และ y-y ส่วนต่างดอกเบี้ยออกมาต่ำกว่าคาดจากต้นทุนเงินฝาก (Cost of funds) ที่สูงขึ้นจากการเปลี่ยนแปลงในสัดส่วนเงินฝาก (โดยมีเงินฝากประจำเพิ่มรวมถึงต้นทุนเงินกู้ในรูปเงินเหรียญสหรัฐ ที่มีอัตราดอกเบี้ยสูงอย่างต่อเนื่อง) และผลตอบแทนสินเชื่อที่ลดลง ในด้าน Non-NII บริษัทฯ เปิดเผยว่าผลกระทบของจำนวนวันทำงานที่ลดลงต่อตลาดทุนและธุรกิจซื้อขายหลักทรัพย์ (30% ของตัวเลขรวมในช่วง 1H24) สูงกว่ากลุ่มฯ นอกจากนี้กฎระเบียบที่เข้มงวดขึ้นของตลาดฯ ยังกระทบรายได้ค่านายหน้าซื้อขายหลักทรัพย์อีกด้วย

## คุณภาพสินทรัพย์เสื่อมถอยมากขึ้นตามสภาพเศรษฐกิจ

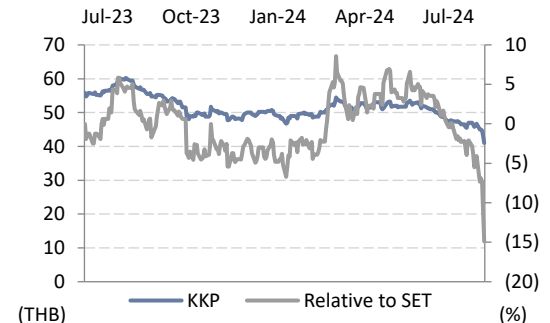
เรามองคุณภาพสินทรัพย์เป็นลบโดยมีประเด็นที่ต้องกังวลเพิ่มในช่วง 2H24 ใน 2Q24 สัดส่วนหนี้ด้อยคุณภาพเพิ่ม q-q เป็น 4.11% นอกจากฐานสินเชื่อที่ลดลงแล้ว การเลื่อนชั้นของสินเชื่อเข้าข้อปี 2021-22 ลงเป็นสินเชื่อชั้นที่ 3 และผลกระทบของการจัดชั้นหนี้ด้อยคุณภาพในกลุ่มสินเชื่อเพื่อการพาณิชย์ยังเป็นปัจจัยกดดันที่สำคัญใน 2Q24 นอกจากนี้สินเชื่อชั้นที่ 2 ที่เพิ่มขึ้นตามการเสื่อมของสินเชื่อในกลุ่ม SME และที่อยู่อาศัยยังทำให้บริษัทฯ ต้องจัดสรร ECL พิเศษอีก 300 ลบ. เพื่อเป็น Management overlay อย่างไรก็ตามสัดส่วนสำรองต่อหนี้ด้อยคุณภาพยังทรงตัว q-q ที่ 132%

## ปรับลดประมาณการกำไรปี 2024-26 ตามการปรับเป้าประมาณการปี 2024 ของบริษัทฯ

เราปรับลดประมาณการกำไรสุทธิปี 2024-26 ลงถึง 20.8-26.3% เพื่อสะท้อนการปรับเป้าประมาณการปี 2024 ของ KKP ซึ่งทำให้ประมาณการตัวเลขการเติบโตสินเชื่อเป็นลบ Loan spread ลดลง สัดส่วนหนี้ด้อยคุณภาพสูงขึ้นและค่า ROE รวมลดลงในขณะที่ Credit cost คงเดิม เราปรับลดประมาณการตัวเลขการเติบโตของสินเชื่อเป็น -1.2% CAGR ในช่วงดังกล่าว

## คงคำแนะนำถือจากผลตอบแทนในรูปเงินปันผลที่น่าสนใจที่ 5-7% ต่อปี

เราคงคำแนะนำถือเพื่อรับผลตอบแทนในรูปเงินปันผลที่น่าสนใจที่ 5-7% ต่อปี เราปรับลดราคาเป้าหมายปี 2024 ของเราเป็น 39.10 (จาก 50.60) บาทคิดเป็นค่า P/BV ที่ 0.53x (จาก 0.67x) ภายใต้สมมติฐานค่า LT-ROE ที่ 7.4% (จาก 9.4%) และ COE ที่ 13.1%



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(14.1)	(20.0)	(32.5)
Relative to country (%)	(15.0)	(19.1)	(21.3)
Mkt cap (USD m)	957		
3m avg. daily turnover (USD m)	2.3		
Free float (%)	93		
Major shareholder	Thai NVDR (8%)		
12m high/low (THB)	61.00/41.00		
Issued shares (m)	847		

Sources: Bloomberg consensus; FSSIA estimates



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## Investment thesis

- We have a negative view of KKP's 2H24 outlook due to its deteriorating asset quality following the slow recovery in the Thai economy, leading to the revision of 2024 guidance, as expected.
- We foresee a potential downside risk emerging from the rising ECLs and credit costs, and a potential upside risk from a capital market recovery.
- We have significantly cut our 2024-26E net profit, resulting in slightly negative growth projected at 1.2% CAGR under a cautious outlook, which includes prolonged asset quality management and unfavorable capital market conditions.
- Since the current share price has mostly absorbed the negative 2Q24 results, we reiterate our HOLD call for expected dividend yields of c5-7% p.a. Our new 2024 GGM-based TP is THB39.10, implying a P/BV of 0.53x.

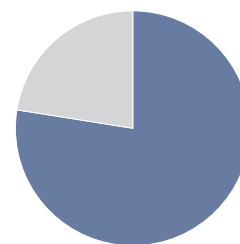
## Company profile

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, 1H24)

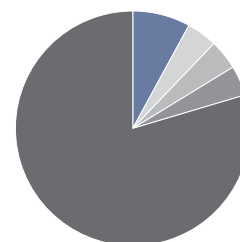
- Net interest income - 77.5 %
- Non-interest income - 22.5 %



Source: Kiatnakin Phatra 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 Phatra 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 weakened asset quality and lower fee income. By contrast, upside risks include better capital market conditions, higher used car prices, and strengthened asset quality.

## Event calendar

Date	Event
Oct 2024	3Q24 results announcement

## Key assumptions

	2024E	2025E	2026E
Net profit (THB m)	4,271	4,718	5,244
Net profit growth (%)	(21.5)	10.5	11.1
Loan growth (%)	(3.0)	(1.0)	0.0
Net fee growth (%)	(14.9)	6.5	6.5
Non-NII growth (%)	(4.5)	0.3	5.5
Credit cost (bp)	285	270	253
NPL ratio (%)	4.10	4.00	4.00
LLR/NPL (%)	135	139	140

Source: FSSIA estimates

## Earnings sensitivity

		2024E		
Loan growth	±2ppt	(5.0)	(3.0)	(1.0)
% change in net profit		(1.0)		1.0
Loan spread (%)	±5bp	4.64	4.69	4.74
% change in net profit		(2.8)		2.8
Credit cost (bp)	±10bp	275	285	295
% change in net profit		5.0		(5.0)

Source: FSSIA estimates

## Rising ECLs and lower spread caused the hiccup in 2Q24 profit

KKP surprised the market with a disappointing 2Q24 net profit at an abnormal low of THB769m, plummeting 49.0% q-q and 45.4% y-y. The critical drag was the rise in ECLs and credit costs. However, losses on sales of repossessed vehicles reduced significantly to THB1.07b (from THB1.44b in 1Q24) against the backdrop of a lower number of repossessed cars sold.

PPOP increased by 9.0% q-q but dropped by 24.5% y-y, amounting to THB2.74b, thanks to the operating expense reduction, mainly from the loss on sales of repossessed cars, which lowered the cost-to-income ratio to 58.1% (41.8% excluding losses on sales of repossessed cars from 42.1% in 1Q24). However, the operating income – NII and non-NII – contracted meaningfully both q-q and y-y. The lower-than-expected NIM was due mainly to the rising cost of funds – the changes in deposit mix toward term deposits and the lingering high-interest cost of US funding – and the lower loan yield. Regarding the non-NII, KKP disclosed that the impact of fewer working days on its capital market and trading business (30% of total in 1H24) was higher than its peers. Moreover, stricter SET regulations also hurt its brokerage fees.

Overall, the 1H24 net profit dropped by 34.9% y-y, accounting for 39% of our previous 2024 net profit forecast.

### Exhibit 1: KKP – 2Q24 operating summary

Year end Dec 31	2Q23	3Q23	4Q23	1Q24	2Q24	--- Change ---		1H23	1H24	Change	%of	2024E	Change
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)	(THB m)	(THB m)	(y-y%)	24E	(THB m)	(y-y %)
Net interest income	5,521	5,988	5,562	5,253	5,009	(4.7)	(9.3)	10,744	10,262	(4.5)	50	20,503	(8.0)
Non-interest income	1,902	1,456	1,393	1,579	1,543	(2.3)	(18.8)	3,620	3,123	(13.7)	51	6,177	(4.5)
Fee income - net	1,464	1,337	1,333	1,123	1,171	4.3	(20.0)	2,807	2,294	(18.3)	49	4,661	(14.9)
Total operating income	7,423	7,444	6,955	6,832	6,552	(4.1)	(11.7)	14,364	13,384	(6.8)	50	26,680	(7.2)
Total operating expenses	3,791	4,293	4,596	4,316	3,809	(11.8)	0.5	7,030	8,125	15.6	50	16,118	1.4
PPOP before tax	3,632	3,151	2,359	2,516	2,743	9.0	(24.5)	7,334	5,259	(28.3)	50	10,562	(17.9)
Expected credit loss	1,878	1,678	1,429	609	1,769	190.6	(5.8)	2,975	2,378	(20.1)	46	5,200	(14.5)
Income tax	342	201	270	400	202	(49.5)	(41.0)	859	602	(29.9)	56	1,072	(19.4)
Non-controlling interest	3	4	2	1	3	350.3	2.9	6	4	(38.6)	22	18	43.5
Net profit	1,408	1,268	657	1,506	769	(49.0)	(45.4)	3,493	2,275	(34.9)	53	4,271	(21.5)
EPS (THB)	1.66	1.50	0.78	1.78	0.91	(49.0)	(45.4)	4.13	2.69	(34.9)	53	5.04	(21.5)
Key ratios	2Q23	3Q23	4Q23	1Q24	2Q24	--- Change ---		1H23	1H24	Change		2024E	
Asset quality ratio	(%)	(%)	(%)	(%)	(%)	(q-q%)	(y-y%)	(%)	(%)	(y-y%)		(%)	
Gross NPLs (THB m)	14,928	14,764	13,220	15,604	16,108	3.2	7.9	14,928	16,108	36.3		15,870	
Change (% from prior period)	9.3	(1.1)	(10.5)	18.0	3.2			36.3	7.9			20.0	
NPL ratios (%) - reported	3.60	3.50	3.20	3.80	4.00			3.60					
NPL ratio (%)	3.74	3.69	3.31	3.94	4.11			3.74	4.11			4.10	
Coverage ratio (%) - reported	143	145	165	137	137			143					
Coverage ratio (%)	136	139	157	132	132			136	132			135	
Credit cost (bp) - incl loss from repossessed car	292	304	284	206	289			276	247			285	
Profitability ratio	(%)	(%)	(%)	(%)	(%)							(%)	
Cost to income ratio	51.1	57.7	66.1	63.2	58.1			48.9	60.7			60.4	
Average loan yield (%)	7.04	7.01	7.32	7.20	7.11			7.28	7.16			7.18	
Cost of funds (%)	1.82	2.00	2.21	2.36	2.48			1.80	2.47			2.49	
Loan spread	5.23	5.01	5.11	4.84	4.63			5.47	4.70			4.69	
NIM (%)	4.53	4.81	4.36	4.16	4.04			4.57	4.17			4.08	
Non-int inc/total income (%)	25.6	19.6	20.0	23.1	23.6			25.2	23.3			23.2	
Loan growth	(%)	(%)	(%)	(%)	(%)			(%)	(%)			(%)	
q-q	3.9	0.3	(0.3)	(0.7)	(1.0)								
y-y	18.6	11.3	5.7	3.2	(1.8)			18.6	(1.8)			(3.0)	
Year-to-date	5.7	6.1	5.7	(0.7)	(1.7)			5.7	(1.7)				

Sources: KKP; FSSIA estimates

## Asset quality turned negative with more signs of deterioration

We view KKP's asset quality as unfavorable, with more cause for concern in 2H24. The 2Q24 NPL ratio spiked q-q to 4.11%. In addition to the lower loan base effect, the slippage of the 2021-22 vintage hire-purchase to stage 3 loans and the impact of its qualitative NPL classification in commercial lending – SME and real estate – with its excuse of being impacted by the slow economic recovery, were also critical pressures in 2Q24. Moreover, the rising stage 2 loans following the deterioration in the SME and housing segments led to the bank's decision to set an extra THB300m in ECLs for management overlay. Excluding the management overlay impact, credit costs rose from an increasing LGD (60-month rolling backward following TFRS9) in the hire-purchase segment. KKP foresees that the continued rise of LGD in 2H24 as the blended 2023 vintage – good quality loans with lower LGD – will take time. Therefore, the coverage ratio was stable q-q at 132%.

### Exhibit 2: KKP – Staged loans and ECL

	2021 (THB b)	2022 (THB b)	2023 (THB b)	1Q24 (THB b)	2Q24 (THB b)	2021 (%)	2022 (%)	2023 (%)	1Q24 (%)	2Q24 (%)
<b>Staged loans</b>										
Stage 1	287	346	360	357	352	91.2	90.4	89.1	88.8	88.5
Stage 2	17	23	30	28	28	5.4	5.9	7.3	6.9	7.1
Stage 3	11	14	15	17	17	3.4	3.6	3.6	4.3	4.4
Total	315	383	405	402	398	100.0	100.0	100.0	100.0	100.0
<b>Allowance for ECL</b>										
Stage 1	8	8	8	8	8	2.9	2.4	2.1	2.1	2.2
Stage 2	3	4	6	5	5	16.8	16.7	20.0	17.0	18.6
Stage 3	4	6	7	8	8	40.8	42.7	47.9	47.7	46.5
Total	15	18	21	21	21	4.9	4.7	5.1	5.1	5.3
<b>LLR/ Loans</b>										
Stage 1	2.9	2.4	2.1	2.1	2.2					
Stage 2	16.8	16.7	20.0	17.0	18.6					
Stage 3	40.8	42.7	47.9	47.7	46.5					
Total	4.9	4.7	5.1	5.1	5.3					
<b>(%)</b>										
NPL / TL	3.4	3.6	3.6	4.3	4.4					
NPL vs. Stage 2 loans / TL	8.8	9.6	10.9	11.2	11.5					
LLR / NPL	145	130	140	118	121					
LLR / (NPL vs. Stage 2)	56	49	47	46	46					

Sources: KKP; FSSIA's compilation

KKP reaffirmed that it has no risk exposure to EA loans and stocks that could affect the bank and its subsidiary's investments. Despite having EA collateral shares in Lombard lending, its wealthy customers could replace the shares with cash and other assets without damaging the bank.

## Revised 2024 guidance leads to 2024-26E profit cut

We have significantly cut our 2024-26E net profit by 20.8-26.3% to reflect KKP's revised 2024 guidance regarding negative loan growth, a lower loan spread, higher NPL ratio, and a lower comprehensive ROE while maintaining credit costs. We lower our expected net profit growth to -1.2% CAGR during the same period following the heavy correction in 2024E, but expect a recovery in 2025-26 with sluggish growth in its core hire purchase business and a gradual recovery in its capital market business.

### Exhibit 3: 2024E – FSSIA estimates vs. management guidance

Key financial guidance	KKP	KKP*	KKP*	FSSIA**
	2023	2024E original	2024E revised	2024E
ROE (Comprehensive income)	9.16%	~10-11%	~8-9%	6.9%
Loan growth	5.3%	~3.0%	~-3.0%	-3.0%
Loan spread	5.2%	~5.0%	~4.8%	4.7%
NPL ratio (gross) 1	3.2%	~3.5-3.7%	~3.9-4.1%	4.1%
Credit cost 2	301	~ 250-270	~ 250-270	285

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

Sources: KKP; FSSIA estimates

### Exhibit 4: 2024-26E earnings revisions

	Current			Previous			Change		
	2024E	2025E	2026E	2024E	2025E	2026E	2024E	2025E	2026E
	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)
Net profit (THB m)	4,271	4,718	5,244	5,798	6,165	6,620	(26.3)	(23.5)	(20.8)
EPS (THB)	5.04	5.57	6.19	6.85	7.28	7.82	(26.3)	(23.5)	(20.8)
DPS (THB)	2.35	2.65	2.95	3.25	3.50	3.75	(27.7)	(24.3)	(21.3)
Target price (THB)	39.10			50.6			(22.7)		
Target PBV (x)	0.53			0.67					
Net interest income (THB m)	20,503	20,120	20,028	21,671	22,261	22,966	(5.4)	(9.6)	(12.8)
Non-interest income (THB m)	6,177	6,195	6,534	5,029	5,368	5,664	22.8	15.4	15.3
ECL (THB m)	5,200	4,900	4,700	4,241	4,193	3,781	22.6	16.9	24.3
Net profit growth (%)	(21.5)	10.5	11.1	6.5	6.3	7.4			
Loan growth (%)	(3.0)	(1.0)	0.0	3.0	3.0	3.0			
Next fee growth (%)	(14.9)	6.5	6.5	(26.8)	6.5	6.5			
Non-NII growth (%)	(4.5)	0.3	5.5	(22.3)	6.7	5.5			
Interest spread	4.69	4.69	4.70	4.89	4.88	4.90			
Credit cost (bp) - including lossess from sales of car repossessed	285	270	253	253	232	204			
NPL ratio (%)	4.10	4.00	4.00	3.90	3.80	3.80			
LLR/NPL (%)	135	139	140	138	141	143			

Source: FSSIA estimates

Exhibit 5: KKP – GGM-based 2024 TP

Gordon growth model	New	Previous
Sustainable ROE	7.4%	9.4%
g	1.0%	2.0%
ROE-g	6.4%	7.4%
Beta	1.01	1.00
Risk free rate	3.0%	3.0%
Risk premium	10.0%	10.0%
COE	13.1%	13.1%
COE-g	12.1%	11.1%
ROE-g/COE-g ; PBV (x)	0.53	0.67

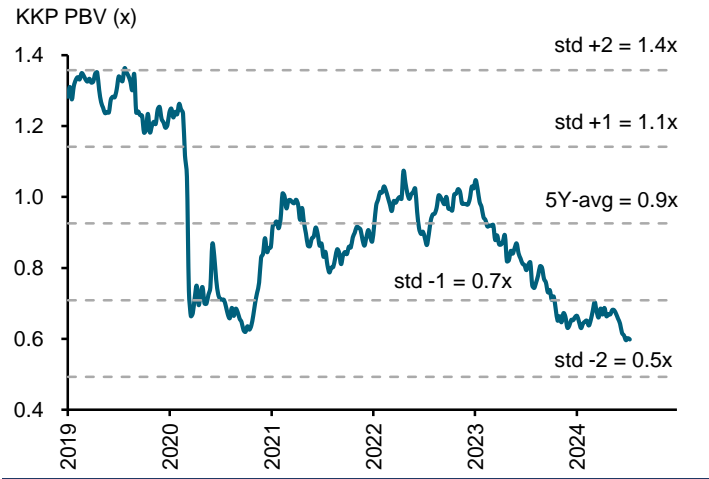
Source: FSSIA estimates

Exhibit 6: Share price performance of banks under coverage, as of 19 July 2024

	Price performance				
	1M (%)	3M (%)	6M (%)	1Y (%)	YTD (%)
BBL TB	5.4	(0.7)	(4.8)	(16.2)	(12.1)
KBANK TB	2.4	2.8	1.6	(5.2)	(5.6)
<b>KKP TB</b>	<b>(9.4)</b>	<b>(15.6)</b>	<b>(9.9)</b>	<b>(28.8)</b>	<b>(13.9)</b>
KTB TB	1.8	8.8	(3.9)	(13.4)	(5.4)
SCB TB	(3.8)	(1.5)	(3.3)	(8.6)	(4.2)
TISCO TB	(1.6)	(4.8)	(3.3)	(2.8)	(5.3)
TTB TB	9.9	(0.6)	4.7	8.6	6.0
<b>SETBANK</b>	<b>1.3</b>	<b>(1.3)</b>	<b>(4.3)</b>	<b>(12.0)</b>	<b>(7.4)</b>
<b>SET</b>	<b>1.6</b>	<b>(0.5)</b>	<b>(4.2)</b>	<b>(13.8)</b>	<b>(6.4)</b>

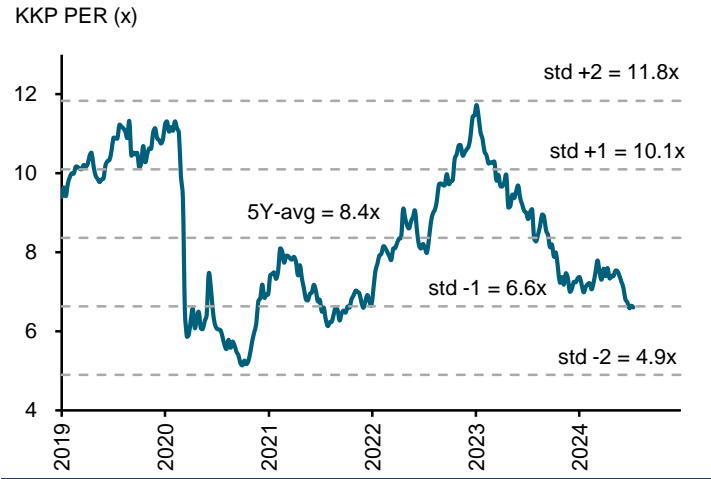
Source: Bloomberg

Exhibit 7: KKP – one-year prospective P/BV band



Sources: Bloomberg; FSSIA estimates

Exhibit 8: KKP – one-year prospective PER band



Sources: Bloomberg; FSSIA estimates

## Exhibit 9: Peer regional banks comparisons, as of 19 July 2024

Company name	BBG code	Share price (LCY)	Target price (LCY)	Upside (%)	Market Cap. (USD m)	PE 24E (x)	PE 25E (x)	PBV 24E (x)	PBV 25E (x)	ROE 24E (%)	ROE 25E (%)	Div yld 24E (x)	Div yld 25E (x)
Thailand													
Bangkok Bank	BBL TB	132.50	157.00	18	6,970	6.0	5.8	0.5	0.4	7.7	7.6	5.5	5.7
Kasikornbank	KBANK TB	128.00	145.00	13	8,358	6.4	5.9	0.5	0.5	8.6	9.0	5.9	6.6
Krung Thai Bank	KTB TB	17.10	19.90	16	6,586	6.4	6.2	0.6	0.5	9.1	8.8	5.2	5.4
SCB X	SCB TB	101.50	110.00	8	9,418	8.3	7.9	0.7	0.7	8.6	8.8	9.6	10.1
TMBThanachart Bank	TTB TB	1.76	2.22	26	4,719	8.9	8.4	0.7	0.7	8.2	8.4	6.2	6.6
Kiatnakin Bank	KKP TB	41.00	39.10	(5)	957	8.1	7.4	0.6	0.5	6.9	7.3	5.7	6.5
Tisco Financial Group	TISCO TB	93.75	96.00	2	2,069	10.8	11.0	1.7	1.7	16.1	15.6	8.3	8.3
Thailand weighted average					5,582	9.1	8.6	0.8	0.7	8.5	8.6	5.4	5.7
Hong Kong													
Industrial & Comm Bank of China	1398 HK	4.28	n/a	n/a	271,309	4.2	4.1	0.4	0.4	10.0	9.5	7.6	7.7
China Construction Bank	939 HK	5.42	n/a	n/a	179,028	3.9	3.8	0.4	0.4	10.7	10.2	7.8	8.0
HSBC Holdings	5 HK	67.10	n/a	n/a	159,392	6.6	7.1	0.9	0.9	15.1	12.0	9.3	7.3
Bank of China	3988 HK	3.42	n/a	n/a	175,357	4.4	4.3	0.4	0.4	9.4	9.1	7.4	7.5
Hong Kong average					196,271	4.8	4.8	0.5	0.5	11.3	10.2	8.0	7.6
China													
Industrial & Comm Bank of China	601398 CH	5.84	n/a	n/a	271,362	6.1	6.0	0.6	0.5	9.8	9.4	5.1	5.2
Agricultural Bank of China	601288 CH	4.64	n/a	n/a	222,621	6.5	6.2	0.6	0.6	10.2	9.9	4.9	5.0
China Construction Bank	601939 CH	7.43	n/a	n/a	179,063	5.7	5.6	0.6	0.6	10.8	10.3	5.3	5.4
Bank of China	601988 CH	4.65	n/a	n/a	175,391	6.3	6.2	0.6	0.5	9.3	8.9	5.0	5.1
China average					212,109	6.2	6.0	0.6	0.6	10.0	9.6	5.1	5.2
South Korea													
KB Financial Group	105560 KS	86,500	n/a	n/a	25,789	6.9	6.1	0.6	0.5	8.6	9.1	3.6	3.9
Shinhan Financial Group	055550 KS	55,000	n/a	n/a	20,517	6.0	5.6	0.5	0.5	8.8	8.9	3.9	4.2
Hana Financial Group	086790 KS	63,600	n/a	n/a	13,671	5.0	4.7	0.5	0.4	9.4	9.4	5.5	6.0
Industrial Bank of Korea	024110 KS	13,970	n/a	n/a	8,038	4.1	4.0	0.4	0.3	9.0	8.6	7.5	7.9
South Korea average					17,004	5.5	5.1	0.5	0.5	9.0	9.0	5.1	5.5
Indonesia													
Bank Central Asia	BBCA IJ	10,100	n/a	n/a	77,151	23.2	21.3	4.7	4.3	21.1	21.2	2.7	3.1
Bank Rakyat Indonesia Persero	BBRI IJ	4,910	n/a	n/a	45,511	11.9	10.7	2.3	2.1	19.3	20.3	6.6	7.0
Bank Mandiri Persero	BMRI IJ	6,700	n/a	n/a	38,126	11.0	9.9	2.2	2.0	20.5	20.8	5.4	5.7
Bank Negara Indonesia Persero	BBNI IJ	5,100	n/a	n/a	11,729	8.6	7.5	1.2	1.1	14.2	14.9	5.5	6.2
Bank Syariah Indonesia	BRIS IJ	2,560	n/a	n/a	7,310	17.8	14.8	2.7	2.3	16.0	16.6	0.9	1.2
Indonesia average					35,965	14.5	12.8	2.6	2.4	18.2	18.8	4.2	4.6
Malaysia													
Malayan Banking	MAY MK	10.06	n/a	n/a	25,979	12.3	11.7	1.3	1.2	10.3	10.6	6.2	6.4
Public Bank	PBK MK	4.19	n/a	n/a	17,329	11.7	11.1	1.4	1.3	12.4	12.2	4.8	5.1
CIMB Group Holdings	CIMB MK	7.12	n/a	n/a	16,384	10.1	9.5	1.1	1.0	10.8	10.9	5.6	5.9
Hong Leong Bank	HLBK MK	19.02	n/a	n/a	8,797	9.6	9.0	1.1	1.0	11.6	11.4	3.6	3.9
RHB Bank	RHBBANK MK	5.69	n/a	n/a	5,307	8.6	8.2	0.8	0.7	9.1	9.2	7.1	7.4
Malaysia average					14,759	10.5	9.9	1.1	1.1	10.8	10.9	5.5	5.8
Singapore													
DBS Group Holdings	DBS SP	36.20	n/a	n/a	77,146	9.8	9.9	1.6	1.5	16.7	15.6	6.1	6.6
Oversea-Chinese Banking	OCBC SP	15.05	n/a	n/a	50,522	9.2	9.2	1.2	1.1	13.3	12.6	5.7	5.8
United Overseas Bank	UOB SP	32.57	n/a	n/a	40,640	9.2	9.0	1.2	1.1	12.8	12.5	5.4	5.6
Singapore average					56,103	9.4	9.4	1.3	1.2	14.3	13.6	5.8	6.0
Regional average (excl. Thailand)					84,939	8.8	8.2	1.2	1.1	12.4	12.2	5.5	5.7
Total average (incl. Thailand)					67,580	8.6	8.1	1.1	1.0	11.7	11.6	5.8	6.0

Sources: Bloomberg; FSSIA estimates



## Financial Statements

### Kiatnakin Phatra Bank

Profit and Loss (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Interest Income	23,671	30,718	31,406	30,895	31,008
Interest expense	(4,589)	(8,424)	(10,903)	(10,776)	(10,979)
Net interest income	19,081	22,294	20,503	20,120	20,028
Net fees & commission	6,165	5,476	4,661	4,964	5,287
Foreign exchange trading income	831	441	1,100	800	800
Securities trading income	(4)	(12)	0	0	0
Dividend income	507	340	180	184	187
Other income	958	224	235	247	259
Non interest income	8,457	6,469	6,177	6,195	6,534
Total income	27,539	28,763	26,680	26,315	26,562
Staff costs	(6,954)	(7,101)	(6,924)	(6,854)	(6,854)
Other operating costs	(6,058)	(8,793)	(9,195)	(8,637)	(8,422)
Operating costs	(13,013)	(15,894)	(16,118)	(15,491)	(15,277)
Pre provision operating profit	14,526	12,869	10,562	10,824	11,285
Expected credit loss	(5,036)	(6,082)	(5,200)	(4,900)	(4,700)
Other provisions	-	-	-	-	-
Operating profit	9,490	6,787	5,362	5,924	6,585
Recurring non operating income	0	0	0	0	0
Associates	-	-	-	-	-
Goodwill amortization	-	-	-	-	-
Non recurring items	0	0	0	0	0
Profit before tax	9,490	6,787	5,362	5,924	6,585
Tax	(1,873)	(1,331)	(1,072)	(1,185)	(1,317)
Profit after tax	7,616	5,456	4,289	4,739	5,268
Non-controlling interest	(14)	(13)	(18)	(21)	(24)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	7,602	5,443	4,271	4,718	5,244
Non recurring items & goodwill (net)	-	-	0	0	0
Recurring net profit	7,602	5,443	4,271	4,718	5,244
<b>Per share (THB)</b>					
Recurring EPS *	8.98	6.43	5.04	5.57	6.19
Reported EPS	8.98	6.43	5.04	5.57	6.19
DPS	3.25	3.00	2.35	2.65	2.95
<b>Growth</b>					
Net interest income (%)	21.5	16.8	(8.0)	(1.9)	(0.5)
Non interest income (%)	(1.0)	(23.5)	(4.5)	0.3	5.5
Pre provision operating profit (%)	11.8	(11.4)	(17.9)	2.5	4.3
Operating profit (%)	21.7	(28.5)	(21.0)	10.5	11.2
Reported net profit (%)	20.3	(28.4)	(21.5)	10.5	11.1
Recurring EPS (%)	20.3	(28.4)	(21.5)	10.5	11.1
Reported EPS (%)	20.3	(28.4)	(21.5)	10.5	11.1
<b>Income Breakdown</b>					
Net interest income (%)	69.3	77.5	76.8	76.5	75.4
Net fees & commission (%)	22.4	19.0	17.5	18.9	19.9
Foreign exchange trading income (%)	3.0	1.5	4.1	3.0	3.0
Securities trading income (%)	0.0	0.0	-	-	-
Dividend income (%)	1.8	1.2	0.7	0.7	0.7
Other income (%)	3.5	0.8	0.9	0.9	1.0
<b>Operating performance</b>					
Gross interest yield (%)	5.41	6.22	6.26	6.26	6.18
Cost of funds (%)	1.20	1.95	2.49	2.52	2.54
Net interest spread (%)	4.21	4.27	3.77	3.74	3.64
Net interest margin (%)	4.4	4.5	4.1	4.1	4.0
Cost/income(%)	47.3	55.3	60.4	58.9	57.5
Cost/assets(%)	2.8	3.0	3.0	2.9	2.9
Effective tax rate (%)	19.7	19.6	20.0	20.0	20.0
Dividend payout on recurring profit (%)	36.2	46.7	46.6	47.6	47.6
ROE (%)	14.0	9.2	6.9	7.3	7.8
ROE - COE (%)	3.2	(1.6)	(3.9)	(3.5)	(3.0)
ROA (%)	1.6	1.0	0.8	0.9	1.0
RORWA (%)	2.2	1.4	1.1	1.2	1.3
* Pre-exceptional, pre-goodwill and fully diluted					

Sources: Kiatnakin Phatra Bank; FSSIA estimates



## Financial Statements

### Kiatnakin Phatra Bank

Balance Sheet (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Gross customer loans	377,447	399,045	387,074	383,203	383,203
Allowance for expected credit loss	(18,969)	(20,667)	(21,367)	(21,267)	(21,467)
interest in suspense	6,392	6,448	10,683	10,576	10,576
<b>Net customer loans</b>	<b>364,871</b>	<b>384,826</b>	<b>376,390</b>	<b>372,512</b>	<b>372,312</b>
Bank loans	45,732	62,029	47,000	51,230	57,378
Government securities	-	-	-	-	-
Trading securities	18,703	16,035	16,837	17,679	18,563
Investment securities	31,868	36,282	39,888	43,876	48,264
Cash & equivalents	1,000	1,382	1,614	1,452	1,690
Other interesting assets	-	-	-	-	-
Tangible fixed assets	13,200	14,677	16,135	17,358	18,684
Associates	-	-	-	-	-
Goodwill	3,066	3,066	3,066	3,066	3,066
Other intangible assets	1,670	1,954	1,954	1,954	1,954
Other assets	27,527	25,077	20,885	19,256	19,431
<b>Total assets</b>	<b>507,637</b>	<b>545,327</b>	<b>523,767</b>	<b>528,383</b>	<b>541,341</b>
Customer deposits	331,464	358,903	348,135	344,654	344,654
Bank deposits	20,175	23,035	22,000	23,100	24,255
Other interest bearing liabilities	61,354	68,900	56,500	60,000	68,000
Non interest bearing liabilities	36,532	33,237	34,034	34,684	35,362
Hybrid Capital	-	-	-	-	-
<b>Total liabilities</b>	<b>449,526</b>	<b>484,074</b>	<b>460,670</b>	<b>462,438</b>	<b>472,271</b>
Share capital	8,468	8,468	8,468	8,468	8,468
Reserves	49,356	52,499	54,330	57,162	60,272
<b>Total equity</b>	<b>57,824</b>	<b>60,967</b>	<b>62,797</b>	<b>65,630</b>	<b>68,739</b>
Non-controlling interest	288	286	300	315	331
<b>Total liabilities &amp; equity</b>	<b>507,637</b>	<b>545,327</b>	<b>523,767</b>	<b>528,383</b>	<b>541,341</b>
<b>Supplementary items</b>					
Risk weighted assets (RWA)	374,621	402,435	386,524	389,931	399,493
Average interest earning assets	437,563	493,571	502,095	493,393	501,698
Average interest bearing liabilities	380,922	431,915	438,737	427,195	432,332
CET 1 capital	49,906	54,276	50,185	56,805	56,805
Total capital	62,299	66,670	62,579	69,199	69,199
Gross non performing loans (NPL)	13,031	13,220	15,870	15,328	15,328
<b>Per share (THB)</b>					
Book value per share	68.29	72.00	74.16	77.51	81.18
Tangible book value per share	62.69	66.07	68.23	71.58	75.25
<b>Growth</b>					
Gross customer loans	23.0	5.7	(3.0)	(1.0)	-
Average interest earning assets	19.3	12.8	1.7	(1.7)	1.7
Total asset (%)	16.4	7.4	(4.0)	0.9	2.5
Risk weighted assets (%)	19.5	7.4	(4.0)	0.9	2.5
Customer deposits (%)	14.9	8.3	(3.0)	(1.0)	-
<b>Leverage &amp; capital measures</b>					
Customer loan/deposits (%)	110.1	107.2	108.1	108.1	108.0
Equity/assets (%)	11.4	11.2	12.0	12.4	12.7
Tangible equity/assets (%)	10.5	10.3	11.0	11.5	11.8
RWA/assets (%)	73.8	73.8	73.8	73.8	73.8
CET 1 CAR (%)	13.3	13.5	13.0	14.6	14.2
Total CAR (%)	16.6	16.6	16.2	17.7	17.3
<b>Asset Quality (FSSIA's calculation)</b>					
Change in NPL (%)	27.9	1.5	20.0	(3.4)	-
NPL/gross loans (%)	3.5	3.3	4.1	4.0	4.0
Allowance for ECL/gross loans (%)	5.0	5.2	5.5	5.5	5.6
Allowance for ECL/NPL (%)	145.6	156.3	134.6	138.7	140.1
<b>Valuation</b>					
Recurring P/E (x) *	4.6	6.4	8.1	7.4	6.6
Recurring P/E @ target price (x) *	4.4	6.1	7.8	7.0	6.3
Reported P/E (x)	4.6	6.4	8.1	7.4	6.6
Dividend yield (%)	7.9	7.3	5.7	6.5	7.2
Price/book (x)	0.6	0.6	0.6	0.5	0.5
Price/tangible book (x)	0.7	0.6	0.6	0.6	0.5
Price/tangible book @ target price (x)	0.6	0.6	0.6	0.5	0.5
* Pre-exceptional, pre-goodwill and fully diluted					

Sources: Kiatnakin Phatra Bank; FSSIA estimates

# Kiatnakin Phatra Bank PCL (KKP TB)

## FSSIA ESG rating


**62.96 /100**

### Exhibit 10: 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	<b>A mixed track record of managing the most significant ESG risks and opportunities relative to industry peers.</b>
★★★	>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 11: ESG – peer comparison

	FSSIA ESG score	Domestic ratings						Global ratings					Bloomberg		
		DJSI	SET THSI	THSI	CG score	AGM level	Thai CAC	Morningstar ESG risk	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](https://www.settrade.com); FSSIA's compilation

### Exhibit 12: ESG score by Bloomberg

FY ending Dec 31	FY 2019	FY 2020	FY 2021	FY 2022
<b>ESG financial materiality scores - ESG score</b>	<b>—</b>	<b>—</b>	<b>2.86</b>	<b>2.18</b>
BESG environmental pillar score	—	—	0.08	0.08
BESG social pillar score	—	—	3.95	2.45
BESG governance pillar score	—	—	5.02	4.76
<b>ESG disclosure score</b>	<b>46.15</b>	<b>46.69</b>	<b>45.56</b>	<b>45.90</b>
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
<b>Environmental</b>				
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 1	2	2	3	3
GHG scope 2 location-based	4	4	3	4
GHG Scope 3	—	—	—	—
Carbon per unit of production	—	—	—	—
Biodiversity policy	No	No	No	No
Energy efficiency policy	Yes	Yes	Yes	Yes
Total energy consumption	18	16	16	19
Renewable energy use	—	—	—	—
Electricity used	8	8	5	7
Fuel used - natural gas	—	—	—	—

Sources: Bloomberg; FSSIA's compilation

**Exhibit 13: ESG score by Bloomberg (cont.)**

FY ending Dec 31	FY 2019	FY 2020	FY 2021	FY 2022
Fuel used - crude oil/diesel	No	No	No	No
Waste reduction policy	Yes	Yes	Yes	Yes
Hazardous waste	—	—	—	—
Total waste	—	—	—	—
Waste recycled	—	—	—	—
Waste sent to landfills	—	—	—	—
Environmental supply chain management	Yes	Yes	Yes	Yes
Water policy	Yes	Yes	Yes	Yes
Water consumption	74	66	38	51
<b>Social</b>				
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
Equal opportunity policy	Yes	Yes	Yes	Yes
Gender pay gap breakout	No	No	No	No
Pct women in workforce	61	61	62	63
Pct disabled in workforce	—	—	—	—
Business ethics policy	Yes	Yes	Yes	Yes
Anti-bribery ethics policy	Yes	Yes	Yes	Yes
Health and safety policy	Yes	Yes	Yes	Yes
Lost time incident rate - employees	—	0	0	0
Total recordable incident rate - employees	—	—	—	—
Training policy	Yes	Yes	Yes	Yes
Fair remuneration policy	No	No	No	No
Number of employees – CSR	4,042	3,761	3,704	3,876
Employee turnover pct	10	10	11	13
Total hours spent by firm - employee training	73,784	71,497	48,597	60,117
Social supply chain management	Yes	Yes	Yes	Yes
<b>Governance</b>				
<b>Board size</b>	<b>12</b>	<b>12</b>	<b>12</b>	<b>12</b>
<b>No. of independent directors (ID)</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>
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
<b>No. of executives / company managers</b>	<b>42</b>	<b>40</b>	<b>40</b>	<b>45</b>
No. of female executives	12	15	15	16
Executive share ownership guidelines	No	No	No	No
<b>Size of audit committee</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>
No. of ID on audit committee	3	3	3	3
Audit committee meetings	11	12	16	13
Audit meeting attendance %	100	100	94	98
<b>Size of compensation committee</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>
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
<b>Size of nomination committee</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>
No. of nomination committee meetings	7	5	6	6
Nomination meeting attendance %	100	100	94	100
<b>Sustainability governance</b>				
Verification type	No	No	No	No

Sources: Bloomberg; FSSIA's compilation

## Disclaimer for ESG scoring

ESG score	Methodology	Rating																				
The Dow Jones Sustainability Indices ( <a href="#">DJSI</a> ) 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 ( <a href="#">THSI</a> ) by The Stock Exchange of Thailand ( <a href="#">SET</a> )	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 <b>THSI inclusion</b> , 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. <b>SETTHSI Index</b> 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.																				
<b>CG Score</b> 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%).																				
<b>AGM level</b> 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&amp;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.																				
<a href="#">Thai CAC</a> 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.																				
<a href="#">Morningstar Sustainabilitys</a>	The Sustainabilitys' 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 &amp; 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><tr><th>NEGL</th><th>Low</th><th>Medium</th><th>High</th><th>Severe</th></tr><tr><td>0-10</td><td>10-20</td><td>20-30</td><td>30-40</td><td>40+</td></tr></table>	NEGL	Low	Medium	High	Severe	0-10	10-20	20-30	30-40	40+										
NEGL	Low	Medium	High	Severe																		
0-10	10-20	20-30	30-40	40+																		
<a href="#">ESG Book</a>	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.																				
<a href="#">MSCI</a>	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><tr><td><b>AAA</b></td><td>8.571-10.000</td><td rowspan="3"><b>Leader:</b></td><td rowspan="3">leading its industry in managing the most significant ESG risks and opportunities</td></tr><tr><td><b>AA</b></td><td>7.143-8.570</td></tr><tr><td><b>A</b></td><td>5.714-7.142</td></tr><tr><td><b>BBB</b></td><td>4.286-5.713</td><td rowspan="3"><b>Average:</b></td><td rowspan="3">a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers</td></tr><tr><td><b>BB</b></td><td>2.857-4.285</td></tr><tr><td><b>B</b></td><td>1.429-2.856</td></tr><tr><td><b>CCC</b></td><td>0.000-1.428</td><td><b>Laggard:</b></td><td>lagging its industry based on its high exposure and failure to manage significant ESG risks</td></tr></table>		<b>AAA</b>	8.571-10.000	<b>Leader:</b>	leading its industry in managing the most significant ESG risks and opportunities	<b>AA</b>	7.143-8.570	<b>A</b>	5.714-7.142	<b>BBB</b>	4.286-5.713	<b>Average:</b>	a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers	<b>BB</b>	2.857-4.285	<b>B</b>	1.429-2.856	<b>CCC</b>	0.000-1.428	<b>Laggard:</b>	lagging its industry based on its high exposure and failure to manage significant ESG risks
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<b>CCC</b>	0.000-1.428	<b>Laggard:</b>	lagging its industry based on its high exposure and failure to manage significant ESG risks																			
<a href="#">Moody's ESG solutions</a>	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.																					
<a href="#">Refinitiv ESG rating</a>	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; &gt;25 to 50 = satisfactory; &gt;50 to 75 = good; and &gt;75 to 100 = excellent.)</i>																					
<a href="#">S&amp;P Global</a>	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.																					
<b>Bloomberg</b>	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.																				

**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**"; 2) "**AGM Level**"; 3) "**Thai CAC**"; and 4) **THSI**. The ratings are updated on an annual basis. FSSIA does not confirm nor certify the accuracy of such ratings.

Source: FSSIA's compilation

## 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.

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Company	Ticker	Price	Rating	Valuation & Risks
Kiatnakin Phatra Bank	KKP TB	THB 41.00	HOLD	Downside risks to our GGM-based target price include weakened asset quality and lower fee income. By contrast, upside risks include better capital market conditions, higher used car prices, and strengthened asset quality.
Bangkok Bank	BBL TB	THB 132.50	HOLD	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. Upside risks comprise 1) lower credit cost from better asset quality; and 2) better ongoing cost control efficiency.
Kasikornbank	KBANK TB	THB 128.00	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.
Krung Thai Bank	KTB TB	THB 17.10	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 101.50	HOLD	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. Upside risks comprise 1) the faster-than-expected recovery of EA's operations and financial stability; and 2) a reduction in Thailand's household debt.
Tisco Financial	TISCO TB	THB 93.75	HOLD	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. Upside risks are 1) aggressive loan growth; and 2) well-controlled asset quality.
TMBThanachart Bank	TTB TB	THB 1.76	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.

All share prices are as at market close on 19-Jul-2024 unless otherwise stated.

## RECOMMENDATION STRUCTURE

### Stock ratings

Stock ratings are based on absolute upside or downside, which we define as (target price\* - current price) / 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.