

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%

ตามหลังฝูง

ธนาคารที่เราชอบน้อยที่สุด

KTB เป็นธนาคารที่เราชอบน้อยที่สุดด้วยเหตุผล 3 ประการ ข้อแรก KTB มีการลงทุนเพียงเล็กน้อยในแพลตฟอร์มธนาคารทางดิจิทัล ธุรกิจส่วนมากยังต้องพึ่งพาการธนาคารทำธุรกรรมธนาคารแบบดั้งเดิม เราเชื่อว่าปัจจัยดังกล่าวอาจทำให้ธนาคารฯ สูญเสียความสามารถในการแข่งขันในระยะยาว ข้อที่สองเราเชื่อว่าแนวโน้มการเติบโตของ KTB ถูกบดบังโดยส่วนต่างดอกเบี้ยที่ลดลงเพิ่มเติมจากการเปลี่ยนแปลงของสัดส่วนพอร์ตสินเชื่อไปมีสินเชื่อภาครัฐเพิ่มขึ้น ข้อที่สามในฐานะที่เป็นธนาคารพาณิชย์ที่ถือหุ้นโดยรัฐบาล KTB อาจจำเป็นต้องยอมเสียผลประโยชน์บางส่วนเพื่อช่วยเหลือรัฐบาลในการดำเนินมาตรการกระตุ้นเศรษฐกิจต่าง ๆ ซึ่งทำให้ความสามารถในการขยายผลิตภัณฑ์ใหม่ช้าลง

3Q21: คาดรายได้ค่าธรรมเนียมและผลตอบแทนสินเชื่อลดลง

เราคาดว่า KTB จะรายงานกำไรสุทธิ 3Q21 ที่ 4.56 พัน ลบ. (+49% y-y, -24% q-q) เราคิดว่าผลกระทบของการของธนาคารฯ จะมีทั้งดีและเสีย ในด้านดีเราคาดว่า KTB จะรายงานอัตราดอกเบี้ยของสินเชื่อสูงที่สุดในกลุ่มฯ ที่ 2.5% q-q จากสินเชื่อภาครัฐ นอกจากนี้เรายังคาดว่าคุณภาพสินทรัพย์จะดีกว่าเพื่อน เนื่องจากมากกว่า 70% ของพอร์ตเป็นสินเชื่อที่ได้รับผลกระทบจาก Covid น้อยที่สุด ในทางตรงกันข้ามแรงกดดันสำคัญที่มีต่อกำไรน่าจะมาจากรายได้ค่าธรรมเนียมที่คาดว่าจะลดลงจากการเป็นแกนหลักกับรัฐบาลในการดำเนินมาตรการกระตุ้นเศรษฐกิจ นอกจากนี้ผลตอบแทนสินเชื่อยังอยู่ในช่วงขาลงหลังสินเชื่อภาครัฐเพิ่มสูงขึ้น

ปรับประมาณการกำไรสุทธิตามนโยบายใหม่ของ ธปท.

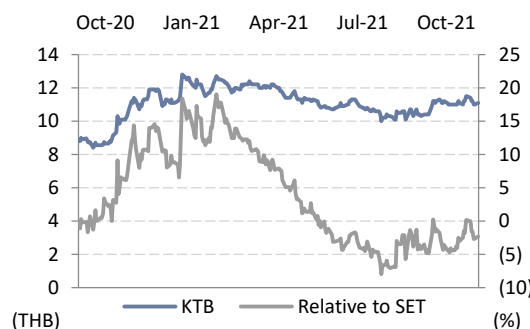
เราคิดว่านโยบายของ ธปท. เกี่ยวกับการผ่อนคลายเกณฑ์การจัดชั้นหนี้และการจัดสรรสำรองน่าจะให้ผลกระทบต่อ KTB จากการคำนวณของเราผลตอบแทนสินเชื่อของ KTB ในปี 2022 จะลดลง 0.2% จากระดับปัจจุบันที่ 4.06% อย่างไรก็ตามเราคิดว่าปัจจัยดังกล่าวจะหักลบกับ 1) มาตรการขยายการลดเงินนำส่งเข้า FIDF มาอยู่ที่ 0.23%; และ 2) เราคาดว่าต้นทุนความเสี่ยงในการปล่อยสินเชื่อ (Credit Cost) ในปี 2022 จะลดลงเหลือ 140 bps ใกล้กับอัตราปกติที่ 120-140 bps อย่างไรก็ตามการเพิ่มที่มากเกินไปของสินเชื่อภาครัฐที่ให้ผลตอบแทนต่ำน่าจะให้ผลตอบแทนสินเชื่อลดลง นอกจากนี้โรคระบาดที่ยืดเยื้อน่าจะทำให้รายได้ค่าธรรมเนียมลดลงด้วย เมื่อสุทธิดังกล่าวแล้วเราปรับลดประมาณการกำไรสุทธิปี 2022-23 ลง 2%/1%

การประเมินมูลค่าที่อยู่ในระดับต่ำไม่เพียงพอที่จะทำให้เราให้ความสนใจ

เราคงคำแนะนำถือ เราปรับลดราคาเป้าหมายปี 2022 ลงเล็กน้อยเหลือ 12.2 บาท (GGM) เพื่อสะท้อนความสามารถในการแข่งขันที่อาจลดลงในระยะยาว KTB อาจกลับมาสนใจอีกครั้งเมื่อ 1) อัตราดอกเบี้ยเริ่มพลิกกลับสู่แนวโน้มขาขึ้น; และ/หรือ 2) ธนาคารฯ สามารถใช้ประโยชน์จากการวิเคราะห์ข้อมูลจำนวนมากในการสร้างรายได้เพิ่มขึ้น

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



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บทวิเคราะห์ฉบับนี้แปลมาจากบทวิเคราะห์ของ FSSIA ฉบับวันที่ 5 ตุลาคม 2021

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.

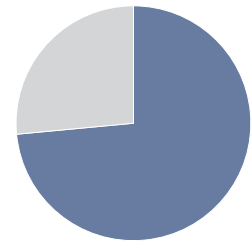
Company profile

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)

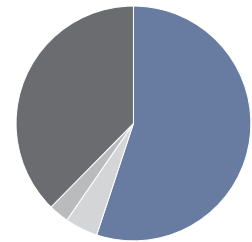
- Net interest income - 73.5 %
- Non-interest income - 26.5 %



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		
		5.00	7.00	9.00
Loan growth (%)	±2ppt			
% change in net profit		(1.9)	-	1.9
NIM (%)	±5bp			
% change in net profit		(5.5)	-	5.3
Credit cost (bp)	±10bp			
% 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:

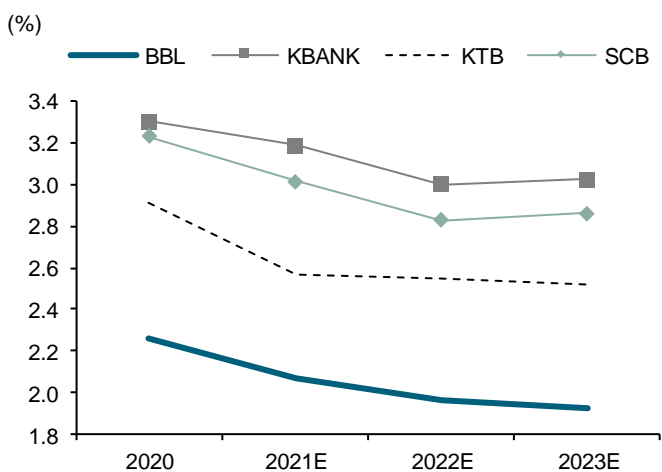
- 2021 forbearance programs should increase slightly to moderately from the current level as of 2Q21, depending on each bank's portfolio makeup and client profiles;
- Banks will likely offer CDR at 60% of their 2021 forbearance programs;
- Banks will also offer CDR for some of their trouble loans which 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
	2Q21 (% total loans)	2021E (% total loans)	60% of FB	Other trouble loans (% of total loans)	Total expected CDR (% of total loans)	on 2022E EIR (%)
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)

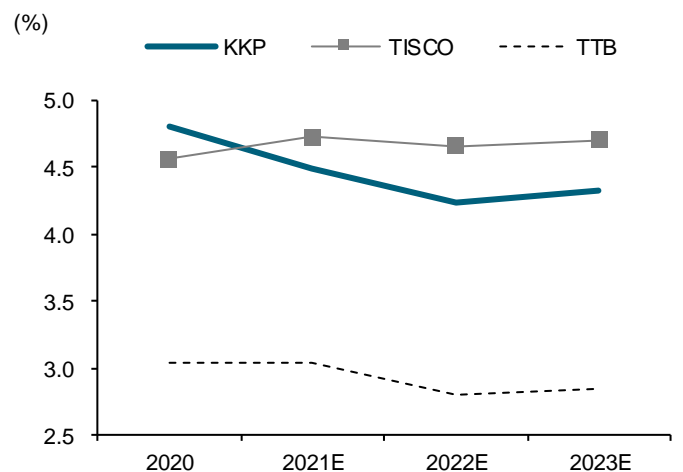
Sources: Company data; FSSIA estimates

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
	2020	2021E	2022E	2023E	credit costs
	(bps)	(bps)	(bps)	(bps)	(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

	2021E				2022E			2023E		
	2020	Old	New	Change	Old	New	Change	Old	New	Change
	(THB m)	(THB m)	(THB m)	(%)	(THB m)	(THB m)	(%)	(THB m)	(THB m)	(%)
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	

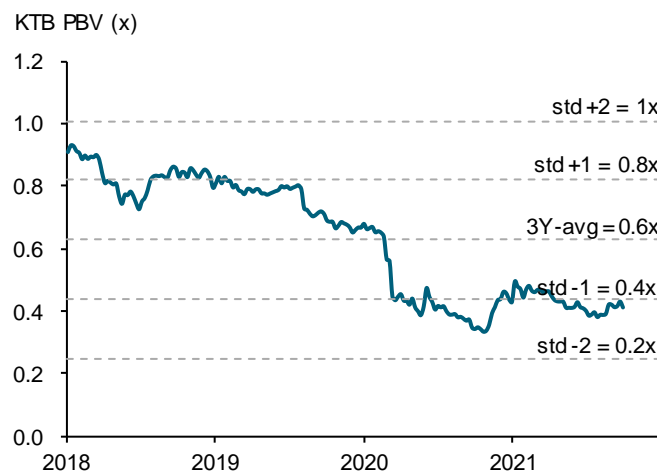
*Including share of profits from associates
Source: FSSIA estimates

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.

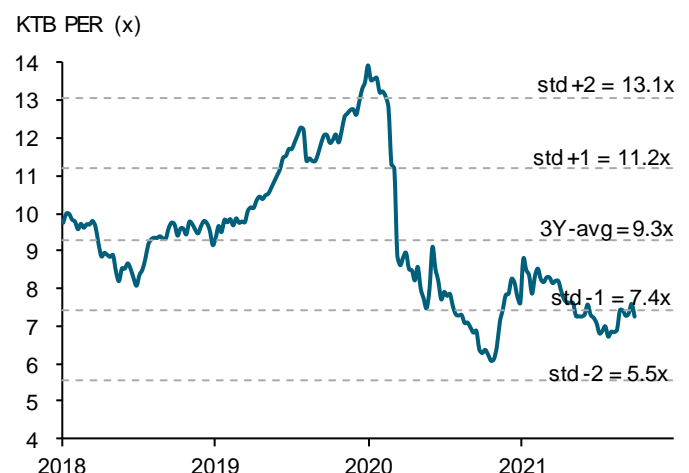
Source: FSSIA estimates

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	SCCC	SCG	SCN	SDC
SEAFCO	SEAOIL	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	TSC	TSR	TSTE	TSTH	TTA
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

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* 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	AMANAHA	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)

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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

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Yuvanart Suwanumchai FSS International Investment Advisory Securities Co., Ltd

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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.