

5 OCTOBER 2021

THAILAND / BANKS

KRUNG THAI BANK KTB TB

HOLD

UNCHANGED

| | |
|-----------------|----------|
| TARGET PRICE | THB12.20 |
| CLOSE | THB11.10 |
| UP/DOWNSIDE | +9.9% |
| PRIOR TP | THB12.70 |
| CHANGE IN TP | -3.9% |
| TP vs CONSENSUS | -5.3% |

Behind the pack

Our least preferred bank

KTB is our least preferred bank for three reasons. First, KTB has only lightly invested in digital banking platforms. Most of its business still relies on the traditional banking framework. We believe this could result in a loss of competitiveness in the long run. Second, we believe KTB's growth prospects are eclipsed by a further decline in its NIM due to a shift in its loan portfolio mix to include a larger government segment. Third, positioned as a commercial bank held by a government entity, KTB may have to sacrifice its employees to help the government implement stimulus packages, resulting in a decreased ability to cross-sell products.

3Q21: lower fee income and loan yield expected

We expect KTB to report a 3Q21 net profit of THB4,561m (+49% y-y, -24% q-q). We think its performance will be a mixed bag. On the positive side, we expect KTB to deliver the highest loan growth among its peers at 2.5% q-q in 3Q21, driven by the government segment. Additionally, we expect its asset quality to outperform its peers, as more than 70% of its portfolio consists of those segments least affected by Covid. On the other hand, the main pressure on its bottom line should come from the lower fee income due to being the government's arm in implementing stimulus packages. Its loan yield is also in a downtrend following the increase in government loans.

Fine-tuning net profit following BoT's new guidance

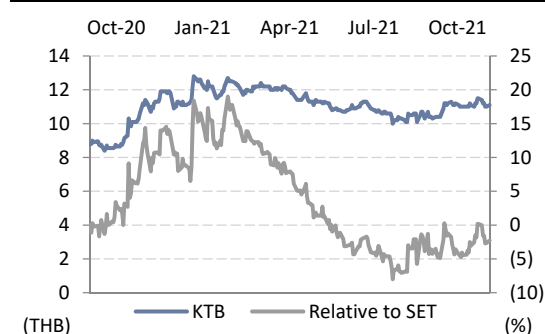
We think that the BoT's guidance on the relaxed loan classification and provision rules should positively affect KTB. Based on our calculation, KTB's 2022 loan yield would decline by 0.2% from its current yield of 4.06%. This should be offset by 1) the extension of the FIDF fee at 0.23%; and 2) we estimate its credit cost in 2022 to decline to 140 bps, close to its normal rate of 120-140 bps. However, the higher-than-expected increase in low-yield government loans should result in a lower loan yield. The prolonged pandemic should also lead to lower fee income. All in all, we lower our 2022-23 net profit forecasts by 2%/1%.

Cheap valuation not enough to grab our attention

We maintain our HOLD call. We slightly trim our 2022 GGM-based TP to THB12.2 to reflect KTB's potentially lower competitiveness in the long run. KTB might be back on our radar once 1) the interest rate begins to reverse to an uptrend; and/or 2) the bank can take advantage of big data to generate more income.

KEY STOCK DATA

| YE Dec (THB m) | 2020 | 2021E | 2022E | 2023E |
|----------------------|--------|--------|--------|--------|
| Operating profit | 21,819 | 26,612 | 27,860 | 30,007 |
| Net profit | 16,732 | 20,330 | 21,447 | 23,141 |
| EPS (THB) | 1.20 | 1.45 | 1.53 | 1.66 |
| vs Consensus (%) | - | 7.5 | (0.4) | (5.9) |
| Core net profit | 16,732 | 20,330 | 21,447 | 23,141 |
| Core EPS (THB) | 1.20 | 1.45 | 1.53 | 1.66 |
| Chg. In EPS est. (%) | 0.3 | 6.0 | (2.1) | (1.0) |
| EPS growth (%) | (42.9) | 21.5 | 5.5 | 7.9 |
| Core P/E (x) | 9.3 | 7.6 | 7.2 | 6.7 |
| Dividend yield (%) | 2.5 | 4.6 | 4.8 | 5.2 |
| Price/book (x) | 0.5 | 0.4 | 0.4 | 0.4 |
| ROE (%) | 4.9 | 5.8 | 5.8 | 6.0 |
| ROA (%) | 0.6 | 0.7 | 0.7 | 0.8 |



| Share price performance | 1 Month | 3 Month | 12 Month |
|--------------------------------|---------|---------|------------|
| Absolute (%) | (0.9) | 4.7 | 26.9 |
| Relative to country (%) | 1.3 | 2.4 | (2.8) |
| Mkt cap (USD m) | | | 4,592 |
| 3m avg. daily turnover (USD m) | | | 10.1 |
| Free float (%) | | | 45 |
| Major shareholder | | | FIDF (55%) |
| 12m high/low (THB) | | | 12.90/8.35 |
| Issued shares (m) | | | 13,976 |

Sources: Bloomberg consensus; FSSIA estimates


Yuvarart Suwanumphai

 yuvarart.suw@fssia.com
 +66 2611 3554

Investment thesis

Although its valuation looks attractive, we believe KTB will continue to trade at the deepest discount among its peers due to having no short-term positive catalysts.

KTB might be back on our radar once 1) the interest rate begins to reverse to an uptrend; and/or 2) the bank can take advantage of big data to generate more income.

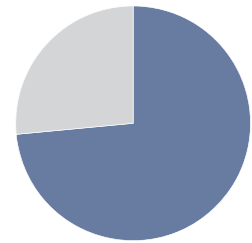
Company profile

Krung Thai Bank began operations in 1966 and in 1989 was the first privatised state enterprise to be listed on the SET. At end-2019, KTB was the second largest Thai bank in terms of lending, and ranked fourth by total assets.

www.ktb.co.th

Principal activities (revenue, 2020)

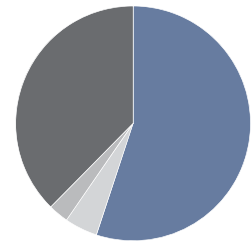
- Net interest income - 73.5 %
- Non-interest income - 26.5 %



Source: Krung Thai Bank

Major shareholders

- FIDF - 55.1 %
- Thai NVDR - 4.5 %
- EGAT Saving and Credit Cooperative Limited - 2.8 %
- Others - 37.6 %



Source: Krung Thai Bank

Catalysts

Potential share price catalysts for KTB include:

- Lower credit cost from a better-than-expected new NPL rate;
- Better operating cost control;
- Faster IT investment to capture digital trends.

Risks to our call

Downside risks to our GGM-based TP are 1) prolonged economic sluggishness and further waves of the Covid-19 pandemic affecting loan growth and asset quality; and 2) the impact of further interest rate cuts on NIM and potential new regulations from the Bank of Thailand on debt-servicing programs. The upside risk is the better-than-expected ability to control cost of funds.

Event calendar

| Date | Event |
|--------------|---------------------------|
| Mid-Oct 2021 | 3Q21 results announcement |

Key assumptions

| | 2021E (%) | 2022E (%) | 2023E (%) |
|--------------------|-----------|-----------|-----------|
| Net profit (THB m) | 20,330 | 21,447 | 23,141 |
| Net profit growth | 21.5 | 5.5 | 7.9 |
| NIM | 2.57 | 2.55 | 2.52 |
| Loan growth | 7.0 | 2.0 | 3.0 |
| Fee growth | (3.2) | 8.0 | 6.0 |
| Non-NII growth* | (0.6) | 5.5 | 4.6 |
| Credit cost (bp) | 140 | 140 | 135 |
| Cost to income* | 46.7 | 45.8 | 45.5 |

*Including share of profits from associates

Source: FSSIA estimates

Earnings sensitivity

| | | 2021E | | |
|-------------------------|--------------|-------------|-------------|-------------|
| Loan growth (%) | ±2ppt | 5.00 | 7.00 | 9.00 |
| % change in net profit | | (1.9) | - | 1.9 |
| NIM (%) | ±5bp | 2.52 | 2.57 | 2.62 |
| % change in net profit | | (5.5) | - | 5.3 |
| Credit cost (bp) | ±10bp | 130 | 140 | 150 |
| % change in net profit | | 6.2 | - | (6.2) |

Source: FSSIA estimates

3Q21: lower fee income and loan yield expected

We expect KTB to report a 3Q21 net profit of THB4,561m (+49% y-y, -24% q-q). We think its performance will be a mixed bag. On the positive side, we expect KTB to deliver the highest loan growth among its peers at 2.5% q-q in 3Q21, driven by the government segment. Additionally, KTB's portfolio is comprised of 26% corporate, 20% government, and c25% government officers. These segments have been the least impacted by the Covid pandemic. Thus, we expect KTB's asset quality to outperform its peers in 3Q21. On the other hand, we expect the main pressure on its bottom line to come from its lower fee income due to being the government's arm in implementing stimulus packages. Also, its loan yield is in a downtrend following the increase in government loans.

Exhibit 1: KTB – 3Q21E results preview

| Year-end Dec 31 | 3Q20 | 2Q21 | 3Q21E | | 9M21E | | | 2021E | | Comments | |
|----------------------------|---------------|---------------|---------------|------------|-------------|---------------|-------------|-----------|----------------|------------|--|
| | (THBm) | (THBm) | (THBm) | (y-y%) | (q-q%) | (THBm) | (y-y%) | %21E | (THB m) | (y-y%) | 3Q21E |
| Net interest income | 21,602 | 20,916 | 21,069 | (2) | 1 | 61,954 | (9) | 74 | 83,773 | (5) | Solid loan growth but lower loan yield |
| Non-interest income* | 8,672 | 7,934 | 8,095 | (7) | 2 | 24,732 | (4) | 73 | 33,700 | (1) | |
| Operating income* | 30,274 | 28,851 | 29,164 | (4) | 1 | 86,687 | (7) | 74 | 117,473 | (4) | |
| Operating expenses | 13,702 | 12,235 | 13,846 | 1 | 13 | 38,769 | (2) | 71 | 54,805 | 3 | |
| PPOP before tax* | 16,572 | 16,616 | 15,318 | (8) | (8) | 47,918 | (12) | 76 | 62,669 | (9) | |
| Provision | 12,414 | 8,097 | 8,809 | (29) | 9 | 24,964 | (30) | 74 | 33,791 | (25) | |
| Income tax | 482 | 1,657 | 1,302 | 170 | (21) | 4,477 | 41 | 83 | 5,371 | 21 | |
| Minority interest | 619 | 852 | 646 | | | 2,327 | 14 | | 3,177 | 17 | |
| Normalised profit | 3,057 | 6,011 | 4,561 | 49 | (24) | 16,150 | 22 | 79 | 20,330 | 22 | |
| Extraordinary items | 0 | 0 | 0 | | | 0 | | | 0 | | |
| Net profit | 3,057 | 6,011 | 4,561 | 49 | (24) | 16,150 | 22 | 79 | 20,330 | 22 | |
| EPS (THB) | 0.22 | 0.43 | 0.33 | 49 | (24) | 1.16 | 22 | 79 | 1.45 | 22 | |
| Asset quality ratio | | | | | | | | | | | |
| Gross NPLs | 110,662 | 105,737 | 107,852 | (3) | 2 | | | | 115,709 | 8 | |
| NPL ratios (%) | 4.21 | 3.54 | 3.52 | | | | | | 4.09 | | |
| LLR/NPLs (%) | 131 | 155 | 154 | | | | | | 136 | | |
| Credit cost (bp) | 217 | 134 | 140 | | | | | | 140 | | |
| Profitability ratio | | | | | | | | | | | |
| Cost to income ratio* | 45.3 | 42.4 | 47.5 | | | | | | 46.7 | | |
| Average yield | 3.57 | 3.21 | 3.18 | | | | | | 3.2 | | |
| Cost of fund | 0.85 | 0.75 | 0.74 | | | | | | 0.7 | | |
| NIM | 2.83 | 2.55 | 2.53 | | | | | | 2.6 | | |
| Non-int inc/total income | 28.6 | 27.5 | 27.8 | | | | | | 28.7 | | |
| Liquidity ratio | | | | | | | | | | | |
| Loan/deposit ratio | 98.7 | 99.7 | 101.2 | | | | | | 99.2 | | |
| Capital adequacy | | | | | | | | | | | |
| CAR | 18.4 | 19.4 | 19.1 | | | | | | 18.2 | | |
| CET 1/ Risk assets | 15.0 | 15.0 | 15.9 | | | | | | 15.1 | | |
| Tier 2 / Risk assets | 3.4 | 3.4 | 3.3 | | | | | | 3.2 | | |
| Loan growth | | | | | | | | | | | |
| Year-to-date | 9.2 | 6.5 | 9.1 | | | | | | | | |
| y-y | 9.1 | 8.8 | 11.7 | | | | | | 7.0 | | |
| q-q | (0.2) | 5.3 | 2.5 | | | | | | | | |

*Including share of profits from associates

Sources: KTB; FSSIA estimates

Fine-tuning net profit following BoT's new guidance

The Bank of Thailand (BoT) is encouraging banks to provide comprehensive debt restructuring (CDR) to their clients by extending the relaxed loan classification and provision setup rules to Dec-23 and extending the reduction of the Financial Institutions Development Fund (FIDF) fee at 0.23% to Dec-22.

Currently, most banks have still not provided any clues about their CDR plans, except for Siam Commercial Bank (SCB TB, BUY, TP THB158) which will offer c20% of its total portfolio to its clients. We think it is still difficult to quantify the precise impact that CDR could have on banks' net profits, and will mostly depend on the CDR that they choose to apply. Accordingly, we have 1) collected forbearance program data and previous debt restructuring program data; and 2) followed up with each bank's management. Thus, we assess the impact on banks' bottom lines using the following assumptions:

Assumptions:

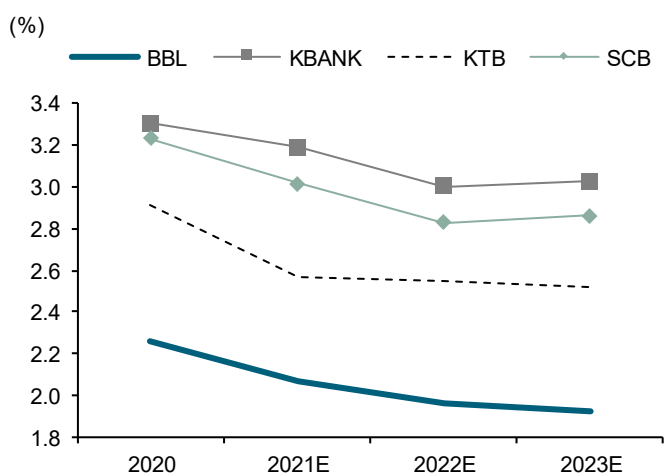
- 2021 forbearance programs should increase slightly to moderately from the current level as of 2Q21, depending on each bank's portfolio makeup and client profiles;
- Banks will likely offer CDR at 60% of their 2021 forbearance programs;
- Banks will also offer CDR for some of their trouble loans which are not classified under the forbearance program, depending on each bank's portfolio makeup and client profiles;
- The CDR EIR would be 50% lower than that of each bank's current level;
- Banks will set credit costs in 2022-23 close to their normal rates.

Exhibit 2: CDR impact on loan yield

| | Forbearance program (FB) | | ----- Banks will offer CDR ----- | | | Net negative impact on 2022E EIR (%) |
|------------|--------------------------|-----------------------|----------------------------------|--|---------------------------------------|--------------------------------------|
| | 2Q21 (% total loans) | 2021E (% total loans) | 60% of FB | Other trouble loans (% of total loans) | Total expected CDR (% of total loans) | |
| BBL | 12 | 12 | 7 | 3 | 10 | (0.20) |
| KBANK | 14 | 18 | 11 | 8 | 19 | (0.44) |
| KKP | 13 | 15 | 9 | 3 | 12 | (0.39) |
| KTB | 4 | 7 | 4 | 5 | 9 | (0.20) |
| SCB | 16 | 20 | 12 | 8 | 20 | (0.46) |
| TISCO | 3 | 7 | 4 | 3 | 7 | (0.24) |
| TTB | 14 | 16 | 10 | 5 | 15 | (0.33) |

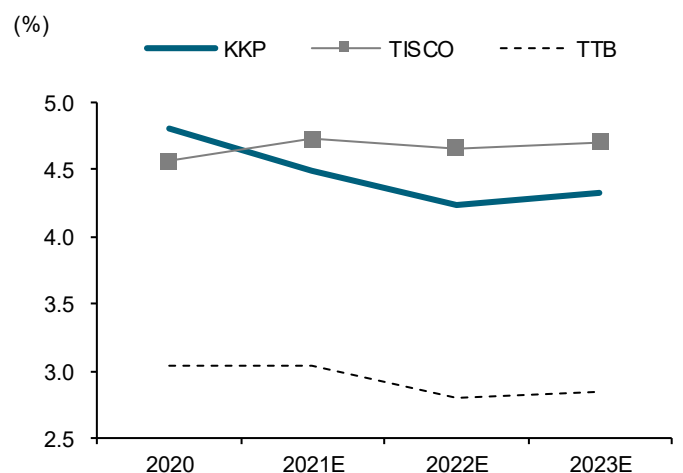
Sources: Company data; FSSIA estimates

Exhibit 3: NIM assumptions for big banks



Sources: Company data; FSSIA estimates

Exhibit 4: NIM assumptions for auto lenders



Sources: Company data; FSSIA estimates

Exhibit 5: Credit cost assumptions

| | ----- Credit costs ----- | | | | Expected normal credit costs |
|------------|--------------------------|----------------|----------------|----------------|------------------------------|
| | 2020 (bps) | 2021E (bps) | 2022E (bps) | 2023E (bps) | |
| BBL | 141 | 117 | 88 | 84 | 80-100 |
| KBANK | 205 | 180 | 160 | 150 | 120-140 |
| KKP | 163 | 193 | 120 | 110 | 100-120 |
| KTB | 203 | 140 | 140 | 130 | 120-140 |
| SCB | 214 | 188 | 140 | 135 | 120-140 |
| TISCO | 142 | 115 | 90 | 90 | 90-110 |
| TTB | 178 | 175 | 145 | 138 | 120-140 |

Sources: Company data; FSSIA estimates

We think that the BoT’s guidance should positively affect KTB. Based on our calculation, KTB’s 2022 loan yield would decline by 0.2% from its current yield of 4.06%. This should be offset by 1) the extension of the FIDF fee at 0.23%; and 2) we estimate its credit cost in 2022 to decline to 140 bps, close to its normal rate of 120-140 bps.

However, the higher-than-expected increase in low-yield government loans should result in a lower loan yield. Together with being the government’s arm to implement official stimulus packages during the Covid pandemic, these two factors will likely reduce the bank’s ability to generate fee income.

All in all, there could be a slightly negative impact on our 2022-23 earnings forecast. Accordingly, we lower our 2022-23 net profit forecasts by 2%/1%. We raise our 2021 net profit assumption by 6% due to the better-than-expected asset quality, leading to lower provisions.

Exhibit 6: KTB – change of key assumptions

| | 2020 (THB m) | -----2021E----- | | | -----2022E----- | | | -----2023E----- | | |
|----------------------------------|-----------------|-----------------|----------------|---------------|-----------------|----------------|---------------|-----------------|----------------|---------------|
| | | Old (THB m) | New (THB m) | Change (%) | Old (THB m) | New (THB m) | Change (%) | Old (THB m) | New (THB m) | Change (%) |
| Net interest income | 88,343 | 88,790 | 83,773 | (5.7) | 89,833 | 85,460 | (4.9) | 95,170 | 87,003 | (8.6) |
| Non-interest income* | 33,905 | 35,339 | 33,700 | (4.6) | 36,663 | 35,539 | (3.1) | 38,349 | 37,157 | (3.1) |
| Operating income* | 122,247 | 124,130 | 117,473 | (5.4) | 126,497 | 120,999 | (4.3) | 133,519 | 124,160 | (7.0) |
| Operating expenses | 53,465 | 56,572 | 54,805 | (3.1) | 60,156 | 55,363 | (8.0) | 64,014 | 56,536 | (11.7) |
| PPOP before tax* | 68,783 | 67,558 | 62,669 | (7.2) | 66,341 | 65,635 | (1.1) | 69,505 | 67,624 | (2.7) |
| Expected credit loss (Reversal) | 44,903 | 40,239 | 33,791 | (16.0) | 35,351 | 35,283 | (0.2) | 36,411 | 34,875 | (4.2) |
| Tax expenses | 4,441 | 5,081 | 5,371 | 5.7 | 5,733 | 5,615 | (2.1) | 6,122 | 6,059 | (1.0) |
| Minority interest | 2,707 | 3,005 | 3,177 | 5.7 | 3,359 | 3,290 | (2.1) | 3,587 | 3,550 | (1.0) |
| Normalised profit | 16,732 | 19,233 | 20,330 | 5.7 | 21,898 | 21,447 | (2.1) | 23,384 | 23,141 | (1.0) |
| Extraordinary items | - | - | - | - | - | - | - | - | - | - |
| Net profit | 16,732 | 19,233 | 20,330 | 5.7 | 21,898 | 21,447 | (2.1) | 23,384 | 23,141 | (1.0) |
| EPS (THB) | 1.20 | 1.38 | 1.45 | 5.7 | 1.57 | 1.53 | (2.1) | 1.67 | 1.66 | (1.0) |
| Key statistics and ratios | | | | | | | | | | |
| Asset quality ratio | | | | | | | | | | |
| Gross NPLs (THB m) | 107,138 | 133,923 | 115,709 | (13.6) | 140,619 | 124,966 | (11.1) | 147,650 | 134,963 | (8.6) |
| Gross NPLs/Loans (%) | 3.81 | 4.91 | 4.09 | | 5.01 | 4.33 | | 5.11 | 4.54 | |
| Loan loss reserve/NPLs (%) | 140 | 123 | 136 | | 128 | 138 | | 133 | 138 | |
| Credit cost (bps) | 203 | 170 | 140 | | 145 | 140 | | 145 | 135 | |
| Profitability ratio (%) | | | | | | | | | | |
| Cost to income ratio* | 43.73 | 45.57 | 46.65 | | 47.56 | 45.76 | | 47.94 | 45.53 | |
| Average yield | 3.72 | 3.41 | 3.22 | | 3.55 | 3.22 | | 3.66 | 3.36 | |
| Cost of funds | 0.93 | 0.78 | 0.74 | | 1.01 | 0.78 | | 1.06 | 0.99 | |
| Net interest margin (NIM) | 2.91 | 2.72 | 2.57 | | 2.68 | 2.55 | | 2.75 | 2.52 | |
| Loan growth (%) | | | | | | | | | | |
| y-y | 11.59 | 3.00 | 7.00 | | 3.00 | 2.00 | | 3.00 | 3.00 | |

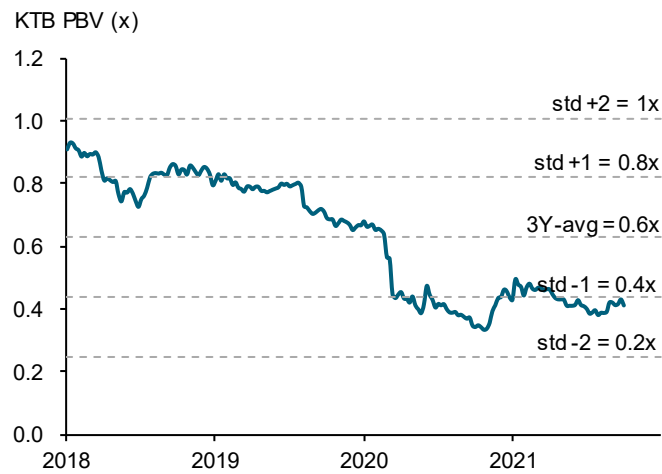
*Including share of profits from associates
Source: FSSIA estimates

Exhibit 7: KTB – GGM-derived target price

| Target price | THB 12.2 (from 12.7) |
|-------------------------|--|
| Recommendation | HOLD |
| Risk-free rate (%) | 3.0 |
| Market risk premium (%) | 8.0 |
| Cost to equity (%) | 8.7 (unchanged) |
| Terminal growth (%) | 3.3 (from 3.4) |
| ROE target (%) | 5.7 (from 5.9) |
| Risk to TP | Downside risks to our GGM-based TP are 1) prolonged economic sluggishness and further waves of the Covid-19 pandemic affecting loan growth and asset quality; and 2) the impact of further interest rate cuts on NIM and potential new regulations from the Bank of Thailand on debt-servicing programs. The upside risk is the better-than-expected ability to control cost of funds. |

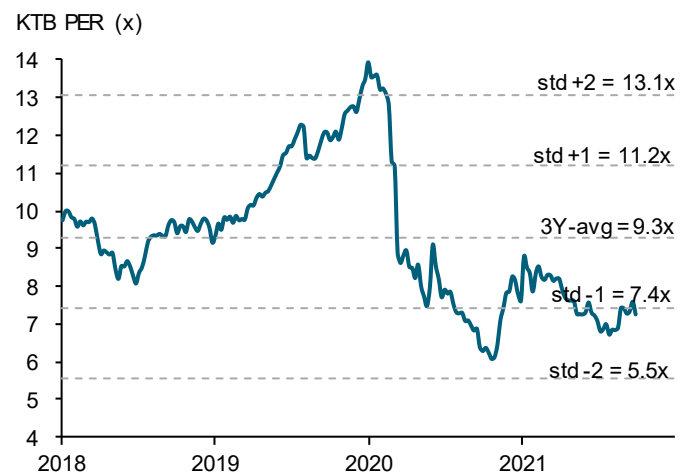
Source: FSSIA estimates

Exhibit 8: KTB – one-year forward rolling P/BV



Sources: Bloomberg; FSSIA estimates

Exhibit 9: KTB – one-year forward rolling P/E



Sources: Bloomberg; FSSIA estimates

Exhibit 10: Peers comparison

| Company name | BBG code | Rec | --- Share price -- | | Up side (%) | Market Cap (USD m) | EPS growth | | ---- PE ---- | | ---- ROE ---- | | --- PBV --- | |
|----------------------|----------|------|--------------------|--------------|-------------|--------------------|------------|-------------|--------------|------------|---------------|------------|-------------|------------|
| | | | Current (THB) | Target (THB) | | | 21E (%) | 22E (%) | 21E (x) | 22E (x) | 21E (%) | 22E (%) | 21E (x) | 22E (x) |
| Bangkok Bank | BBL TB | HOLD | 116.50 | 128.00 | 10 | 6,582 | 17.2 | 9.9 | 9.0 | 8.2 | 5.5 | 5.8 | 0.5 | 0.5 |
| Kasikornbank | KBANK TB | BUY | 137.00 | 168.00 | 23 | 9,608 | 12.4 | 12.6 | 9.8 | 8.7 | 7.2 | 7.5 | 0.7 | 0.6 |
| Kiatnakin Bank | KKP TB | BUY | 55.25 | 68.00 | 23 | 1,385 | 8.2 | 20.9 | 8.4 | 7.0 | 11.6 | 13.0 | 0.9 | 0.9 |
| Krung Thai Bank | KTB TB | HOLD | 11.10 | 12.20 | 10 | 4,592 | 21.5 | 5.5 | 7.6 | 7.2 | 5.8 | 5.8 | 0.4 | 0.4 |
| Siam Commercial Bank | SCB TB | BUY | 124.00 | 158.00 | 27 | 12,463 | 18.1 | 14.2 | 13.1 | 11.5 | 7.6 | 8.4 | 1.0 | 1.0 |
| Tisco Financial | TISCO TB | BUY | 92.25 | 110.00 | 19 | 2,186 | 6.7 | 9.0 | 11.4 | 10.5 | 16.1 | 16.7 | 1.8 | 1.7 |
| TMBThanachart | TTB TB | BUY | 1.12 | 1.40 | 25 | 3,199 | (1.1) | 32.1 | 10.8 | 8.2 | 4.8 | 6.1 | 0.5 | 0.5 |
| Coverage | | | | | | 40,015 | 0.8 | 13.6 | 10.6 | 9.3 | 7.3 | 7.9 | 0.8 | 0.7 |

Share prices as of 4 Oct 2021

Sources: Company data; FSSIA estimates

Financial Statements

Krung Thai Bank

| Profit and Loss (THB m) Year Ending Dec | 2019 | 2020 | 2021E | 2022E | 2023E |
|---|----------|----------|----------|----------|----------|
| Interest Income | 122,972 | 112,837 | 104,888 | 108,168 | 116,241 |
| Interest expense | (34,655) | (24,494) | (21,115) | (22,708) | (29,238) |
| Net interest income | 88,316 | 88,343 | 83,773 | 85,460 | 87,003 |
| Net fees & commission | 23,238 | 20,528 | 19,876 | 21,466 | 22,754 |
| Foreign exchange trading income | 3,197 | 3,134 | 3,511 | 3,159 | 2,844 |
| Securities trading income | 4,372 | 951 | 1,426 | 1,569 | 1,726 |
| Dividend income | 496 | 376 | 451 | 496 | 546 |
| Other income | 4,615 | 6,855 | 6,170 | 6,355 | 6,545 |
| Non interest income | 35,917 | 31,844 | 31,434 | 33,046 | 34,415 |
| Total income | 124,233 | 120,187 | 115,207 | 118,506 | 121,418 |
| Staff costs | (31,390) | (28,466) | (28,182) | (28,182) | (28,182) |
| Other operating costs | (31,084) | (24,999) | (26,623) | (27,182) | (28,354) |
| Operating costs | (62,474) | (53,465) | (54,805) | (55,363) | (56,536) |
| Pre provision operating profit | 61,759 | 66,722 | 60,402 | 63,142 | 64,882 |
| Provision for bad and doubtful debt | (23,814) | (44,903) | (33,791) | (35,283) | (34,875) |
| Other provisions | - | - | - | - | - |
| Operating profit | 37,946 | 21,819 | 26,612 | 27,860 | 30,007 |
| Recurring non operating income | 1,425 | 2,060 | 2,266 | 2,493 | 2,742 |
| Associates | 1,425 | 2,060 | 2,266 | 2,493 | 2,742 |
| Goodwill amortization | - | - | - | - | - |
| Non recurring items | 0 | 0 | 0 | 0 | 0 |
| Profit before tax | 39,370 | 23,880 | 28,878 | 30,353 | 32,750 |
| Tax | (7,233) | (4,441) | (5,371) | (5,615) | (6,059) |
| Profit after tax | 32,138 | 19,439 | 23,507 | 24,737 | 26,691 |
| Minority interests | (2,854) | (2,707) | (3,177) | (3,290) | (3,550) |
| Preferred dividends | - | - | - | - | - |
| Other items | - | - | - | - | - |
| Reported net profit | 29,284 | 16,732 | 20,330 | 21,447 | 23,141 |
| Non recurring items & goodwill (net) | - | - | 0 | 0 | 0 |
| Recurring net profit | 29,284 | 16,732 | 20,330 | 21,447 | 23,141 |
| Per share (THB) | | | | | |
| Recurring EPS * | 2.10 | 1.20 | 1.45 | 1.53 | 1.66 |
| Reported EPS | 2.10 | 1.20 | 1.45 | 1.53 | 1.66 |
| DPS | 0.73 | 0.28 | 0.51 | 0.54 | 0.58 |
| Growth | | | | | |
| Net interest income (%) | 5.5 | 0.0 | (5.2) | 2.0 | 1.8 |
| Non interest income (%) | 10.8 | (11.3) | (1.3) | 5.1 | 4.1 |
| Pre provision operating profit (%) | (2.0) | 8.0 | (9.5) | 4.5 | 2.8 |
| Operating profit (%) | 3.1 | (42.5) | 22.0 | 4.7 | 7.7 |
| Reported net profit (%) | 2.8 | (42.9) | 21.5 | 5.5 | 7.9 |
| Recurring EPS (%) | 2.8 | (42.9) | 21.5 | 5.5 | 7.9 |
| Reported EPS (%) | 2.8 | (42.9) | 21.5 | 5.5 | 7.9 |
| Income Breakdown | | | | | |
| Net interest income (%) | 71.1 | 73.5 | 72.7 | 72.1 | 71.7 |
| Net fees & commission (%) | 18.7 | 17.1 | 17.3 | 18.1 | 18.7 |
| Foreign exchange trading income (%) | 2.6 | 2.6 | 3.0 | 2.7 | 2.3 |
| Securities trading income (%) | 3.5 | 0.8 | 1.2 | 1.3 | 1.4 |
| Dividend income (%) | 0.4 | 0.3 | 0.4 | 0.4 | 0.4 |
| Other income (%) | 3.7 | 5.7 | 5.4 | 5.4 | 5.4 |
| Operating performance | | | | | |
| Gross interest yield (%) | 4.48 | 3.72 | 3.22 | 3.22 | 3.36 |
| Cost of funds (%) | 1.45 | 0.92 | 0.74 | 0.78 | 0.98 |
| Net interest spread (%) | 3.03 | 2.80 | 2.48 | 2.44 | 2.38 |
| Net interest margin (%) | 3.2 | 2.9 | 2.6 | 2.5 | 2.5 |
| Cost/income(%) | 50.3 | 44.5 | 47.6 | 46.7 | 46.6 |
| Cost/assets(%) | 2.2 | 1.7 | 1.6 | 1.6 | 1.6 |
| Effective tax rate (%) | 18.4 | 18.6 | 18.6 | 18.5 | 18.5 |
| Dividend payout on recurring profit (%) | 35.0 | 23.0 | 35.0 | 35.0 | 35.0 |
| ROE (%) | 9.1 | 4.9 | 5.8 | 5.8 | 6.0 |
| ROE - COE (%) | (0.9) | (5.0) | (4.2) | (4.1) | (4.0) |
| ROA (%) | 1.1 | 0.6 | 0.7 | 0.7 | 0.8 |
| RORWA (%) | 1.7 | 1.0 | 1.2 | 1.2 | 1.3 |

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Krung Thai Bank; FSSIA estimates

Financial Statements

Krung Thai Bank

| Balance Sheet (THB m) Year Ending Dec | 2019 | 2020 | 2021E | 2022E | 2023E |
|--|------------------|------------------|------------------|------------------|------------------|
| Gross customer loans | 2,089,874 | 2,331,998 | 2,495,238 | 2,545,143 | 2,621,497 |
| Total provisions | (135,268) | (150,523) | (156,866) | (171,788) | (185,690) |
| interest in suspense | 5,159 | 16,199 | 19,962 | 12,726 | 13,107 |
| Net customer loans | 1,959,765 | 2,197,674 | 2,358,334 | 2,386,081 | 2,448,914 |
| Bank loans | 338,771 | 519,631 | 398,328 | 438,449 | 454,868 |
| Government securities | - | - | - | - | - |
| Trading securities | - | - | - | - | - |
| Investment securities | 426,174 | 360,112 | 414,527 | 423,744 | 433,191 |
| Cash & equivalents | 68,434 | 68,161 | 38,343 | 37,313 | 27,407 |
| Other interesting assets | - | - | - | - | - |
| Tangible fixed assets | 56,383 | 57,421 | 59,797 | 62,277 | 64,866 |
| Associates | - | - | - | - | - |
| Goodwill | - | - | - | - | - |
| Other intangible assets | - | - | - | - | - |
| Other assets | 162,690 | 124,780 | 140,883 | 144,155 | 147,546 |
| Total assets | 3,012,216 | 3,327,780 | 3,410,212 | 3,492,019 | 3,576,791 |
| Customer deposits | 2,155,865 | 2,463,225 | 2,515,337 | 2,565,643 | 2,616,956 |
| Bank deposits | - | - | - | - | - |
| Other interest bearing liabilities | 317,408 | 365,863 | 370,333 | 377,740 | 385,295 |
| Non interest bearing liabilities | 190,617 | 143,629 | 150,810 | 158,351 | 166,268 |
| Hybrid Capital | - | - | - | - | - |
| Total liabilities | 2,663,890 | 2,972,717 | 3,036,480 | 3,101,734 | 3,168,519 |
| Share capital | 72,005 | 72,005 | 71,977 | 71,977 | 71,977 |
| Reserves | 266,282 | 271,498 | 289,587 | 305,601 | 323,002 |
| Total equity | 338,287 | 343,503 | 361,563 | 377,578 | 394,979 |
| Minority interests | 10,039 | 11,561 | 12,169 | 12,708 | 13,293 |
| Total liabilities & equity | 3,012,216 | 3,327,780 | 3,410,212 | 3,492,019 | 3,576,791 |
| Supplementary items | | | | | |
| Risk weighted assets (RWA) | 1,929,176 | 1,913,726 | 2,047,687 | 2,088,641 | 2,151,300 |
| Average interest earning assets | 2,745,719 | 3,033,280 | 3,259,917 | 3,357,715 | 3,458,446 |
| Average interest bearing liabilities | 2,385,528 | 2,651,180 | 2,857,379 | 2,914,526 | 2,972,817 |
| Tier 1 capital | 285,462 | 293,683 | 308,370 | 322,144 | 336,931 |
| Total capital | 360,078 | 359,015 | 373,702 | 387,476 | 402,263 |
| Gross non performing loans (NPL) | 102,629 | 107,138 | 115,709 | 124,966 | 134,963 |
| Per share (THB) | | | | | |
| Book value per share | 24.20 | 24.58 | 25.87 | 27.02 | 28.26 |
| Tangible book value per share | 24.20 | 24.58 | 25.87 | 27.02 | 28.26 |
| Growth | | | | | |
| Gross customer loans | 3.3 | 11.6 | 7.0 | 2.0 | 3.0 |
| Average interest earning assets | 2.4 | 10.5 | 7.5 | 3.0 | 3.0 |
| Total asset (%) | 10.0 | 10.5 | 2.5 | 2.4 | 2.4 |
| Risk weighted assets (%) | 1.8 | (0.8) | 7.0 | 2.0 | 3.0 |
| Customer deposits (%) | 5.7 | 14.3 | 2.1 | 2.0 | 2.0 |
| Leverage & capital measures | | | | | |
| Customer loan/deposits (%) | 90.9 | 89.2 | 93.8 | 93.0 | 93.6 |
| Equity/assets (%) | 11.2 | 10.3 | 10.6 | 10.8 | 11.0 |
| Tangible equity/assets (%) | 11.2 | 10.3 | 10.6 | 10.8 | 11.0 |
| RWA/assets (%) | 64.0 | 57.5 | 60.0 | 59.8 | 60.1 |
| Tier 1 CAR (%) | 14.8 | 15.3 | 15.1 | 15.4 | 15.7 |
| Total CAR (%) | 18.7 | 18.8 | 18.2 | 18.6 | 18.7 |
| Asset Quality | | | | | |
| Change in NPL (%) | (3.3) | 4.4 | 8.0 | 8.0 | 8.0 |
| NPL/gross loans (%) | 4.9 | 4.6 | 4.6 | 4.9 | 5.1 |
| Total provisions/gross loans (%) | 6.5 | 6.5 | 6.3 | 6.6 | 7.1 |
| Total provisions/NPL (%) | 131.8 | 140.5 | 135.6 | 137.5 | 137.6 |
| Valuation | | | | | |
| Recurring P/E (x) * | 5.3 | 9.3 | 7.6 | 7.2 | 6.7 |
| Recurring P/E @ target price (x) * | 5.8 | 10.2 | 8.4 | 8.0 | 7.4 |
| Reported P/E (x) | 5.3 | 9.3 | 7.6 | 7.2 | 6.7 |
| Dividend yield (%) | 6.6 | 2.5 | 4.6 | 4.8 | 5.2 |
| Price/book (x) | 0.5 | 0.5 | 0.4 | 0.4 | 0.4 |
| Price/tangible book (x) | 0.5 | 0.5 | 0.4 | 0.4 | 0.4 |
| Price/tangible book @ target price (x) | 0.5 | 0.5 | 0.5 | 0.5 | 0.4 |

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Krung Thai Bank; FSSIA estimates

Corporate Governance report of Thai listed companies 2020

| EXCELLENT LEVEL | | | | | | | | | | |
|-----------------|--------|--------|-------|-------|-------|--------|--------|--------|--------|-------|
| AAV | ADVANC | AF | AIRA | AKP | AKR | ALT | AMA | AMATA | AMATAV | ANAN |
| AOT | AP | ARIP | ARROW | ASP | BAFS | BANPU | BAY | BCP | BCPG | BDMS |
| BEC | BEM | BGRIM | BIZ | BKI | BLA | BOL | BPP | BRR | BTS | BWG |
| CENTEL | CFRESH | CHEWA | CHO | CIMBT | CK | CKP | CM | CNT | COL | COMAN |
| COTTO | CPALL | CPF | CPI | CPN | CSS | DELTA | DEMCO | DRT | DTAC | DTC |
| DV8 | EA | EASTW | ECF | ECL | EGCO | EPG | ETE | FNS | FPI | FPT |
| FSMART | GBX | GC | GCAP | GEL | GFPT | GGC | GPSC | GRAMMY | GUNKUL | HANA |
| HARN | HMPRO | ICC | ICI | III | ILINK | INTUCH | IRPC | IVL | JKN | JSP |
| JWD | K | KBANK | KCE | KKP | KSL | KTB | KTC | LANNA | LH | LHFG |
| LIT | LPN | MAKRO | MALEE | MBK | MBKET | MC | MCOT | METCO | MFEC | MINT |
| MONO | MOONG | MSC | MTC | NCH | NCL | NEP | NKI | NOBLE | NSI | NVD |
| NYT | OISHI | ORI | OTO | PAP | PAP | PCSGH | PDJ | PG | PHOL | PLANB |
| PLAT | PORT | PPS | PR9 | PREB | PRG | PRM | PSH | PSL | PTG | PTT |
| PTTEP | PTTGC | PYLON | Q-CON | QH | QTC | RATCH | RS | S | S & J | SAAM |
| SABINA | SAMART | SAMTEL | SAT | SC | SCB | SCC | SCC | SCG | SCN | SDC |
| SEAFCO | SEOIL | SE-ED | SELIC | SENA | SIRI | SIS | SITHAI | SMK | SMPC | SNC |
| SONIC | SORKON | SPALI | SPI | SPRC | SPVI | SSSC | SST | STA | SUSCO | SUTHA |
| SVI | SYMC | SYNTEC | TACC | TASCO | TCAP | TFMAMA | THANA | THANI | THCOM | THG |
| THIP | THRE | THREL | TIP | TIPCO | TISCO | TK | TKT | TTB | TMILL | TNDT |
| TNL | TOA | TOP | TPBI | TQM | TRC | TRC | TSC | TSR | TSTE | TSTH |
| TTCL | TTW | TU | TVD | TVI | TVO | TWPC | U | UAC | UBIS | UV |
| VGI | VIH | WACOAL | WAVE | WHA | WHAUP | WICE | WINNER | TRUE | | |

| VERY GOOD LEVEL | | | | | | | | | | |
|-----------------|---------|--------|-------|--------|-------|--------|--------|--------|--------|-------|
| 2S | ABM | ACE | ACG | ADB | AEC | AEONTS | AGE | AH | AHC | AIT |
| ALLA | AMANAHA | AMARIN | APCO | APCS | APURE | AQUA | ASAP | ASEFA | ASIA | ASIAN |
| ASIMAR | ASK | ASN | ATP30 | AUCT | AWC | AYUD | B | BA | BAM | BBL |
| BFIT | BGC | BJC | BJCHI | BROOK | BTW | CBG | CEN | CGH | CHARAN | CHAYO |
| CHG | CHOTI | CHOW | CI | CIG | CMC | COLOR | COM7 | CPL | CRC | CRD |
| CSC | CSP | CWT | DCC | DCON | DDD | DOD | DOHOME | EASON | EE | ERW |
| ESTAR | FE | FLOYD | FN | FORTH | FSS | FTE | FVC | GENCO | GJS | GL |
| GLAND | GLOBAL | GLOCON | GPI | GULF | GYT | HPT | HTC | ICN | IFS | ILM |
| IMH | INET | INSURE | IRC | IRCP | IT | ITD | ITEL | J | JAS | JCK |
| JCKH | JMART | JMT | KBS | KCAR | KGI | KIAT | KOOL | KTIS | KWC | KWM |
| L&E | LALIN | LDC | LHK | LOXLEY | LPH | LRH | LST | M | MACO | MAJOR |
| MBAX | MEGA | META | MFC | MGT | MILL | MITSIB | MK | MODERN | MTI | MVP |
| NETBAY | NEX | NINE | NTV | NWR | OCC | OGC | OSP | PATO | PB | PDG |
| PDI | PICO | PIMO | PJW | PL | PM | PPP | PRIN | PRINC | PSTC | PT |
| QLT | RCL | RICHY | RML | RPC | RWI | S11 | SALEE | SAMCO | SANKO | SAPPE |
| SAWAD | SCI | SCP | SE | SEG | SFP | SGF | SHR | SIAM | SINGER | SKE |
| SKR | SKY | SMIT | SMT | SNP | SPA | SPC | SPCG | SR | SRICHA | SSC |
| SSF | STANLY | STI | STPI | SUC | SUN | SYNEX | T | TAE | TAKUNI | TBSP |
| TCC | TCMC | TEAM | TEAMG | TFG | TIGER | TITLE | TKN | TKS | TM | TMC |
| TMD | TMI | TMT | TNITY | TNP | TNR | TOG | TPA | TPAC | TPCORP | TPOLY |
| TPS | TRITN | TRT | TRU | TSE | TVT | TWP | UEC | UMI | UOBKH | UP |
| UPF | UPOIC | UT | UTP | UWC | VL | VNT | VPO | WIJK | WP | XO |
| YUASA | ZEN | ZIGA | ZMICO | | | | | | | |

| GOOD LEVEL | | | | | | | | | | |
|------------|------|--------|--------|-------|--------|-------|-------|--------|--------|-------|
| 7UP | A | ABICO | AJ | ALL | ALUCON | AMC | APP | ARIN | AS | AU |
| B52 | BC | BCH | BEAUTY | BGT | BH | BIG | BKD | BLAND | BM | BR |
| BROCK | BSBM | BSM | BTNC | CAZ | CCP | CGD | CITY | CMAN | CMO | CMR |
| CPT | CPW | CRANE | CSR | D | EKH | EP | ESSO | FMT | GIFT | GREEN |
| GSC | GTB | HTECH | HUMAN | IHL | INOX | INSET | IP | JTS | JUBILE | KASET |
| KCM | KKC | KUMWEL | KUN | KWG | KYE | LEE | MATCH | MATI | M-CHAI | MCS |
| MDX | MJD | MM | MORE | NC | NDR | NER | NFC | NNCL | NPK | NUSA |
| OCEAN | PAF | PF | PK | PLE | PMTA | POST | PPM | PRAKIT | PRECHA | PRIME |
| PROUD | PTL | RBF | RCI | RJH | ROJNA | RP | RPH | RSP | SF | SFLEX |
| SGP | SISB | SKN | SLP | SMART | SOLAR | SPG | SQ | SSP | STARK | STC |
| SUPER | SVOA | TC | TCCC | THMUI | TIW | TNH | TOPP | TPCH | TIPIP | TPLAS |
| TTI | TYCN | UKEM | UMS | VCOM | VRANDA | WIN | WORK | WPH | | |

| Description | Score Range |
|-------------|-------------|
| Excellent | 90-100 |
| Very Good | 80-89 |
| Good | 70-79 |

Disclaimer:

The disclosure of the survey results of the Thai Institute of Directors Association ("IOD") regarding corporate governance is made pursuant to the policy of the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of a company listed on the Stock Exchange of Thailand and the Market for Alternative Investment disclosed to the public and able to be accessed by a general public investor. The result, therefore, is from the perspective of a third party. It is not an evaluation of operation and is not based on inside information.

The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey results may be changed after that date. FSS International Investment Advisory Company Limited does not confirm nor certify the accuracy of such survey results.

* CGR scoring should be considered with news regarding wrong doing of the company or director or executive of the company such unfair practice on securities trading, fraud, and corruption SEC imposed a civil sanction against insider trading of director and executive; ** delisted

Source: Thai Institute of Directors Association (IOD); FSSIA's compilation

Anti-corruption Progress Indicator 2020

| CERTIFIED | | | | | | | | | | |
|-----------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| 2S | ADVANC | AI | AIE | AIRA | AKP | AMA | AMANAH | AP | AQUA | ARROW |
| ASK | ASP | AYUD | B | BAFS | BANPU | BAY | BBL | BCH | BCP | BCPG |
| BGC | BGRIM | BJCHI | BKI | BLA | BPP | BROOK | BRR | BSBM | BTS | BWG |
| CEN | CENTEL | CFRESH | CGH | CHEWA | CHOTI | CHOW | CIG | CIMBT | CM | CMC |
| COL | COM7 | CPALL | CPF | CPI | CPN | CSC | DCC | DELTA | DEMCO | DIMET |
| DRT | DTAC | DTC | EASTW | ECL | EGCO | FE | FNS | FPI | FPT | FSS |
| FTE | GBX | GC | GCAP | GEL | GFPT | GGC | GJS | GPSC | GSTEEL | GUNKUL |
| HANA | HARN | HMPRO | HTC | ICC | ICHI | IFS | INET | INSURE | INTUCH | IRPC |
| ITEL | IVL | K | KASET | KBANK | KBS | KCAR | KCE | KGI | KKP | KSL |
| KTB | KTC | KWC | L&E | LANNA | LHFG | LHK | LPN | LRH | M | MAKRO |
| MALEE | MBAX | MBK | MBKET | MC | MCOT | MFC | MFEC | MINT | MONO | MOONG |
| MPG | MSC | MTC | MTI | NBC | NEP | NINE | NKI | NMG | NNCL | NSI |
| NWR | OCC | OCEAN | OGC | ORI | PAP | PATO | PB | PCSGH | PDG | PDI |
| PDJ | PE | PG | PHOL | PL | PLANB | PLANET | PLAT | PM | PPP | PPPM |
| PPS | PREB | PRG | PRINC | PRM | PSH | PSL | PSTC | PT | PTG | PTT |
| PTTEP | PTTGC | PYLON | Q-CON | QH | QLT | QTC | RATCH | RML | RWI | S & J |
| SABINA | SAT | SC | SCB | SCC | SCCC | SCG | SCN | SEAOIL | SE-ED | SELIC |
| SENA | SGP | SIRI | SITHAI | SMIT | SMK | SMPC | SNC | SNP | SORKON | SPACK |
| SPC | SPI | SPRC | SRICHA | SSF | SSSC | SST | STA | SUSCO | SVI | SYNTEC |
| TAE | TAKUNI | TASCO | TBSP | TCAP | TCMC | TFG | TFI | TFMAMA | THANI | THCOM |
| THIP | THRE | THREL | TIP | TIPCO | TISCO | TKT | TTB | TMD | TMILL | TMT |
| TNITY | TNL | TNP | TNR | TOG | TOP | TPA | TPCORP | TPP | TRU | TSC |
| TSTH | TTCL | TU | TVD | TVI | TVO | TWPC | U | UBIS | UEC | UKEM |
| UOBKH | UWC | VGI | VIH | VNT | WACOAL | WHA | WHAUP | WICE | WIJK | XO |
| ZEN | TRUE | | | | | | | | | |
| DECLARED | | | | | | | | | | |
| 7UP | ABICO | AF | ALT | AMARIN | AMATA | AMATAV | ANAN | APURE | B52 | BKD |
| BM | BROCK | BUI | CHO | CI | COTTO | DDD | EA | EFORL | EP | ERW |
| ESTAR | ETE | EVER | FSMART | GPI | ILINK | IRC | J | JKN | JMART | JMT |
| JSP | JTS | KWG | LDC | MAJOR | META | NCL | NOBLE | NOK | PK | PLE |
| ROJNA | SAAM | SAPPE | SCI | SE | SHANG | SINGER | SKR | SPALI | SSP | STANLY |
| SUPER | SYNEX | THAI | TKS | TOPP | TRITN | TTA | UPF | UV | WIN | ZIGA |

| Level | |
|-----------|---|
| Certified | This level indicates practical participation with thoroughly examination in relation to the recommended procedures from the audit committee or the SEC's certified auditor, being a certified member of Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) or already passed examination to ensure independence from external parties. |
| Declared | This level indicates determination to participate in the Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) |

Disclaimer:

The disclosure of the Anti-Corruption Progress Indicators of a listed company on the Stock Exchange of Thailand, which is assessed by Thaipat Institute, is made in order to comply with the policy and sustainable development plan for the listed companies of the Office of the Securities and Exchange Commission. Thaipat Institute made this assessment based on the information received from the listed company, as stipulated in the form for the assessment of Anti-corruption which refers to the Annual Registration Statement (Form 56-1), Annual Report (Form 56-2), or other relevant documents or reports of such listed company. The assessment result is therefore made from the perspective of Thaipat Institute that is a third party. It is not an assessment of operation and is not based on any inside information. Since this assessment is only the assessment result as of the date appearing in the assessment result, it may be changed after that date or when there is any change to the relevant information. Nevertheless, FSS International Investment Advisory Company Limited does not confirm, verify, or certify the accuracy and completeness of the assessment results.

Note: Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of June 24, 2019) are categorised into: 1) companies that have declared their intention to join CAC, and; 2) companies certified by CAC.

Source: The Securities and Exchange Commission, Thailand; * FSSIA's compilation

GENERAL DISCLAIMER**ANALYST(S) CERTIFICATION****Yuvanart Suwanumchai FSS International Investment Advisory Securities Co., Ltd**

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

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

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

| Company | Ticker | Price | Rating | Valuation & Risks |
|----------------------|----------|------------|--------|--|
| Krung Thai Bank | KTB TB | THB 11.10 | HOLD | Downside risks to our GGM-based TP are 1) prolonged economic sluggishness and further waves of the Covid-19 pandemic affecting loan growth and asset quality; and 2) the impact of further interest rate cuts on NIM and potential new regulations from the Bank of Thailand on debt-servicing programs. The upside risk is the better-than-expected ability to control cost of funds. |
| Bangkok Bank | BBL TB | THB 116.50 | HOLD | Downside risks to our GGM-based TP are 1) prolonged economic sluggishness and further waves of the COVID-19 pandemic affecting loan growth and asset quality; and 2) the impact of further interest rate cuts on NIM and potential new regulations from the Bank of Thailand on debt-servicing programs. The upside risk is the better-than-expected Permata synergies. |
| Kasikornbank | KBANK TB | THB 137.00 | BUY | Downside risks to our GGM-based TP are 1) prolonged economic sluggishness and further waves of the Covid-19 pandemic affecting loan growth and asset quality; and 2) the impact of further interest rate cuts on NIM and potential new regulations from the Bank of Thailand on debt-servicing programs. |
| Kiatnakin Bank | KKP TB | THB 55.25 | BUY | Downside risks to our GGM-based target price include weakening asset quality and lower fee income. |
| Siam Commercial Bank | SCB TB | THB 124.00 | BUY | Downside risks to our SOTP-based TP are 1) prolonged economic sluggishness and further waves of the Covid-19 pandemic affecting loan growth and asset quality; and 2) the impact of further interest rate cuts on its NIM. |
| Tisco Financial | TISCO TB | THB 92.25 | BUY | Downside risks to our GGM-based TP are 1) prolonged economic sluggishness and further waves of the Covid-19 pandemic affecting loan growth and asset quality; 2) the impact of new regulations from the Bank of Thailand on debt-servicing programs; and 3) the slow expansion of its high-yield auto cash portfolio. |
| TMBThanachart Bank | TTB TB | THB 1.12 | BUY | Downside risks to our GGM-based TP are 1) prolonged economic sluggishness and further waves of the Covid-19 pandemic affecting loan growth and asset quality; and 2) the impact of further interest rate cuts on NIM and potential new regulations from the Bank of Thailand on debt-servicing programs. |

Source: FSSIA estimates

Additional Disclosures

Target price history, stock price charts, valuation and risk details, and equity rating histories applicable to each company rated in this report is available in our most recently published reports. You can contact the analyst named on the front of this note or your representative at Finansia Syrus Securities Public Company Limited

FSSIA may incorporate the recommendations and target prices of companies currently covered by FSS Research into equity research reports, denoted by an 'FSS' before the recommendation. FSS Research is part of Finansia Syrus Securities Public Company Limited, which is the parent company of FSSIA.

All share prices are as at market close on 04-Oct-2021 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.