

KRUNG THAI BANK KTB TB

THAILAND / BANKS

BUY

FROM HOLD

เปิดขุมทรัพย์ข้อมูล

- เริ่มได้ประโยชน์จากการลงทุนในด้านดิจิทัลพร้อมรายได้ค่าธรรมเนียมที่สูงขึ้นและกำไรควบคุมต้นทุนที่มีประสิทธิภาพ
- เราคาดว่า KTB จะได้ประโยชน์มากที่สุดจากแนวโน้มดอกเบี้ยขาขึ้น
- ปรับคำแนะนำขึ้นเป็นซื้อหลังปรับราคาเป้าหมายขึ้นเป็น 15.5 จาก 12.2 บาท (GGM)

TARGET PRICE	THB15.50
CLOSE	THB13.70
UP/DOWNSIDE	+13.1%
PRIOR TP	THB12.20
CHANGE IN TP	+27.0%
TP vs CONSENSUS	+15.7%

KEY STOCK DATA

YE Dec (THB m)	2020	2021E	2022E	2023E
Operating profit	21,819	29,781	32,209	35,553
Net profit	16,732	21,689	23,458	25,827
EPS (THB)	1.20	1.55	1.68	1.85
vs Consensus (%)	-	1.7	2.5	(0.3)
Core net profit	16,732	21,689	23,458	25,827
Core EPS (THB)	1.20	1.55	1.68	1.85
Chg. In EPS est. (%)	-	6.7	9.4	11.6
EPS growth (%)	(42.9)	29.6	8.2	10.1
Core P/E (x)	11.4	8.8	8.2	7.4
Dividend yield (%)	2.0	3.4	4.3	4.7
Price/book (x)	0.6	0.5	0.5	0.5
ROE (%)	4.9	6.1	6.3	6.6
ROA (%)	0.6	0.7	0.8	0.8

ประโยชน์จากการลงทุนในด้านดิจิทัลเริ่มเห็นผล

เริ่มตั้งแต่ 2H21 เราคิดว่า KTB สามารถใช้ประโยชน์จาก Big data ของแอปเป่าตั้งในการสร้างรายได้ค่าธรรมเนียม กล่าวคือ Krungthai Gold Wallet และการขายดิจิทัลบอนด์ของ PTTEP ปัจจุบัน KTB มีผู้ใช้งานในระบบดิจิทัลอยู่ 40 ล้านบัญชี ซึ่งทำให้แพลตฟอร์มดังกล่าวเป็นแพลตฟอร์มกระเป๋าตังดิจิทัลที่ใหญ่ที่สุดในประเทศ เราเชื่อว่ารายได้ค่าธรรมเนียมของ KTB จะได้ประโยชน์จากขุมทรัพย์ Big data ดังกล่าวและการเคลื่อนเข้าสู่ธุรกิจดิจิทัลของธนาคาร เราคาดว่ารายได้ค่าธรรมเนียมในปี 2022 จะโตแบบก้าวกระโดดถึง 11% y-y หลังลดลง 4 ปีติดต่อกันในช่วงปี 2018-21E แม้เราจะคิดว่า KTB อาจเร่งการลงทุนในด้านเทคโนโลยีสารสนเทศ (IT) การลงทุนดังกล่าวไม่น่าจะกระทบค่าใช้จ่ายในการดำเนินงาน (OPEX) เนื่องจาก: 1) บริษัทฯ สามารถควบคุมต้นทุนได้อย่างมีประสิทธิภาพ; และ 2) บริษัทฯ สามารถรับรู้ค่าใช้จ่ายในด้าน IT บางส่วนเป็นเงินลงทุน (CAPEX) เพราะฉะนั้นเราจึงเชื่อว่า OPEX จะเพิ่มเพียง 3.5% ในปี 2022 คิดเป็นอัตราส่วนค่าใช้จ่ายดำเนินงานต่อรายได้รวม (Cost-to-income ratio) ที่ 44.7%

KTB จะได้ประโยชน์มากที่สุดจากรอบอัตราดอกเบี้ยขาขึ้น

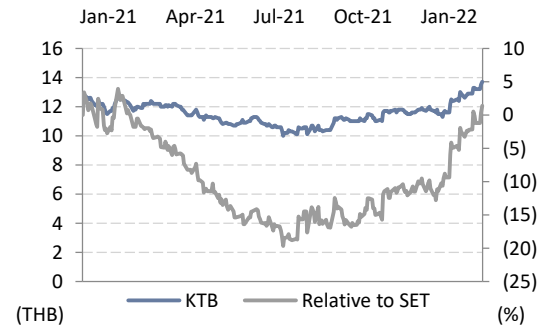
เราคาดว่า KTB จะได้ประโยชน์มากที่สุดจากแนวโน้มอัตราดอกเบี้ยขาขึ้น เนื่องจากบริษัทฯ มีสัดส่วนสินทรัพย์ที่ให้ผลตอบแทนจากอัตราดอกเบี้ยสูงกว่าธนาคารอื่น จากสมมติฐานของเราอัตราดอกเบี้ยนโยบายที่เพิ่มขึ้นทุก ๆ 25 bps จะให้ความเสี่ยงขาขึ้น 7% ต่อประมาณการกำไรสุทธิปี 2022 ในปัจจุบันของเรา แม้เราจะคาดว่า ธปท. จะคงอัตราดอกเบี้ยนโยบายที่ต่ำเป็นประวัติการณ์ไว้ที่ 0.5% ในปี 2022 เราคิดว่าสภาวะอัตราดอกเบี้ยที่ปรับขึ้นทั่วโลกน่าจะเพิ่มบรรยากาศเชิงบวกต่อราคาหุ้นของ KTB ได้ก่อน

คาดผลประกอบการ 4Q21 จะดีจากสำรองที่ลดลงและรายได้ที่สูงขึ้น

เราคาดว่า KTB จะรายงานกำไรสุทธิ 4Q21 ที่ 5.04 พัน ลบ. (+46% y-y, flat q-q) จาก 3 ปัจจัย: 1) สำรองอาจลดลง y-y และ q-q เนื่องจากพอร์ตของ KTB ประกอบด้วยลูกค้าประเภทบริษัท รัฐบาล และเจ้าหน้าที่ของรัฐถึงประมาณ 70% ซึ่งทั้งหมดเป็นกลุ่มที่ได้รับผลกระทบจากโรคระบาด Covid น้อยที่สุด; 2) เราคาดว่าปริมาณสินเชื่ออาจเพิ่มต่อเนื่องอีก 0.2% q-q (10% YTD); และ 3) เราคิดว่ารายได้ค่าธรรมเนียมจะฟื้นตัว q-q เนื่องจาก KTB เริ่มใช้แอปเป่าตั้งในการสร้างรายได้ค่าธรรมเนียมเพิ่มขึ้น เพราะฉะนั้นเราจึงปรับเพิ่มประมาณการกำไรสุทธิปี 2021-23 ขึ้นอีก 7%/9%/12%

ปรับเพิ่มคำแนะนำเป็นซื้อจากถือหลังปรับราคาเป้าหมายปี 2022 เป็น 15.5 บาท

เราปรับคำแนะนำเป็นซื้อ เนื่องจากเราเชื่อว่าบริษัทฯ จะใช้ Big data ของบัญชีผู้ใช้งานในระบบดิจิทัลในการสร้างการเติบโตในด้านรายได้ ซึ่งทำให้เราคาดว่ากำไรสุทธิจะเพิ่ม 8%/10% ในปี 2022-23 นอกจากนี้เรายังคิดว่าราคาหุ้นจะได้รับบรรยากาศเชิงบวกมากที่สุดจากสภาวะอัตราดอกเบี้ยขาขึ้นทั่วโลก รวมถึงระดับการประเมินมูลค่าของ KTB ที่ต่ำเพียง 0.5x ของค่า 2022E



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	18.1	23.4	21.2
Relative to country (%)	11.9	19.6	8.9
Mkt cap (USD m)	5,765		
3m avg. daily turnover (USD m)	15.7		
Free float (%)	45		
Major shareholder	FIDF (55%)		
12m high/low (THB)	13.80/9.90		
Issued shares (m)	13,976		

Sources: Bloomberg consensus; FSSIA estimates



Yuvanart Suwanumchai

yuvanart.suw@fssia.com

+66 2611 3554

PREPARED BY FSS INTERNATIONAL INVESTMENT ADVISORY SECURITIES CO LTD (FSSIA). ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES CAN BE FOUND AT THE END OF THIS REPORT

บทวิเคราะห์ฉบับนี้แปลมาจากบทวิเคราะห์ของ FSSIA ฉบับวันที่ 6 มกราคม 2022

Investment thesis

We upgrade KTB to BUY as we believe it will utilise its digital users' big data to generate top-line growth. Thus, we expect its net profit could increase by 8%/10% in 2022-23. Also, we think KTB's share price will garner the most positive sentiment from a global rising interest rate environment. Plus, KTB's valuation is undemanding at 0.5x 2022E P/BV.

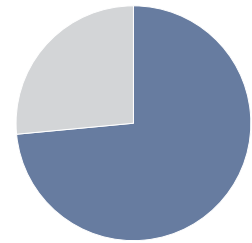
Company profile

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)

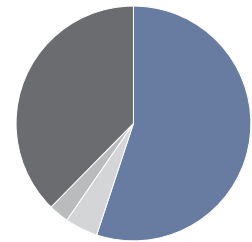
- Net interest income - 73.5 %
- Non-interest income - 26.5 %



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:

- Faster utilisation of big data to capture digital trends;
- Lower credit cost from a better-than-expected new NPL rate;
- Better operating cost control.

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; 2) the impact of further interest rate cuts on NIM and potential new regulations from the Bank of Thailand on debt-servicing programs; 3) an increase in OPEX due to aggressive digital investment.

Event calendar

Date	Event
Jan 2022	4Q21 results announcement

Key assumptions

	2021E	2022E	2023E
	(%)	(%)	(%)
Net profit (THB m)	21,689	23,458	25,827
Net profit growth	29.6	8.2	10.1
NIM	2.54	2.52	2.54
Loan growth	10.0	2.0	3.0
Fee growth	(3.3)	11.0	8.0
Non-NII growth*	(8.4)	8.3	6.5
Credit cost (bp)	132	128	125
Cost to income*	45.1	44.7	44.3

*Including share of profits from associates

Source: FSSIA estimates

Earnings sensitivity

		----- 2022E -----		
		0.00	2.00	4.00
Loan growth (%)	±2ppt			
% change in net profit		(2.0)	-	2.0
NIM (%)	±5bp			
% change in net profit		(5.5)	-	5.3
Credit cost (bp)	±10bp			
% change in net profit		6.4	-	(6.4)

Source: FSSIA estimates

Digital investments start to shine bright

In the past, KTB was one of the banks which invested in IT more slowly than its competitors. During the pandemic, KTB adopted several digital platforms to support government projects on the Pao Tang and Tung Ngern mobile apps aimed at retailers and small merchants, respectively. KTB plans to offer both banking and non-banking services to Pao Tang and Tung Ngern users. In 2020-1H21, we saw few benefits from this move. As a commercial bank held by a government entity, KTB is obligated to continue supporting government projects. KTB needs to divert its employee resources to assist with government programmes, resulting in a reduced ability to cross-sell its products.

Exhibit 1: Krungthai Gold Wallet



Source: [Prachachat](#)

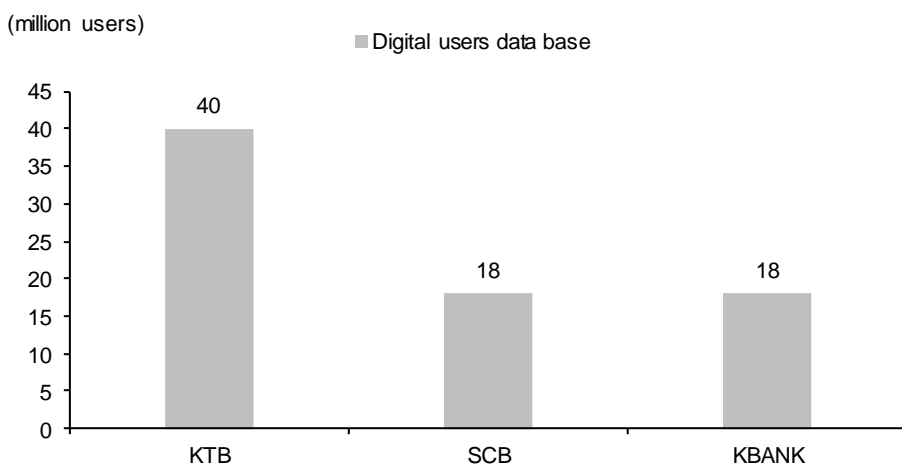
Exhibit 2: Digital PTTEP bonds



Source: [Bangkokbiznews](#)

However, starting in 2H21, we think KTB has been able to utilise big data to generate fee income from offerings such as Krungthai Gold Wallet, a comprehensive online gold trading service, and sales of PTT Exploration and Production (PTTEP TB, BUY, TP THB158)’s digital bonds via the Pao Tang app. We think KTB could seek new business opportunities via big data in the future by cross-selling its products and expanding its loan portfolio to untapped segments. Currently, KTB has 40 million customers who use services on digital platforms – possibly the largest in the country, consisting of 13 million Krungthai NEXT users, 33 million Pao Tang app users, and 1.5 million Tung Ngern app users (note that there are some customers using multiple applications that overlap each other).

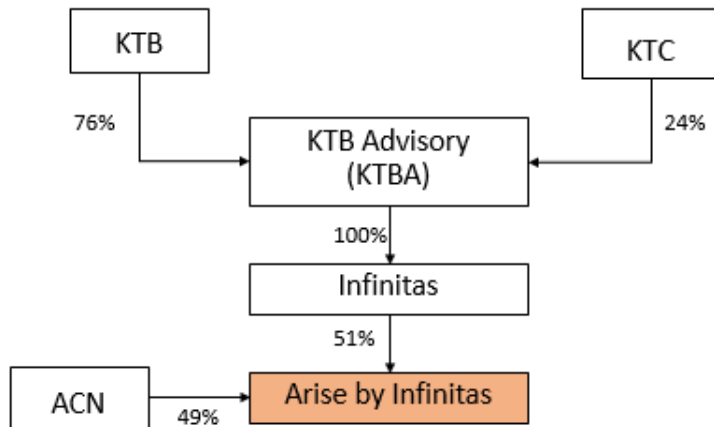
Exhibit 3: Comparing digital users of big banks



Sources: Company data; FSSIA's compilation

Recently, in Nov-21, Infinitas by Krungthai (KTB's subsidiary with a 76% equity stake) set up a new JV company named Arise by Infinitas (Arise) with Accenture Solutions (ACN), an IT consulting firm. The initial registered capital of Arise was THB300m, of which ACN holds 49% and Infinitas holds the majority stake at 51%. According to KTB's management, Arise aims to develop standardised technology personnel by building a local personnel base and drawing a group of technology talents from abroad to join. It also plans to set up virtual offices in many other countries. It is expected that within five years the business value will be THB20b, according to management.

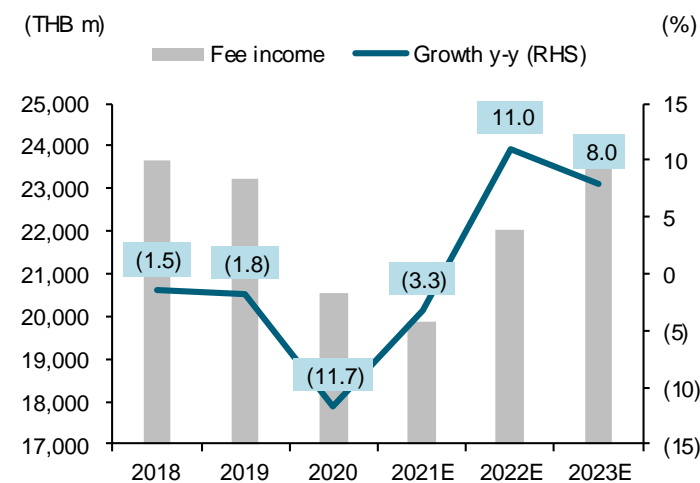
Exhibit 4: Arise's shareholder structure



Sources: Company data; FSSIA's compilation

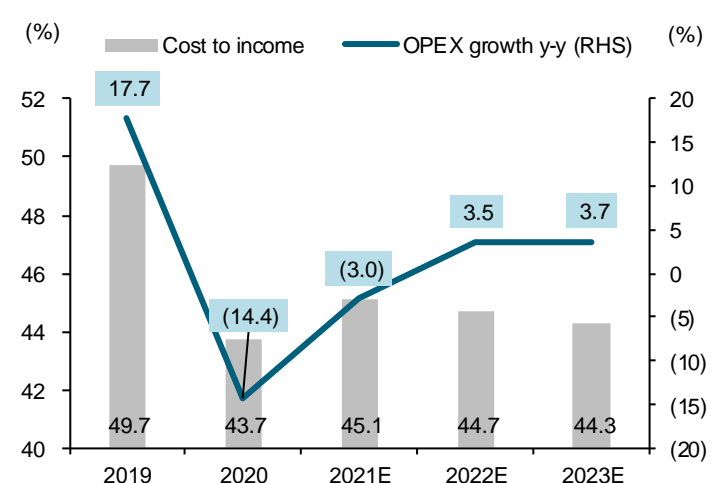
We believe KTB's big data trove and its move into digital could help its 2022 fee income jump by 11% y-y, after dropping for four consecutive years from 2018-21E. Although we think KTB may accelerate its IT investment, this should not hurt its OPEX as: 1) the bank has been able to control other costs effectively; and 2) some IT investment spending can be realised as CAPEX. Thus, we believe its OPEX will increase by 3.5% in 2022, implying a cost-to-income ratio of 44.7%.

Exhibit 5: Fee income growth



Sources: KTB; FSSIA estimates

Exhibit 6: OPEX growth and cost-to-income ratio



Sources: KTB; FSSIA estimates

KTB stands to benefit the most from an interest rate upcycle

Although we expect the Bank of Thailand to maintain its record low policy rate at 0.5% in 2022, the potential for rate hikes in other countries could be a sign that an interest rate uptrend may be on the way.

Exhibit 7: Bank of Thailand’s policy rate and the Fed’s policy rate

Key assumption for market outlook	2021E	2022E	2023E
Global GDP growth, by BNP	5.7	5.1	3.7
Thailand GDP growth	0.9	3.8	4.5
Thailand Inflation rate	0.7	1.0	1.0
BOT’s policy rate	0.5	0.5	0.5
Fed’s policy rate	0.15	0.40	1.15

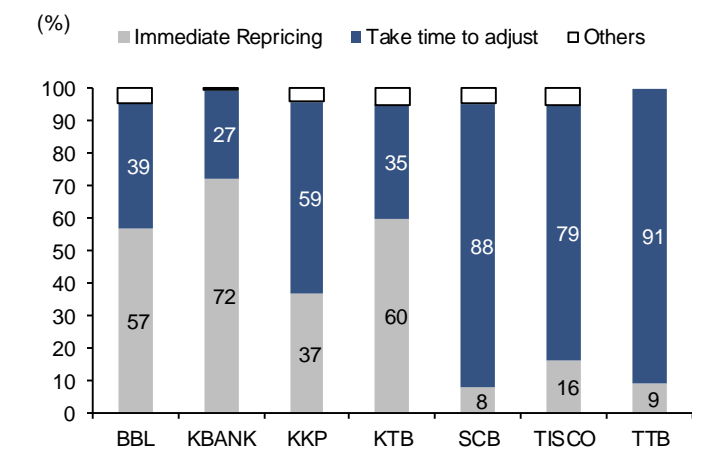
Sources: BNP Paribas; FSSIA estimates

Out of the banks under our coverage, we expect that KTB stands to benefit the most from an interest rate uptrend as it has a higher proportion of assets based on floating rate returns than other banks. Based on our assumption, for every increase in the policy rate by 25 bps, ceteris paribus, there would be a 7% upside to our current 2022 net profit forecast.

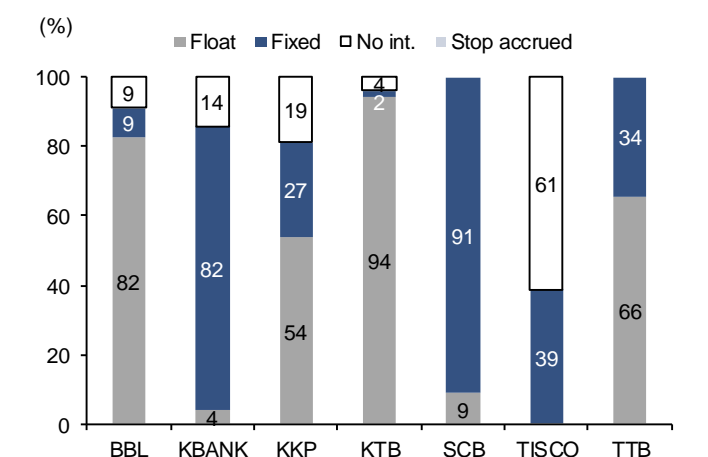
We think a global rising interest rate environment should add positive sentiment to KTB’s share price first. Then, when the policy rate in Thailand increases, KTB’s bottom line should post gains.

Exhibit 8: KTB has the second highest proportion of floating rate loans

Exhibit 9: KTB has a higher proportion of floating rate interbank assets

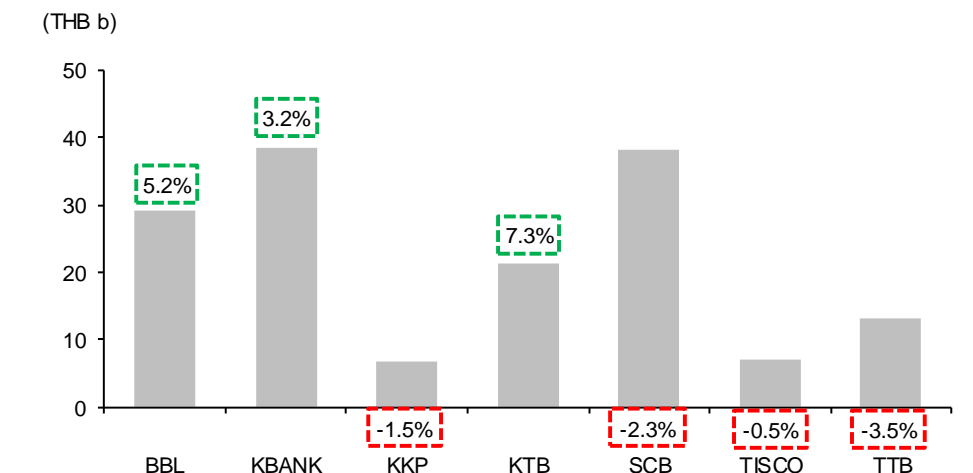


Sources: KTB; FSSIA estimates



Sources: KTB; FSSIA estimates

Exhibit 10: There would be a 7% upside to KTB’s 2022E net profit for every 25-bps policy rate hike



Sources: Company data; FSSIA estimates

Strong 4Q21E on lower provisions and stronger top line

We expect KTB to report a strong 4Q21 net profit of THB5,045m (+46% y-y, flat q-q) driven by three factors. First, we forecast its provisions to decline y-y and q-q as KTB's portfolio is comprised of 26% corporate, 20% government, and c25% government officials. These segments have been the least impacted by the Covid pandemic. Thus, we expect KTB's asset quality to outperform its peers in 4Q21. Second, we expect KTB's loan volume may continue to increase by 0.2% q-q (10% YTD), driven by the government and retail segments. Lastly, we think its fee income will recover q-q as we expect KTB to begin utilising the Pao Tang app to generate more fee income.

Exhibit 11: KTB – 4Q21E results preview

Year-end Dec 31	4Q20	3Q21	4Q21E	----- Change ----		2020	2021E	Change	4Q21E comments
	(THB m)	(THB m)	(THB m)	(y-y %)	(q-q %)	(THB m)	(THB m)	(y-y %)	
Net interest income	20,320	21,142	21,903	8	4	88,343	83,930	(5)	
Non-interest income	8,250	7,192	7,239	(12)	1	33,905	31,069	(8)	Stronger fee income from seasonality and starting to utilise Pao Tung app
Operating income	28,570	28,334	29,141	2	3	122,247	114,998	(6)	
Operating expenses	13,936	13,093	13,869	(0)	6	53,465	51,885	(3)	OPEX increase q-q from seasonality
PPOP before tax	14,634	15,241	15,272	4	0	68,783	63,113	(8)	
Provision	9,254	8,137	8,030	(13)	(1)	44,903	32,321	(28)	Efficient asset quality control
Income tax	1,257	1,382	1,447	15	5	4,441	6,004	35	
Minority interest	670	668	750	12	12	2,707	3,098	14	
Normalised profit	3,452	5,055	5,045	46	(0)	16,732	21,689	30	
Extraordinary items	0	0	0			0	0		
Net profit	3,452	5,055	5,045	46	(0)	16,732	21,689	30	
EPS (THB)	0.25	0.36	0.36	46	(0)	1.20	1.55	30	
Asset quality ratio									
Gross NPLs (THB m)	107,138	106,367	107,963	1	1	107,138	108,209	1	
NPL ratios (%)	3.81	3.57	3.62			3.81	3.72		
LLR/NPLs (%)	140	157	157			140	157		
Credit cost (bp)	160	129	125			203	132		
Profitability ratio	(%)	(%)	(%)			(%)	(%)		
Cost to income ratio	48.8	46.2	47.6			43.7	45.1		
Average yield	3.32	3.17	3.17			3.72	3.19		
Cost of fund	0.81	0.72	0.69			0.93	0.73		
Net interest margin (NIM)	2.61	2.53	2.57			2.91	2.54		
Non-interest income / total income	28.9	25.4	24.8			27.7	27.0		
Liquidity ratio	(%)	(%)	(%)			(%)	(%)		
Loan to deposit ratio	94.8	99.1	97.6			94.7	97.6		
Loan growth	(%)	(%)	(%)			(%)	(%)		
Year-to-date	11.7	9.6	10.0						
y-y	11.7	12.2	10.0			11.6	10.0		
q-q	2.3	3.0	0.2						

Sources: KTB; FSSIA estimates

Net profit and TP revisions

We revise up our net profit forecasts for 2021-23 by 7%/9%/12% to reflect our lower provision and higher loan growth assumptions, along with the bank's better OPEX control.

1. We lower our credit cost estimates for 2021-23 to 132/128/125 bps from 140/140/135 bps to reflect the efficient asset quality control;
2. We raise our 2021 loan growth assumption to 10% from 7% to reflect the strong demand for new loans and the relief measures;
3. We lower our OPEX estimates for 2021-23 by 5%/3%/2% due mainly to the better-than-expected staff expense.

Exhibit 12: KTB – change of key assumptions

	2021E				2022E			2023E		
	2020 (THB m)	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	83,773	83,930	0.2	85,460	86,527	1.2	87,003	89,803	3.2
Non-interest income*	33,905	33,700	31,069	(7.8)	35,539	33,662	(5.3)	37,157	35,855	(3.5)
Operating income*	122,247	117,473	114,998	(2.1)	120,999	120,190	(0.7)	124,160	125,658	1.2
Operating expenses	53,465	54,805	51,885	(5.3)	55,363	53,706	(3.0)	56,536	55,685	(1.5)
PPOP before tax*	68,783	62,669	63,113	0.7	65,635	66,484	1.3	67,624	69,973	3.5
Expected credit loss (Reversal)	44,903	33,791	32,321	(4.3)	35,283	33,163	(6.0)	34,875	33,197	(4.8)
Tax expenses	4,441	5,371	6,004	11.8	5,615	6,264	11.6	6,059	6,987	15.3
Minority interest	2,707	3,177	3,098	(2.5)	3,290	3,599	9.4	3,550	3,962	11.6
Normalised profit	16,732	20,330	21,689	6.7	21,447	23,458	9.4	23,141	25,827	11.6
Extraordinary items	-	-	-	-	-	-	-	-	-	-
Net profit	16,732	20,330	21,689	6.7	21,447	23,458	9.4	23,141	25,827	11.6
EPS (THB)	1.20	1.45	1.55	6.7	1.53	1.68	9.4	1.66	1.85	11.6
Key statistics and ratios										
Asset quality ratio										
Gross NPLs (THB m)	107,138	115,709	108,209	(6.5)	124,966	116,866	(6.5)	134,963	126,215	(6.5)
Gross NPLs/Loans (%)	3.81	4.09	3.72		4.33	3.94		4.54	4.13	
Loan loss reserve/NPLs (%)	140.49	135.57	157.12		137.47	155.95		137.59	153.62	
Credit cost (bps)	203	140	132		140	128		135	125	
Profitability ratio (%)										
Cost to income ratio*	43.73	46.65	45.12		45.76	44.68		45.53	44.31	
Average yield	3.72	3.22	3.19		3.22	3.19		3.36	3.37	
Cost of funds	0.93	0.74	0.73		0.78	0.76		0.99	0.96	
Net interest margin (NIM)	2.91	2.57	2.54		2.55	2.52		2.52	2.54	
Loan growth (%)										
y-y	11.59	7.00	10.00		2.00	2.00		3.00	3.00	

*Including share of profits from associates

Source: FSSIA estimates

We revise up our 2022 GGM-based TP to THB15.5 from THB12.2, as we: 1) increase our EPS forecast, leading to a higher book value; and 2) revise up our target 2022 P/BV to 0.56x from 0.45x as a result of our higher average long-term ROE target of 6.4% from 5.7%.

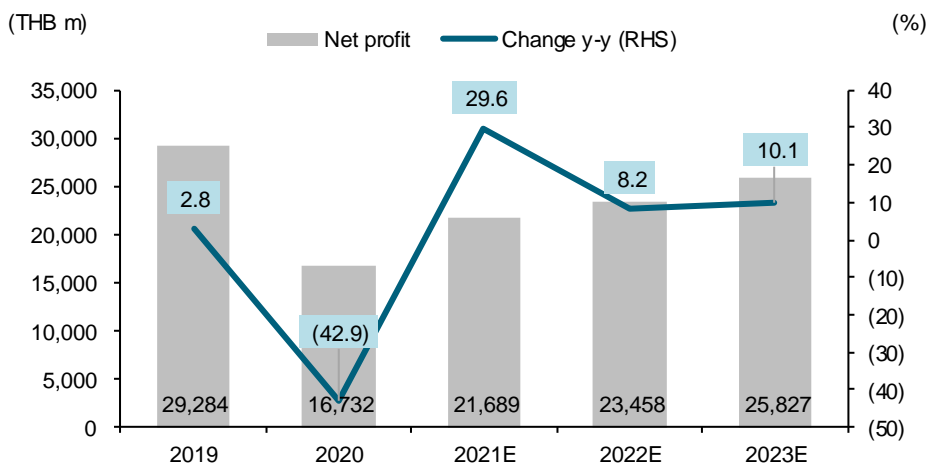
Exhibit 13: KTB – GGM-derived target price

Target price	THB 15.5 (from THB12.2)
Recommendation	BUY (from Hold)
Risk-free rate (%)	3.0 (unchanged)
Market risk premium (%)	8.0 (unchanged)
Cost to equity (%)	8.7 (unchanged)
Terminal growth (%)	3.5 (from 3.3)
ROE target (%)	6.4 (from 5.7)
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; 2) the impact of further interest rate cuts on NIM and potential new regulations from the Bank of Thailand on debt-servicing programs; and 3) an increase in OPEX due to aggressive digital investment.

Source: FSSIA estimates

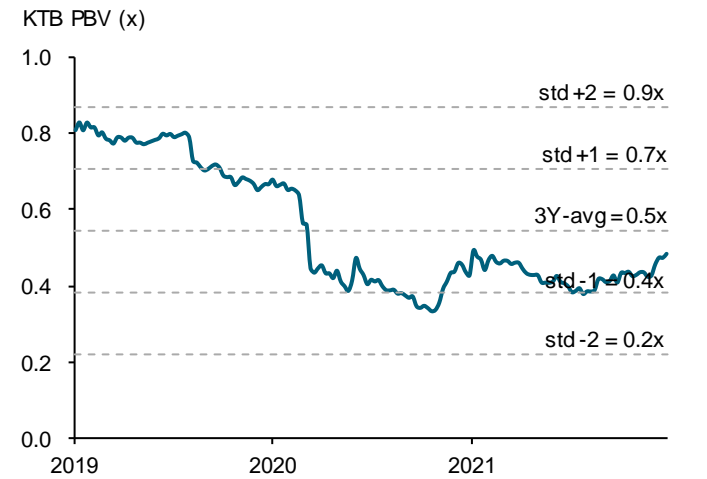
We upgrade KTB to BUY from Hold based on our expectation that KTB will gradually utilise its digital users’ big data to generate top-line growth. Thus, we expect its net profit could moderately increase by 8%/10% in 2022-23. Also, we think KTB’s share price will benefit the most from positive sentiment in the event of a global rising interest rate environment. On top of that, KTB’s valuation is undemanding at 0.5x 2022E P/BV.

Exhibit 14: KTB’s net profit growth



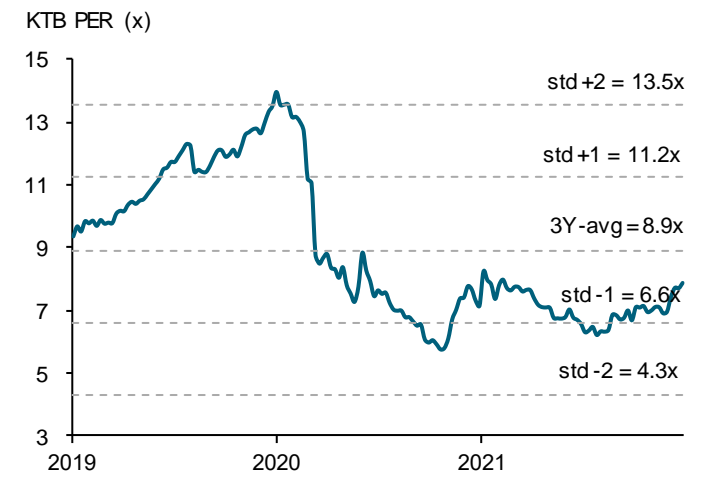
Sources: KTB; FSSIA estimates

Exhibit 15: KTB – one-year forward rolling P/BV



Sources: Bloomberg; FSSIA estimates

Exhibit 16: KTB – one-year forward rolling P/E



Sources: Bloomberg; FSSIA estimates

Exhibit 17: 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	126.50	134.00	6	7,270	27.1	8.6	9.0	8.3	5.9	6.2	0.5	0.5
Kasikornbank	KBANK TB	BUY	146.00	172.00	18	10,415	18.8	10.1	9.9	9.0	7.6	7.7	0.7	0.7
Kiatnakin Bank	KKP TB	BUY	61.50	74.00	20	1,568	12.7	17.3	9.0	7.7	12.0	13.1	1.0	1.0
Krung Thai Bank	KTB TB	BUY	13.70	15.50	13	5,765	29.6	8.2	8.8	8.2	6.1	6.3	0.5	0.5
Siam Commercial Bank	SCB TB	BUY	127.00	160.00	26	12,984	28.7	8.9	12.3	11.3	8.3	8.6	1.0	1.0
Tisco Financial	TISCO TB	BUY	98.75	110.00	11	2,381	9.4	6.3	11.9	11.2	16.5	16.6	1.9	1.8
TMBThanachart	TTB TB	BUY	1.45	1.80	24	4,218	(1.1)	32.1	14.0	10.6	4.8	6.1	0.7	0.6
Coverage						44,602	6.8	11.5	10.8	9.7	7.7	8.1	0.8	0.8

Share prices as of 5 Jan 2022

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	105,130	109,579	119,466
Interest expense	(34,655)	(24,494)	(21,200)	(23,052)	(29,663)
Net interest income	88,316	88,343	83,930	86,527	89,803
Net fees & commission	23,238	20,528	19,857	22,049	23,813
Foreign exchange trading income	3,197	3,134	3,000	3,000	3,000
Securities trading income	4,372	951	750	825	908
Dividend income	496	376	451	496	546
Other income	4,615	6,855	6,000	6,180	6,365
Non interest income	35,917	31,844	30,058	32,550	34,632
Total income	124,233	120,187	113,987	119,077	124,434
Staff costs	(31,390)	(28,466)	(27,043)	(27,584)	(28,411)
Other operating costs	(31,084)	(24,999)	(24,842)	(26,122)	(27,274)
Operating costs	(62,474)	(53,465)	(51,885)	(53,706)	(55,685)
Pre provision operating profit	61,759	66,722	62,102	65,372	68,750
Provision for bad and doubtful debt	(23,814)	(44,903)	(32,321)	(33,163)	(33,197)
Other provisions	-	-	-	-	-
Operating profit	37,946	21,819	29,781	32,209	35,553
Recurring non operating income	1,425	2,060	1,011	1,112	1,223
Associates	1,425	2,060	1,011	1,112	1,223
Goodwill amortization	-	-	-	-	-
Non recurring items	0	0	0	0	0
Profit before tax	39,370	23,880	30,792	33,321	36,776
Tax	(7,233)	(4,441)	(6,004)	(6,264)	(6,987)
Profit after tax	32,138	19,439	24,787	27,057	29,789
Minority interests	(2,854)	(2,707)	(3,098)	(3,599)	(3,962)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	29,284	16,732	21,689	23,458	25,827
Non recurring items & goodwill (net)	-	-	0	0	0
Recurring net profit	29,284	16,732	21,689	23,458	25,827
Per share (THB)					
Recurring EPS *	2.10	1.20	1.55	1.68	1.85
Reported EPS	2.10	1.20	1.55	1.68	1.85
DPS	0.73	0.28	0.47	0.59	0.65
Growth					
Net interest income (%)	5.5	0.0	(5.0)	3.1	3.8
Non interest income (%)	10.8	(11.3)	(5.6)	8.3	6.4
Pre provision operating profit (%)	(2.0)	8.0	(6.9)	5.3	5.2
Operating profit (%)	3.1	(42.5)	36.5	8.2	10.4
Reported net profit (%)	2.8	(42.9)	29.6	8.2	10.1
Recurring EPS (%)	2.8	(42.9)	29.6	8.2	10.1
Reported EPS (%)	2.8	(42.9)	29.6	8.2	10.1
Income Breakdown					
Net interest income (%)	71.1	73.5	73.6	72.7	72.2
Net fees & commission (%)	18.7	17.1	17.4	18.5	19.1
Foreign exchange trading income (%)	2.6	2.6	2.6	2.5	2.4
Securities trading income (%)	3.5	0.8	0.7	0.7	0.7
Dividend income (%)	0.4	0.3	0.4	0.4	0.4
Other income (%)	3.7	5.7	5.3	5.2	5.1
Operating performance					
Gross interest yield (%)	4.48	3.72	3.19	3.19	3.37
Cost of funds (%)	1.45	0.92	0.73	0.76	0.96
Net interest spread (%)	3.03	2.80	2.46	2.43	2.41
Net interest margin (%)	3.2	2.9	2.5	2.5	2.5
Cost/income(%)	50.3	44.5	45.5	45.1	44.8
Cost/assets(%)	2.2	1.7	1.5	1.5	1.5
Effective tax rate (%)	18.4	18.6	19.5	18.8	19.0
Dividend payout on recurring profit (%)	35.0	23.0	30.0	35.0	35.0
ROE (%)	9.1	4.9	6.1	6.3	6.6
ROE - COE (%)	(0.9)	(5.0)	(3.8)	(3.6)	(3.3)
ROA (%)	1.1	0.6	0.7	0.8	0.8
RORWA (%)	1.7	1.0	1.2	1.3	1.4

* 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	2,565,198	2,616,502	2,694,997
Total provisions	(135,268)	(150,523)	(170,019)	(182,249)	(193,886)
interest in suspense	5,159	16,199	19,239	13,083	13,475
Net customer loans	1,959,765	2,197,674	2,414,418	2,447,335	2,514,586
Bank loans	338,771	519,631	408,662	449,793	466,551
Government securities	-	-	-	-	-
Trading securities	-	-	-	-	-
Investment securities	426,174	360,112	414,527	423,744	433,191
Cash & equivalents	68,434	68,161	76,479	73,933	60,396
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	145,239	148,706	152,143
Total assets	3,012,216	3,327,780	3,519,122	3,605,787	3,691,734
Customer deposits	2,155,865	2,463,225	2,628,252	2,661,226	2,714,451
Bank deposits	-	-	-	-	-
Other interest bearing liabilities	317,408	365,863	364,923	391,812	399,649
Non interest bearing liabilities	190,617	143,629	150,810	158,351	163,201
Hybrid Capital	-	-	-	-	-
Total liabilities	2,663,890	2,972,717	3,143,985	3,211,389	3,277,300
Share capital	72,005	72,005	71,977	71,977	71,977
Reserves	266,282	271,498	290,946	309,580	328,963
Total equity	338,287	343,503	362,923	381,557	400,940
Minority interests	10,039	11,561	12,215	12,842	13,494
Total liabilities & equity	3,012,216	3,327,780	3,519,122	3,605,787	3,691,734
Supplementary items					
Risk weighted assets (RWA)	1,929,176	1,913,726	2,105,099	2,147,201	2,211,617
Average interest earning assets	2,745,719	3,033,280	3,300,064	3,439,213	3,542,389
Average interest bearing liabilities	2,385,528	2,651,180	2,911,131	3,023,107	3,083,569
Tier 1 capital	285,462	293,683	309,050	325,117	341,549
Total capital	360,078	359,015	374,382	390,449	406,881
Gross non performing loans (NPL)	102,629	107,138	108,209	116,866	126,215
Per share (THB)					
Book value per share	24.20	24.58	25.97	27.30	28.69
Tangible book value per share	24.20	24.58	25.97	27.30	28.69
Growth					
Gross customer loans	3.3	11.6	10.0	2.0	3.0
Average interest earning assets	2.4	10.5	8.8	4.2	3.0
Total asset (%)	10.0	10.5	5.7	2.5	2.4
Risk weighted assets (%)	1.8	(0.8)	10.0	2.0	3.0
Customer deposits (%)	5.7	14.3	6.7	1.3	2.0
Leverage & capital measures					
Customer loan/deposits (%)	90.9	89.2	91.9	92.0	92.6
Equity/assets (%)	11.2	10.3	10.3	10.6	10.9
Tangible equity/assets (%)	11.2	10.3	10.3	10.6	10.9
RWA/assets (%)	64.0	57.5	59.8	59.5	59.9
Tier 1 CAR (%)	14.8	15.3	14.7	15.1	15.4
Total CAR (%)	18.7	18.8	17.8	18.2	18.4
Asset Quality					
Change in NPL (%)	(3.3)	4.4	1.0	8.0	8.0
NPL/gross loans (%)	4.9	4.6	4.2	4.5	4.7
Total provisions/gross loans (%)	6.5	6.5	6.6	6.8	7.2
Total provisions/NPL (%)	131.8	140.5	157.1	155.9	153.6
Valuation					
Recurring P/E (x) *	6.5	11.4	8.8	8.2	7.4
Recurring P/E @ target price (x) *	7.4	12.9	10.0	9.2	8.4
Reported P/E (x)	6.5	11.4	8.8	8.2	7.4
Dividend yield (%)	5.4	2.0	3.4	4.3	4.7
Price/book (x)	0.6	0.6	0.5	0.5	0.5
Price/tangible book (x)	0.6	0.6	0.5	0.5	0.5
Price/tangible book @ target price (x)	0.6	0.6	0.6	0.6	0.5

* 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

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	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)

Disclaimer:

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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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Company	Ticker	Price	Rating	Valuation & Risks
Krung Thai Bank	KTB TB	THB 13.70	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 further interest rate cuts on NIM and potential new regulations from the Bank of Thailand on debt-servicing programs; 3) an increase in OPEX due to aggressive digital investment.
Bangkok Bank	BBL TB	THB 126.50	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 would be better-than-expected synergies with Permata.
Kasikornbank	KBANK TB	THB 146.00	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 61.50	BUY	Downside risks to our GGM-based target price include weakening asset quality and lower fee income.
Siam Commercial Bank	SCB TB	THB 127.00	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 98.75	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 1.45	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.
PTT Explor & Prod	PTTEP TB	THB 120.50	BUY	Risks our TP, which is based on EV/EBITDA, are a sharp decline in oil price and a potential earnings downside from government intervention.

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 05-Jan-2022 unless otherwise stated.

RECOMMENDATION STRUCTURE

Stock ratings

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

BUY (B). The upside is 10% or more.

HOLD (H). The upside or downside is less than 10%.

REDUCE (R). The downside is 10% or more.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause a temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.

* In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

Industry Recommendations

Overweight. The analyst expects the fundamental conditions of the sector to be positive over the next 12 months.

Neutral. The analyst expects the fundamental conditions of the sector to be maintained over the next 12 months.

Underweight. The analyst expects the fundamental conditions of the sector to be negative over the next 12 months.

Country (Strategy) Recommendations

Overweight (O). Over the next 12 months, the analyst expects the market to score positively on two or more of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Neutral (N). Over the next 12 months, the analyst expects the market to score positively on one of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Underweight (U). Over the next 12 months, the analyst does not expect the market to score positively on any of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.