

## KIATNAKIN PHATRA BANK

## KKP TB

THAILAND / BANKING

**HOLD**

UNCHANGED

## Expect a recovery in 3Q24 profit

- We expect a recovery in 3Q24 net profit due mainly to a projected decline in loss on selling repossessed vehicles and higher non-NII.
- We maintain our conservative 2024-26 earnings forecast with a more favorable view for 2025-26E.
- Maintain our Hold call; no upside from a new 2025 TP of THB50.30.

TARGET PRICE	THB50.30
CLOSE	THB51.25
UP/DOWNSIDE	-1.9%
PRIOR TP	THB39.10
CHANGE IN TP	+28.6%
TP vs CONSENSUS	+21.3%

## KEY STOCK DATA

YE Dec (THB m)	2023	2024E	2025E	2026E
Operating profit	6,787	5,374	5,950	6,614
Net profit	5,443	4,281	4,739	5,267
EPS (THB)	6.43	5.19	5.75	6.39
vs Consensus (%)	-	(1.2)	(4.2)	(1.8)
Recurring net profit	5,443	4,281	4,739	5,267
Core EPS (THB)	6.43	5.19	5.75	6.39
Chg. In EPS est. (%)	-	-	-	-
EPS growth (%)	(28.4)	(19.2)	10.7	11.1
Core P/E (x)	8.0	9.9	8.9	8.0
Dividend yield (%)	5.9	4.9	5.4	6.0
Price/book (x)	0.7	0.7	0.7	0.6
ROE (%)	9.2	7.0	7.5	7.9
ROA (%)	1.0	0.8	0.9	1.0

## Lower credit costs and higher fees to drive 3Q24 profit

We expect KKP's 3Q24 net profit to recover by 19.5% q-q but decline by 27.5% y-y, amounting to THB919m. Apart from expected lower credit costs, higher fee income should push PPOP to grow by 4.4% q-q. However, it would still contract by 9.1% y-y. Regarding NII, we anticipate q-q and y-y contractions following stubbornly shrinking loans, mainly HP (45%) and a rising cost of funds, potentially pressuring loan spread to drop by 10bp to 4.53%. However, we expect q-q and y-y increases in non-NII, mainly due to a rise in net fees, particularly brokerage income. Our predicted operating expenses imply a decrease, thanks to a decline in the loss on sales of repossessed cars. Hence, our expected cost-to-income ratio is 56.3% vs 58.1% in 2Q24. Our 9M24E net profit drops by 32.9% y-y, accounting for 75% of our full-year net profit forecast.

## Vulnerable asset quality but manageable

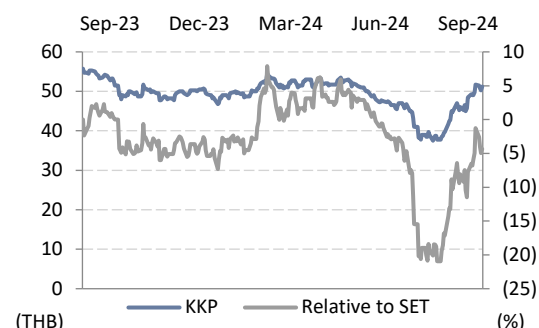
We view KKP's asset quality as vulnerable after a hiccup in the NPLs and credit cost in 2Q24. We expect a slight increase of the 3Q24 NPL ratio to 4.13% vs. 4.11% in 2Q24 due mainly to a lower loan base effect and a continued slippage of the 2021-22 vintage hire-purchase to stage 3 loans. Moreover, an increasing LGD in the hire-purchase segment to reflect in the ECL model and continued rising stage 2 loans lead us to expect a high level of ECLs to manage NPLs effectively. Accordingly, the coverage ratio should sustain q-q at 131%.

## Maintain our conservative 2024-26 earnings forecast

Thanks to a recovery in the capital market following the upcoming Vayupak Fund establishment, non-NII, particularly fee incomes, could grow higher than expected. However, we maintain our conservative 2024-26 net profit forecast of -1.2% CAGR following a heavy correction in our 2024E, but a recovery in our 2025-26E under an expected sluggish growth in the core HP business and a gradual recovery in its capital market business.

## Retain our HOLD call for an attractive dividend yield of c5-6% p.a.

We reiterate our HOLD call for KKP. The recent rise in the stock price has largely reflected the share buyback plan scheduled for Aug 28 - Nov 28, 2024. Despite a rollover to our 2025 GGM-based TP of THB50.30 (from our 2024 TP of THB39.10), implying a P/BV of 0.64x (from 0.53x) under a higher LT-ROE assumption of 8.8% (from 7.5%) and 13.1% COE, it offers no upside from the current share price just an attractive dividend yield at c5-6% p.a.



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	22.8	7.3	(7.7)
Relative to country (%)	11.7	(3.8)	(3.3)
Mkt cap (USD m)	1,294		
3m avg. daily turnover (USD m)	4.8		
Free float (%)	93		
Major shareholder	Thai NVDR (8%)		
12m high/low (THB)	56.50/37.00		
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 more favorable view of KKP's 2H24 outlook, mainly due to a recovery in the capital market situation, which should bode well for non-NII.
- However, we remain concerned about the vulnerable asset quality, particularly rising stage 2 loans, which leads us to expect a high level of ECLs to manage NPLs effectively.
- We maintain our conservative 2024-26 net profit forecast of -1.2% CAGR following a heavy correction in 2024E, but a recovery in 2025-26E under an expected sluggish growth in the core HP business and a gradual recovery in its capital market business.
- The recent rise in the stock price has largely reflected the share buyback plan scheduled for Aug 28 - Nov 28, 2024. We reiterate our HOLD call for expected dividend yields of c5-6% p.a. Our new 2025 GGM-based TP is THB50.30, implying a P/BV of 0.64x.

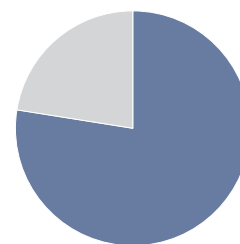
## Company profile

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)

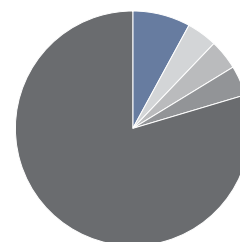
- Net interest income - 77.5 %
- Non-interest income - 22.5 %



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)	4,281	4,739	5,267
Net profit growth (%)	(21.3)	10.7	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

			2025E	
Loan growth	±2ppt	(3.0)	(1.0)	1.0
% change in net profit		(2.3)		2.3
Loan spread (%)	±5bp	4.64	4.69	4.74
% change in net profit		(3.0)		3.0
Credit cost (bp)	±10bp	260	270	280
% change in net profit		6.8		(6.8)

Source: FSSIA estimates

## Exhibit 1: KKP – 3Q24E earnings preview

Year end Dec 31	3Q23	4Q23	1Q24	2Q24	3Q24E	---- Change ----		9M24E	Change	%of	2024E	Change
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)	(THB m)	(y-y%)	24E	(THB m)	(y-y %)
Net interest income	5,988	5,562	5,253	5,009	4,854	(3.1)	(18.9)	15,115	(9.7)	74	20,516	(8.0)
Non-interest income	1,456	1,393	1,579	1,543	1,705	10.5	17.1	4,828	(4.9)	78	6,177	(4.5)
Fee income - net	1,337	1,333	1,123	1,171	1,230	5.0	(8.0)	3,524	(14.9)	76	4,661	(14.9)
Total operating income	7,444	6,955	6,832	6,552	6,559	0.1	(11.9)	19,943	(8.6)	75	26,693	(7.2)
Total operating expenses	4,293	4,596	4,316	3,809	3,695	(3.0)	(13.9)	11,820	4.4	73	16,118	1.4
PPOP before tax	3,151	2,359	2,516	2,743	2,864	4.4	(9.1)	8,123	(22.5)	77	10,574	(17.8)
Expected credit loss	1,678	1,429	609	1,769	1,700	(3.9)	1.3	4,078	(12.4)	78	5,200	(14.5)
Income tax	201	270	400	202	241	19.3	19.8	843	(20.5)	78	1,075	(19.2)
Non-controlling interest	4	2	1	3	4	23.2	6.8	8	(21.9)	44	18	43.5
<b>Net profit</b>	<b>1,268</b>	<b>657</b>	<b>1,506</b>	<b>769</b>	<b>919</b>	<b>19.5</b>	<b>(27.5)</b>	<b>3,194</b>	<b>(32.9)</b>	<b>75</b>	<b>4,281</b>	<b>(21.3)</b>
EPS (THB)	1.50	0.78	1.83	0.93	1.11	19.5	(25.6)	3.87	(31.1)	75	5.19	(19.2)
<b>Key ratios</b>	<b>3Q23</b>	<b>4Q23</b>	<b>1Q24</b>	<b>2Q24</b>	<b>3Q24E</b>	<b>---- Change ----</b>		<b>9M24E</b>	<b>Change</b>		<b>2024E</b>	<b>Change</b>
<b>Asset quality ratio</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(q-q%)</b>	<b>(y-y%)</b>	<b>(THB m)</b>	<b>(y-y%)</b>		<b>(%)</b>	<b>(y-y%)</b>
Gross NPLs (THB m)	14,764	13,220	15,604	16,108	15,800	(1.9)	7.0	15,800	7.0		15,870	20.0
Change (% from prior period)	(1.1)	(10.5)	18.0	3.2	(1.9)			7.0			20.0	
NPL ratios (%) - reported	3.50	3.20	3.80	4.00								
NPL ratio (%)*	3.69	3.31	3.94	4.11	4.13			4.13			4.10	
Coverage ratio (%) - reported	145	165	137	137								
Coverage ratio (%)*	139	157	132	132	131			131			135	
Credit cost (bp) - incl loss from repossessed car	304	284	206	289	269			255			285	
<b>Profitability ratio</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>			<b>(%)</b>			<b>(%)</b>	
Cost to income ratio	57.7	66.1	63.2	58.1	56.3			59.3			60.4	
Average loan yield (%)	7.01	7.32	7.20	7.11	7.10			6.38			7.18	
Cost of funds (%)	2.00	2.21	2.36	2.48	2.56			2.49			2.49	
Loan spread	5.01	5.11	4.84	4.63	4.53			5.69			4.69	
NIM (%)*	4.81	4.36	4.16	4.04	4.06			4.16			4.08	
Non-int inc/total income (%)	19.6	20.0	23.1	23.6	26.0			24.2			23.1	
<b>Loan growth</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>			<b>(%)</b>			<b>(%)</b>	
q-q	0.3	(0.3)	(0.7)	(1.0)	(2.5)							
y-y	11.3	5.7	3.2	(1.8)	(4.5)			(4.5)			(3.0)	
Year-to-date	6.1	5.7	(0.7)	(1.7)	(4.2)			(4.2)				

Sources: KKP; FSSIA estimates

## Exhibit 2: KKP – Staged loans and ECL

	2021	2022	2023	1Q24	2Q24	2021	2022	2023	1Q24	2Q24
	(THB b)	(THB b)	(THB b)	(THB b)	(THB b)	(%)	(%)	(%)	(%)	(%)
<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>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</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>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<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

Exhibit 3: KKP – GGM-based 2025 TP

Gordon growth model		
	2025E	2024E
Sustainable ROE	8.8%	7.4%
g	1.0%	1.0%
ROE-g	7.8%	6.4%
Beta	1.01	1.01
Risk free rate	3.0%	3.0%
Risk premium	10.0%	10.0%
COE	13.1%	13.1%
COE-g	12.1%	12.1%
ROE-g/COE-g ; PBV (x)	0.64	0.53

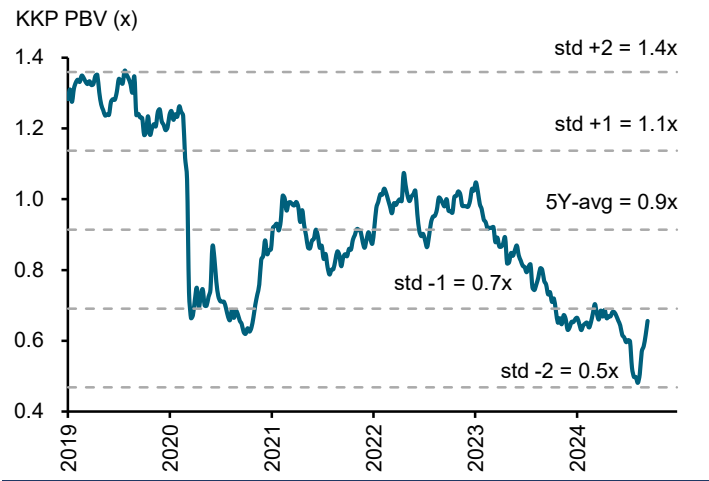
Source: FSSIA estimates

Exhibit 4: Share price performance of banks under coverage, as of 19 September 2024

Price performance					
	1M	3M	6M	1Y	YTD
	(%)	(%)	(%)	(%)	(%)
BBL TB	15.7	19.2	11.9	(6.9)	(1.0)
KBANK TB	13.4	26.1	26.6	22.7	16.3
<b>KKP TB</b>	<b>20.6</b>	<b>7.9</b>	<b>0.5</b>	<b>(7.7)</b>	<b>2.0</b>
KTB TB	12.1	20.0	26.7	8.5	10.9
SCB TB	4.7	5.2	(3.5)	0.9	4.7
TISCO TB	6.0	1.6	(2.0)	(2.3)	(2.3)
TTB TB	7.3	16.5	3.2	12.4	14.4
<b>SETBANK</b>	<b>10.6</b>	<b>14.7</b>	<b>8.4</b>	<b>1.8</b>	<b>4.9</b>
<b>SET</b>	<b>9.5</b>	<b>12.1</b>	<b>5.9</b>	<b>(3.5)</b>	<b>2.8</b>

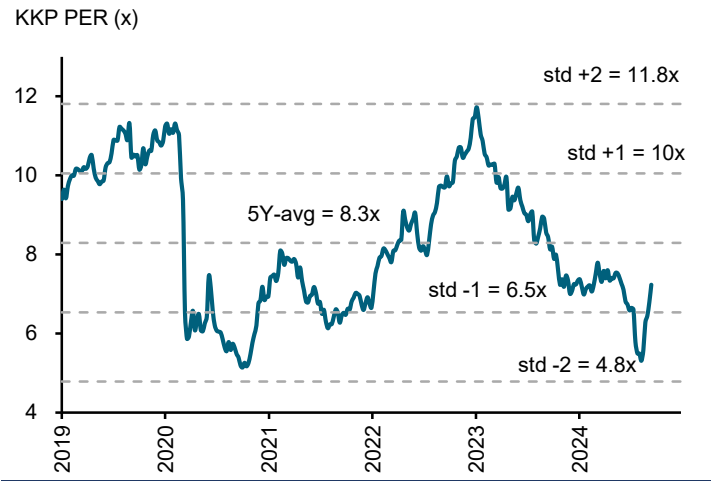
Source: Bloomberg

Exhibit 5: KKP – one-year prospective PBV band



Sources: Bloomberg; FSSIA estimates

Exhibit 6: KKP – one-year prospective PER band



Sources: Bloomberg; FSSIA estimates

## Exhibit 7: Peer regional banks comparison, as of 19 September 2024

Company name	BBG code	Share price (LCY)	Target price (LCY)	Upside (%)	Market Cap. (USD m)	----- PE ----- 24E (x) 25E (x)	---- PBV ---- 24E (x) 25E (x)	--- ROE --- 24E (%) 25E (%)	--- Div yld --- 24E (x) 25E (x)
Thailand									
Bangkok Bank	BBL TB	155.00	157.00	1	8,939	7.0 6.8	0.5 0.5	7.7 7.6	4.7 4.8
Kasikornbank	KBANK TB	157.00	145.00	(8)	11,239	7.9 7.2	0.7 0.6	8.6 9.0	4.8 5.4
Krung Thai Bank	KTB TB	20.40	19.90	(2)	8,614	7.6 7.4	0.7 0.6	9.1 8.8	4.4 4.5
SCB X	SCB TB	111.00	110.00	(1)	11,292	9.1 8.7	0.8 0.8	8.6 8.8	8.8 9.2
TMBThanachart Bank	TTB TB	1.91	2.53	32	5,615	8.7 8.0	0.8 0.7	9.1 9.4	6.3 6.9
Kiatnakin Bank	KKP TB	51.25	50.30	(2)	1,294	9.9 8.9	0.7 0.7	7.0 7.5	4.9 5.4
Tisco Financial Group	TISCO TB	97.50	98.00	1	2,359	11.3 11.4	1.8 1.8	16.1 15.6	7.9 7.9
Thailand weighted average					7,050	9.1 8.6	0.8 0.7	8.5 8.6	5.3 5.6
Hong Kong									
Industrial & Comm Bank of China	1398 HK	4.35	n/a	n/a	265,690	4.1 4.0	0.4 0.4	9.9 9.4	7.7 7.8
China Construction Bank	939 HK	5.56	n/a	n/a	182,575	3.9 3.8	0.4 0.4	10.6 10.1	7.8 8.0
HSBC Holdings	5 HK	68.55	n/a	n/a	162,388	7.0 7.1	0.9 0.9	13.5 12.6	9.1 7.2
Bank of China	3988 HK	3.45	n/a	n/a	175,840	4.3 4.2	0.4 0.4	9.4 9.0	7.5 7.6
Hong Kong average					196,624	4.8 4.8	0.5 0.5	10.8 10.3	8.0 7.6
China									
Industrial & Comm Bank of China	601398 CH	5.65	n/a	n/a	265,047	5.7 5.6	0.6 0.5	9.8 9.3	5.4 5.4
Agricultural Bank of China	601288 CH	4.50	n/a	n/a	219,042	6.1 5.9	0.6 0.6	10.3 9.9	5.2 5.2
China Construction Bank	601939 CH	7.18	n/a	n/a	182,133	5.5 5.4	0.6 0.5	10.7 10.1	5.5 5.6
Bank of China	601988 CH	4.61	n/a	n/a	175,414	6.2 6.0	0.6 0.5	9.3 8.8	5.1 5.2
China average					210,409	5.9 5.7	0.6 0.5	10.0 9.6	5.3 5.4
South Korea									
KB Financial Group	105560 KS	82,500	n/a	n/a	24,719	6.4 5.7	0.6 0.5	8.9 9.2	3.8 4.2
Shinhan Financial Group	055550 KS	56,900	n/a	n/a	21,421	5.9 5.5	0.5 0.5	9.0 9.1	3.9 4.3
Hana Financial Group	086790 KS	61,600	n/a	n/a	13,376	4.8 4.5	0.4 0.4	9.4 9.3	5.8 6.3
Industrial Bank of Korea	024110 KS	14,090	n/a	n/a	8,410	4.1 4.0	0.4 0.3	8.7 8.5	7.4 7.9
South Korea average					16,982	5.3 4.9	0.5 0.4	9.0 9.0	5.2 5.7
Indonesia									
Bank Central Asia	BBCA IJ	10,900	n/a	n/a	88,291	24.9 22.7	5.0 4.6	21.1 21.2	2.5 2.8
Bank Rakyat Indonesia Persero	BBRI IJ	5,400	n/a	n/a	54,150	13.5 12.2	2.5 2.4	19.1 19.9	6.0 6.3
Bank Mandiri Persero	BMRI IJ	7,400	n/a	n/a	45,333	12.2 11.0	2.4 2.2	20.7 21.0	4.8 5.2
Bank Negara Indonesia Persero	BBNI IJ	5,825	n/a	n/a	14,247	9.8 8.6	1.3 1.2	14.2 14.8	4.8 5.3
Bank Syariah Indonesia	BRIS IJ	3,160	n/a	n/a	9,448	21.2 17.8	3.2 2.8	16.2 16.7	0.7 1.0
Indonesia average					42,294	16.3 14.5	2.9 2.6	18.3 18.7	3.8 4.1
Malaysia									
Malayan Banking	MAY MK	10.64	n/a	n/a	30,540	12.8 12.2	1.3 1.3	10.4 10.6	5.9 6.2
Public Bank	PBK MK	4.69	n/a	n/a	21,752	13.0 12.5	1.6 1.5	12.5 12.4	4.4 4.6
CIMB Group Holdings	CIMB MK	8.29	n/a	n/a	21,336	11.5 10.7	1.3 1.2	11.1 11.3	5.1 5.4
Hong Leong Bank	HLBK MK	21.10	n/a	n/a	10,859	10.5 9.7	1.2 1.1	11.6 11.6	3.2 3.6
RHB Bank	RHBBANK MK	6.22	n/a	n/a	6,459	9.3 8.8	0.8 0.8	9.2 9.3	6.4 6.7
Malaysia average					18,189	11.4 10.8	1.2 1.2	11.0 11.1	5.0 5.3
Singapore									
DBS Group Holdings	DBS SP	38.50	n/a	n/a	85,308	10.2 10.4	1.7 1.6	17.1 15.9	5.7 6.3
Oversea-Chinese Banking	OCBC SP	15.46	n/a	n/a	53,725	9.3 9.3	1.2 1.1	13.5 12.7	5.7 5.8
United Overseas Bank	UOB SP	32.73	n/a	n/a	42,324	9.2 9.0	1.2 1.1	12.9 12.6	5.5 5.6
Singapore average					60,452	9.5 9.6	1.4 1.3	14.5 13.7	5.6 5.9
Regional average (excl. Thailand)					87,193	9.2 8.7	1.2 1.1	12.4 12.2	5.4 5.6
Total average (incl. Thailand)					69,662	9.1 8.6	1.2 1.1	11.7 11.6	5.5 5.7

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	31,419	30,922	31,036
Interest expense	(4,589)	(8,424)	(10,903)	(10,776)	(10,979)
Net interest income	19,081	22,294	20,516	20,146	20,057
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	26,693	26,341	26,591
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	10,574	10,850	11,314
Expected credit loss	(5,036)	(6,082)	(5,200)	(4,900)	(4,700)
Other provisions	-	-	-	-	-
Operating profit	9,490	6,787	5,374	5,950	6,614
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	5,374	5,950	6,614
Tax	(1,873)	(1,331)	(1,075)	(1,190)	(1,323)
Profit after tax	7,616	5,456	4,299	4,760	5,291
Non-controlling interest	(14)	(13)	(18)	(21)	(24)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	7,602	5,443	4,281	4,739	5,267
Non recurring items & goodwill (net)	-	-	0	0	0
Recurring net profit	7,602	5,443	4,281	4,739	5,267
<b>Per share (THB)</b>					
Recurring EPS *	8.98	6.43	5.19	5.75	6.39
Reported EPS	8.98	6.43	5.19	5.75	6.39
DPS	3.25	3.00	2.50	2.75	3.05
<b>Growth</b>					
Net interest income (%)	21.5	16.8	(8.0)	(1.8)	(0.4)
Non interest income (%)	(1.0)	(23.5)	(4.5)	0.3	5.5
Pre provision operating profit (%)	11.8	(11.4)	(17.8)	2.6	4.3
Operating profit (%)	21.7	(28.5)	(20.8)	10.7	11.2
Reported net profit (%)	20.3	(28.4)	(21.3)	10.7	11.1
Recurring EPS (%)	20.3	(28.4)	(19.2)	10.7	11.1
Reported EPS (%)	20.3	(28.4)	(19.2)	10.7	11.1
<b>Income Breakdown</b>					
Net interest income (%)	69.3	77.5	76.9	76.5	75.4
Net fees & commission (%)	22.4	19.0	17.5	18.8	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	6.25	6.25	6.17
Cost of funds (%)	1.20	1.95	2.49	2.52	2.54
Net interest spread (%)	4.21	4.27	3.76	3.73	3.63
Net interest margin (%)	4.4	4.5	4.1	4.1	4.0
Cost/income(%)	47.3	55.3	60.4	58.8	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	48.2	47.9	47.8
ROE (%)	14.0	9.2	7.0	7.5	7.9
ROE - COE (%)	3.2	(1.6)	(3.8)	(3.3)	(2.9)
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	48,000	52,320	58,598
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	1,024	993	1,115
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	19,600	17,700	17,859
<b>Total assets</b>	<b>507,637</b>	<b>545,327</b>	<b>522,893</b>	<b>527,458</b>	<b>540,414</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	8,248	8,248	8,248
Reserves	49,356	52,499	53,676	56,457	59,565
<b>Total equity</b>	<b>57,824</b>	<b>60,967</b>	<b>61,923</b>	<b>64,704</b>	<b>67,813</b>
Non-controlling interest	288	286	300	315	331
<b>Total liabilities &amp; equity</b>	<b>507,637</b>	<b>545,327</b>	<b>522,893</b>	<b>527,458</b>	<b>540,414</b>
<b>Supplementary items</b>					
Risk weighted assets (RWA)	374,621	402,435	385,879	389,248	398,809
Average interest earning assets	437,563	493,571	502,595	494,438	502,853
Average interest bearing liabilities	380,922	431,915	438,737	427,195	432,332
CET 1 capital	49,906	50,101	41,634	41,634	41,634
Total capital	62,299	62,495	54,027	54,027	54,027
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	75.08	78.45	82.22
Tangible book value per share	62.69	66.07	68.99	72.37	76.14
<b>Growth</b>					
Gross customer loans	23.0	5.7	(3.0)	(1.0)	-
Average interest earning assets	19.3	12.8	1.8	(1.6)	1.7
Total asset (%)	16.4	7.4	(4.1)	0.9	2.5
Risk weighted assets (%)	19.5	7.4	(4.1)	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	11.8	12.3	12.5
Tangible equity/assets (%)	10.5	10.3	10.9	11.3	11.6
RWA/assets (%)	73.8	73.8	73.8	73.8	73.8
CET 1 CAR (%)	13.3	12.4	10.8	10.7	10.4
Total CAR (%)	16.6	15.5	14.0	13.9	13.5
<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) *	5.7	8.0	9.9	8.9	8.0
Recurring P/E @ target price (x) *	5.6	7.8	9.7	8.8	7.9
Reported P/E (x)	5.7	8.0	9.9	8.9	8.0
Dividend yield (%)	6.3	5.9	4.9	5.4	6.0
Price/book (x)	0.8	0.7	0.7	0.7	0.6
Price/tangible book (x)	0.8	0.8	0.7	0.7	0.7
Price/tangible book @ target price (x)	0.8	0.8	0.7	0.7	0.7
* Pre-exceptional, pre-goodwill and fully diluted					

Sources: Kiatnakin Phatra Bank; FSSIA estimates



# Kiatnakin Phatra Bank PCL (KKP TB)

FSSIA ESG rating

★★★★

Exhibit 8: FSSIA ESG score implication

62.96 /100

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 9: ESG – peer comparison

	FSSIA	Domestic ratings						Global ratings					Bloomberg		
	ESG score	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; FSSIA's compilation

Exhibit 10: ESG score by Bloomberg

FY ending Dec 31	FY 2019	FY 2020	FY 2021	FY 2022
ESG financial materiality scores - 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 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 11: 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 (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 <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.																				
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&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.																				
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 &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+																			
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><tr><td>AAA</td><td>8.571-10.000</td><td rowspan="3">Leader:</td><td rowspan="3">leading its industry in managing the most significant ESG risks and opportunities</td></tr><tr><td>AA</td><td>7.143-8.570</td></tr><tr><td>A</td><td>5.714-7.142</td></tr><tr><td>BBB</td><td>4.286-5.713</td><td rowspan="2">Average:</td><td rowspan="2">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></tr><tr><td>B</td><td>1.429-2.856</td><td rowspan="2">Laggard:</td><td rowspan="2">lagging its industry based on its high exposure and failure to manage significant ESG risks</td></tr><tr><td>CCC</td><td>0.000-1.428</td></tr></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	Laggard:	lagging its industry based on its high exposure and failure to manage significant ESG risks	CCC	0.000-1.428
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	Laggard:	lagging its industry based on its high exposure and failure to manage significant ESG risks																				
CCC	0.000-1.428																						
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; &gt;25 to 50 = satisfactory; &gt;50 to 75 = good; and &gt;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.																					

**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

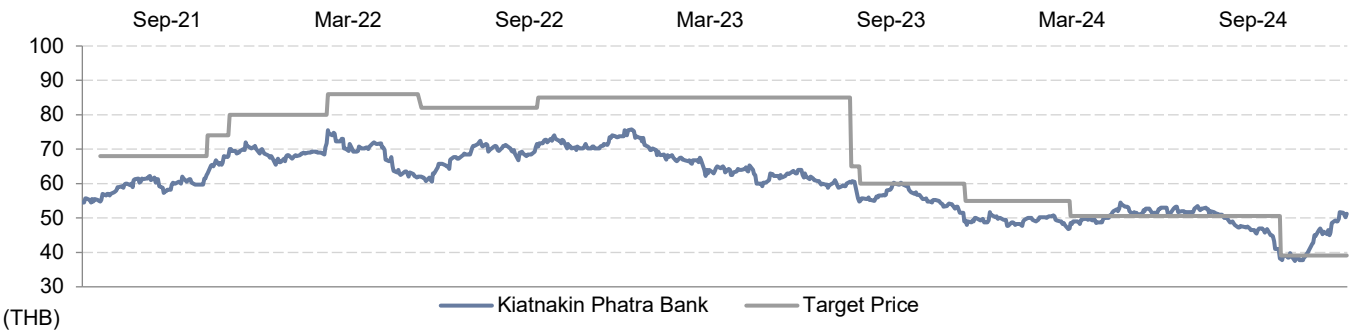
The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s)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

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History of change in investment rating and/or target price

Kiatnakin Phatra Bank (KKP TB)



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 Phatra Bank	KKP TB	THB 51.25	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. Upside risks comprise 1) lower credit cost from better asset quality; and 2) improved market price of used cars and lower loss on sales of NPAs

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-Sep-2024 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.