

KRUNG THAI BANK

THAILAND / BANKS

KTB TB

BUY

UNCHANGED

Safe harbour during the perfect storm

- Healthy asset quality should be the key driver for superior performance in 2022. We expect KTB to monetise its digital investments to generate higher income and reduce costs.

| | |
|-----------------|-----------|
| TARGET PRICE | THB16.40 |
| CLOSE | THB14.40 |
| UP/DOWNSIDE | +13.9% |
| PRIOR TP | THB16.40 |
| CHANGE IN TP | UNCHANGED |
| TP vs CONSENSUS | +6.8% |

Less risky loan portfolio than peers is key driver for net profit

At its 1Q22 post-results meeting, KTB stated that it is currently comfortable with its asset quality. Its 1Q22 comprehensive debt restructuring program under the “blue” scheme was only 2% of total loans, significantly lower than the other big banks’ c5-10% of total loans. The relaxed credit cost (83 bps) in 1Q22 came from sufficient provisions, with a coverage ratio of 174%. Management expects its credit cost to slightly increase in the coming quarters, but still be lower than its 2021 credit cost of 131 bps. The bank will continue to expand in low-risk areas, e.g., government and payroll-linked retail loans. Thus, its asset quality should continue to be healthy. This strategy could depress its NIM, but a positive payback should come from the lower credit cost, in our view.

Cost savings may result in an upside

Some investors might be concerned about KTB’s OPEX as the bank has invested in IT slower than other big banks. However, KTB has a good record of efficient OPEX control. This was proven by its stable OPEX of cTHB53b during 2020-21 and the 3% decline y-y in its 1Q22 OPEX due to: 1) its effective control of other costs, and in particular, the staff costs from its retirement program; and 2) some IT investment spending can be realised as CAPEX. KTB targets its 2022 cost to income ratio in the low to mid 40s vs 41.2% in 1Q22 – lower than our current 2022 cost to income assumption of 44.9%. For every 50-bps decline in KTB’s cost to income ratio, there would be a 2% upside to our 2022 net profit forecast.

Digital investments should shine bright in 2023

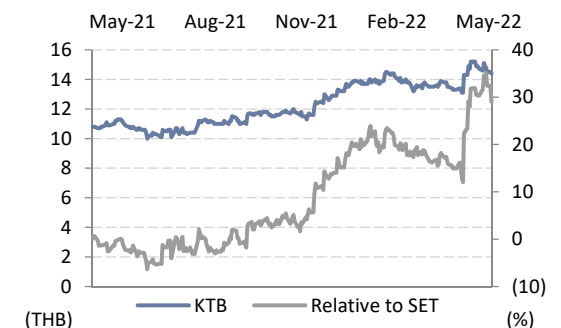
Since 2H21, we think KTB has been able to utilise the Pao Tang app’s big data to generate fee income, i.e., Krungthai Gold Wallet and sales of CP All (CPALL TB, BUY, TP THB82)’s digital bonds. Currently, KTB has 40 million digital users, making it the largest platform of its kind in the country. We believe KTB’s fee income will gradually benefit from this big data trove and its move into digital starting from 2023. We expect its 2023 net fee income to jump by 8% y-y after a stable y-y result in 2022.

Top pick with our 2022 GGM-based TP of THB16.4

During the perfect storm, we see KTB as a safe place to invest. It should ride the economic upturn from the monetisation of its Pao Tang app. Moreover, its valuation looks attractive at 0.5x 2022E P/BV vs a 7.2% ROE and a 25% higher 2022 net profit growth forecast. Thus, we choose KTB as our top pick instead of SCB X (SCB TB, BUY, TP THB160).

KEY STOCK DATA

| YE Dec (THB m) | 2021 | 2022E | 2023E | 2024E |
|----------------------|--------|--------|--------|--------|
| Operating profit | 29,485 | 37,262 | 37,698 | 43,055 |
| Net profit | 21,588 | 26,889 | 27,616 | 31,502 |
| EPS (THB) | 1.54 | 1.92 | 1.98 | 2.25 |
| vs Consensus (%) | - | 2.0 | 1.5 | 2.9 |
| Core net profit | 21,588 | 26,889 | 27,616 | 31,502 |
| Core EPS (THB) | 1.54 | 1.92 | 1.98 | 2.25 |
| Chg. In EPS est. (%) | - | - | - | - |
| EPS growth (%) | 29.0 | 24.6 | 2.7 | 14.1 |
| Core P/E (x) | 9.3 | 7.5 | 7.3 | 6.4 |
| Dividend yield (%) | 2.9 | 4.7 | 4.8 | 4.9 |
| Price/book (x) | 0.6 | 0.5 | 0.5 | 0.5 |
| ROE (%) | 6.1 | 7.2 | 7.0 | 7.6 |
| ROA (%) | 0.7 | 0.8 | 0.8 | 0.9 |



| Share price performance | 1 Month | 3 Month | 12 Month |
|--------------------------------|------------|---------|----------|
| Absolute (%) | 8.3 | 0.0 | 32.1 |
| Relative to country (%) | 11.9 | 6.1 | 28.2 |
| Mkt cap (USD m) | 5,838 | | |
| 3m avg. daily turnover (USD m) | 18.9 | | |
| Free float (%) | 45 | | |
| Major shareholder | FIDF (55%) | | |
| 12m high/low (THB) | 15.30/9.90 | | |
| Issued shares (m) | 13,976 | | |

Sources: Bloomberg consensus; FSSIA estimates


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Investment thesis

We reiterate our BUY call with a GGM-based TP of THB16.4, as we think KTB should be one of the most resilient banks amid the high inflation environment. We also believe KTB will utilise its digital users' big data to generate top-line growth. Thus, we expect its net profit to increase at a 13% CAGR in 2022-24. Moreover, we think KTB's valuation is undemanding at 0.5x 2022E P/BV.

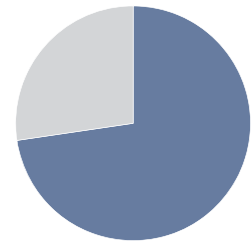
Company profile

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, 2021)

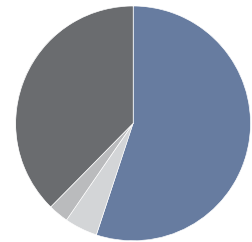
- Net interest income - 72.7 %
- Non-interest income - 27.3 %



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; and 3) an increase in OPEX due to aggressive digital investment.

Event calendar

| Date | Event |
|-----------|---------------------------|
| July 2022 | 2Q22 results announcement |

Key assumptions

| | 2022E (%) | 2023E (%) | 2024E (%) |
|--------------------|-----------|-----------|-----------|
| Net profit (THB m) | 26,889 | 27,616 | 31,502 |
| Net profit growth | 24.6 | 2.7 | 14.1 |
| NIM | 2.42 | 2.44 | 2.52 |
| Loan growth | 4.0 | 4.0 | 4.0 |
| Fee growth | 0.4 | 8.0 | 8.0 |
| Non-NII growth* | 1.6 | 5.6 | 8.4 |
| Credit cost (bp) | 100 | 105 | 105 |
| Cost to income* | 44.9 | 44.8 | 43.4 |

*Including share of profits from associates

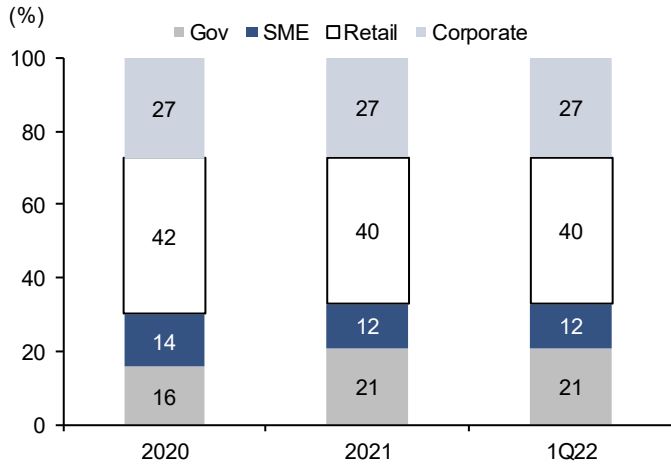
Source: FSSIA estimates

Earnings sensitivity

| | | ----- 2022E ----- | | |
|-------------------------|--------------|-------------------|-------------|-------------|
| Loan growth (%) | ±2ppt | 2.00 | 4.00 | 6.00 |
| % change in net profit | | (1.6) | - | 1.6 |
| NIM (%) | ±5bp | 2.37 | 2.42 | 2.47 |
| % change in net profit | | (4.6) | - | 4.6 |
| Credit cost (bp) | ±10bp | 90 | 100 | 110 |
| % change in net profit | | 6.0 | - | (6.0) |

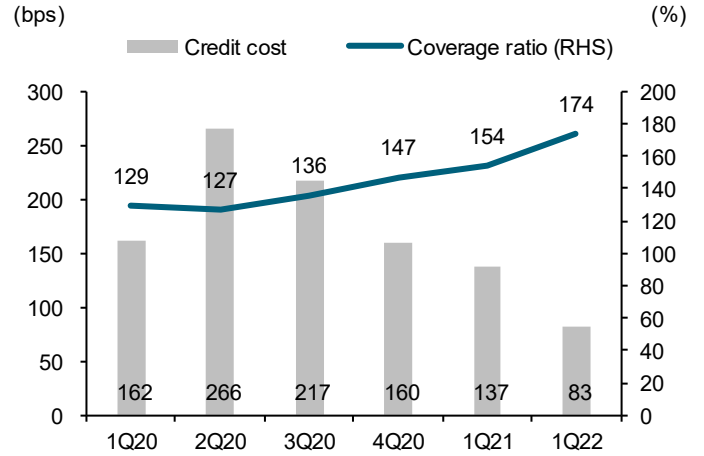
Source: FSSIA estimates

Exhibit 1: KTB's loan portfolio is gearing toward lower risk areas



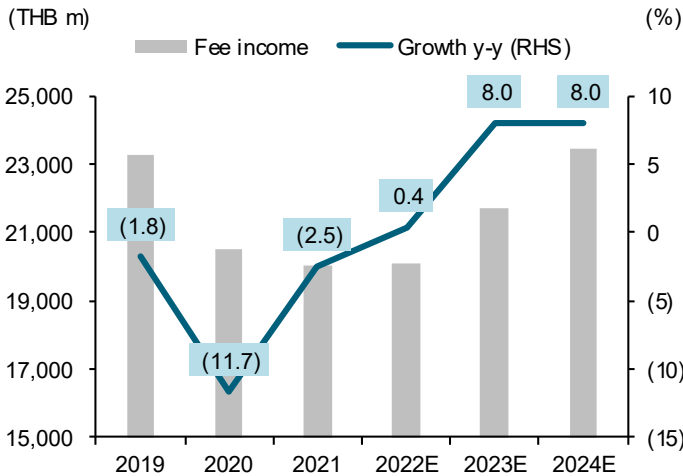
Sources: KTB; FSSIA estimates

Exhibit 2: Lower credit cost from sufficient provisions



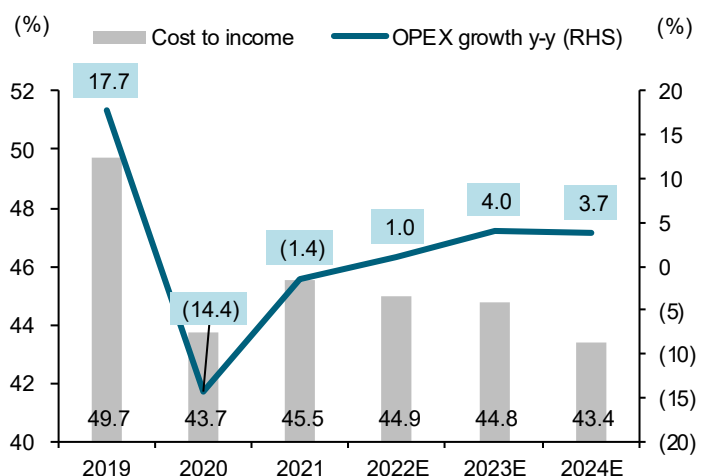
Sources: KTB; FSSIA estimates

Exhibit 3: Fee income growth should start to benefit from its digital investments in 2023



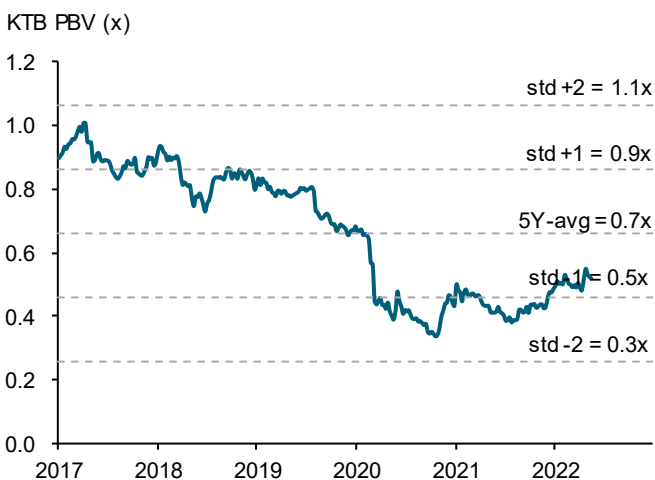
Sources: KTB; FSSIA estimates

Exhibit 4: KTB should continue to control its OPEX and cost to income ratio effectively



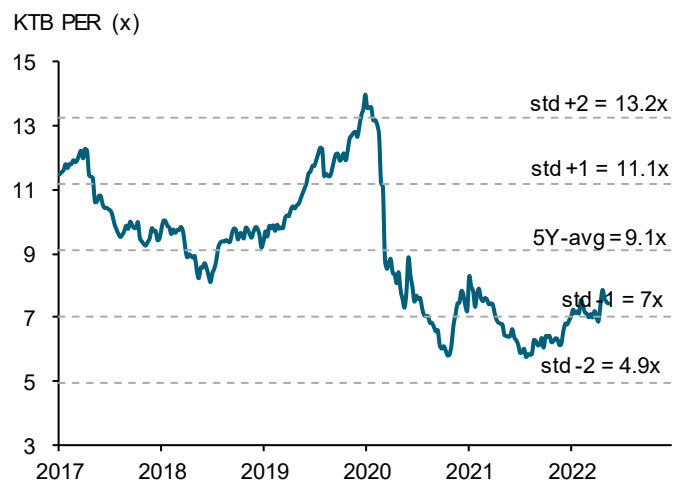
Sources: KTB; FSSIA estimates

Exhibit 5: KTB – one-year forward rolling P/BV



Sources: Bloomberg; FSSIA estimates

Exhibit 6: KTB – one-year forward rolling P/E



Sources: Bloomberg; FSSIA estimates

Exhibit 7: Peers comparison

| Company name | BBG code | Rec | --- Share price -- | | Up side | Market Cap | EPS growth | | ----- PE ----- | | ---- ROE ---- | | --- PBV --- | |
|-----------------|----------|------|--------------------|--------------|---------|---------------|-------------|------------|----------------|------------|---------------|------------|-------------|------------|
| | | | Current (THB) | Target (THB) | | | 22E (%) | 23E (%) | 22E (x) | 23E (x) | 22E (%) | 23E (%) | 22E (x) | 23E (x) |
| Bangkok Bank | BBL TB | HOLD | 125.50 | 134.00 | 7 | 6,949 | 10.3 | 4.8 | 8.2 | 7.8 | 6.0 | 6.2 | 0.5 | 0.5 |
| Kasikombank | KBANK TB | BUY | 144.50 | 180.00 | 25 | 9,931 | 9.2 | 10.0 | 8.2 | 7.5 | 8.4 | 8.7 | 0.7 | 0.6 |
| Kiatnakin Bank | KKP TB | BUY | 69.50 | 86.00 | 24 | 1,707 | 20.5 | 11.9 | 7.7 | 6.9 | 14.3 | 14.8 | 1.1 | 1.0 |
| Krung Thai Bank | KTB TB | BUY | 14.40 | 16.40 | 14 | 5,838 | 24.6 | 2.7 | 7.5 | 7.3 | 7.2 | 7.0 | 0.5 | 0.5 |
| SCB X | SCB TB | BUY | 108.00 | 160.00 | 48 | 10,548 | 7.1 | 11.6 | 9.6 | 8.6 | 8.4 | 8.7 | 0.8 | 0.7 |
| Tisco Financial | TISCO TB | BUY | 89.25 | 110.00 | 23 | 2,073 | 4.0 | 9.1 | 10.1 | 9.3 | 16.8 | 17.7 | 1.7 | 1.6 |
| TMBThanachart | TTB TB | BUY | 1.24 | 1.80 | 45 | 3,475 | 26.5 | 14.5 | 9.0 | 7.9 | 6.1 | 6.7 | 0.5 | 0.5 |
| Coverage | | | | | | 40,522 | 12.7 | 8.9 | 8.6 | 7.9 | 8.3 | 8.6 | 0.7 | 0.7 |

Share prices as of 17 May 2022

Sources: Company data; FSSIA estimates

Financial Statements

Krung Thai Bank

| Profit and Loss (THB m) Year Ending Dec | 2020 | 2021 | 2022E | 2023E | 2024E |
|---|----------|----------|----------|----------|----------|
| Interest Income | 112,837 | 104,832 | 107,208 | 118,049 | 125,560 |
| Interest expense | (24,494) | (21,460) | (21,677) | (29,222) | (30,934) |
| Net interest income | 88,343 | 83,372 | 85,531 | 88,827 | 94,626 |
| Net fees & commission | 20,528 | 20,022 | 20,100 | 21,708 | 23,445 |
| Foreign exchange trading income | 3,134 | 3,467 | 3,500 | 3,300 | 3,500 |
| Securities trading income | 951 | 711 | 782 | 860 | 946 |
| Dividend income | 376 | 379 | 417 | 459 | 505 |
| Other income | 6,855 | 6,789 | 6,992 | 7,202 | 7,922 |
| Non interest income | 31,844 | 31,368 | 31,791 | 33,529 | 36,317 |
| Total income | 120,187 | 114,739 | 117,322 | 122,355 | 130,943 |
| Staff costs | (28,466) | (27,311) | (27,584) | (28,412) | (29,264) |
| Other operating costs | (24,999) | (25,420) | (25,660) | (26,963) | (28,171) |
| Operating costs | (53,465) | (52,731) | (53,244) | (55,375) | (57,435) |
| Pre provision operating profit | 66,722 | 62,009 | 64,078 | 66,981 | 73,509 |
| Provision for bad and doubtful debt | (44,903) | (32,524) | (26,815) | (29,282) | (30,454) |
| Other provisions | - | - | - | - | - |
| Operating profit | 21,819 | 29,485 | 37,262 | 37,698 | 43,055 |
| Recurring non operating income | 2,060 | 1,046 | 1,151 | 1,266 | 1,393 |
| Associates | 2,060 | 1,046 | 1,151 | 1,266 | 1,393 |
| Goodwill amortization | - | - | - | - | - |
| Non recurring items | 0 | 0 | 0 | 0 | 0 |
| Profit before tax | 23,880 | 30,531 | 38,413 | 38,964 | 44,448 |
| Tax | (4,441) | (5,975) | (7,683) | (7,403) | (8,445) |
| Profit after tax | 19,439 | 24,556 | 30,731 | 31,561 | 36,003 |
| Minority interests | (2,707) | (2,968) | (3,841) | (3,945) | (4,500) |
| Preferred dividends | - | - | - | - | - |
| Other items | - | - | - | - | - |
| Reported net profit | 16,732 | 21,588 | 26,889 | 27,616 | 31,502 |
| Non recurring items & goodwill (net) | - | - | 0 | 0 | 0 |
| Recurring net profit | 16,732 | 21,588 | 26,889 | 27,616 | 31,502 |
| Per share (THB) | | | | | |
| Recurring EPS * | 1.20 | 1.54 | 1.92 | 1.98 | 2.25 |
| Reported EPS | 1.20 | 1.54 | 1.92 | 1.98 | 2.25 |
| DPS | 0.28 | 0.42 | 0.67 | 0.69 | 0.70 |
| Growth | | | | | |
| Net interest income (%) | 0.0 | (5.6) | 2.6 | 3.9 | 6.5 |
| Non interest income (%) | (11.3) | (1.5) | 1.3 | 5.5 | 8.3 |
| Pre provision operating profit (%) | 8.0 | (7.1) | 3.3 | 4.5 | 9.7 |
| Operating profit (%) | (42.5) | 35.1 | 26.4 | 1.2 | 14.2 |
| Reported net profit (%) | (42.9) | 29.0 | 24.6 | 2.7 | 14.1 |
| Recurring EPS (%) | (42.9) | 29.0 | 24.6 | 2.7 | 14.1 |
| Reported EPS (%) | (42.9) | 29.0 | 24.6 | 2.7 | 14.1 |
| Income Breakdown | | | | | |
| Net interest income (%) | 73.5 | 72.7 | 72.9 | 72.6 | 72.3 |
| Net fees & commission (%) | 17.1 | 17.4 | 17.1 | 17.7 | 17.9 |
| Foreign exchange trading income (%) | 2.6 | 3.0 | 3.0 | 2.7 | 2.7 |
| Securities trading income (%) | 0.8 | 0.6 | 0.7 | 0.7 | 0.7 |
| Dividend income (%) | 0.3 | 0.3 | 0.4 | 0.4 | 0.4 |
| Other income (%) | 5.7 | 5.9 | 6.0 | 5.9 | 6.1 |
| Operating performance | | | | | |
| Gross interest yield (%) | 3.72 | 3.13 | 3.03 | 3.24 | 3.35 |
| Cost of funds (%) | 0.92 | 0.73 | 0.70 | 0.92 | 0.96 |
| Net interest spread (%) | 2.80 | 2.40 | 2.33 | 2.32 | 2.39 |
| Net interest margin (%) | 2.9 | 2.5 | 2.4 | 2.4 | 2.5 |
| Cost/income(%) | 44.5 | 46.0 | 45.4 | 45.3 | 43.9 |
| Cost/assets(%) | 1.7 | 1.5 | 1.5 | 1.5 | 1.5 |
| Effective tax rate (%) | 18.6 | 19.6 | 20.0 | 19.0 | 19.0 |
| Dividend payout on recurring profit (%) | 23.0 | 27.1 | 35.0 | 35.0 | 31.1 |
| ROE (%) | 4.9 | 6.1 | 7.2 | 7.0 | 7.6 |
| ROE - COE (%) | (5.0) | (3.8) | (2.7) | (2.9) | (2.3) |
| ROA (%) | 0.6 | 0.7 | 0.8 | 0.8 | 0.9 |
| RORWA (%) | 1.0 | 1.3 | 1.5 | 1.5 | 1.6 |

* 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 | 2020 | 2021 | 2022E | 2023E | 2024E |
|--|------------------|------------------|------------------|------------------|------------------|
| Gross customer loans | 2,334,842 | 2,628,963 | 2,734,122 | 2,843,486 | 2,957,226 |
| Total provisions | (150,528) | (173,322) | (178,264) | (184,799) | (191,595) |
| interest in suspense | 16,199 | 20,579 | 13,671 | 14,217 | 8,280 |
| Net customer loans | 2,200,513 | 2,476,220 | 2,569,528 | 2,672,905 | 2,773,911 |
| Bank loans | 516,792 | 469,216 | 460,165 | 449,840 | 414,943 |
| Government securities | - | - | - | - | - |
| Trading securities | - | - | - | - | - |
| Investment securities | 360,112 | 382,055 | 390,356 | 398,855 | 430,778 |
| Cash & equivalents | 68,161 | 63,544 | 69,965 | 50,402 | 69,656 |
| Other interesting assets | - | - | - | - | - |
| Tangible fixed assets | 57,421 | 70,745 | 73,652 | 76,686 | 69,215 |
| Associates | - | - | - | - | - |
| Goodwill | - | - | - | - | - |
| Other intangible assets | - | - | - | - | - |
| Other assets | 124,781 | 94,963 | 114,620 | 117,250 | 120,037 |
| Total assets | 3,327,780 | 3,556,744 | 3,678,285 | 3,765,937 | 3,878,540 |
| Customer deposits | 2,463,225 | 2,614,747 | 2,737,544 | 2,792,295 | 2,848,141 |
| Bank deposits | - | - | - | - | - |
| Other interest bearing liabilities | 365,863 | 434,372 | 403,049 | 411,110 | 419,332 |
| Non interest bearing liabilities | 143,629 | 133,514 | 140,190 | 144,485 | 148,914 |
| Hybrid Capital | - | - | - | - | - |
| Total liabilities | 2,972,717 | 3,182,633 | 3,280,782 | 3,347,890 | 3,416,387 |
| Share capital | 72,005 | 72,005 | 71,977 | 71,977 | 71,977 |
| Reserves | 271,498 | 288,048 | 310,589 | 330,361 | 353,844 |
| Total equity | 343,503 | 360,053 | 382,565 | 402,338 | 425,821 |
| Minority interests | 11,561 | 14,059 | 14,938 | 15,710 | 16,627 |
| Total liabilities & equity | 3,327,780 | 3,556,744 | 3,678,285 | 3,765,937 | 3,858,834 |
| Supplementary items | | | | | |
| Risk weighted assets (RWA) | 1,913,726 | 1,981,545 | 2,060,807 | 2,143,239 | 2,228,969 |
| Average interest earning assets | 3,033,282 | 3,345,990 | 3,532,438 | 3,638,411 | 3,747,564 |
| Average interest bearing liabilities | 2,651,180 | 2,939,103 | 3,094,856 | 3,171,999 | 3,235,439 |
| Tier 1 capital | 293,683 | 327,685 | 346,082 | 363,923 | 383,817 |
| Total capital | 359,015 | 393,995 | 412,392 | 430,233 | 450,127 |
| Gross non performing loans (NPL) | 107,138 | 106,809 | 115,354 | 124,582 | 128,319 |
| Per share (THB) | | | | | |
| Book value per share | 24.58 | 25.76 | 27.37 | 28.79 | 30.47 |
| Tangible book value per share | 24.58 | 25.76 | 27.37 | 28.79 | 30.47 |
| Growth | | | | | |
| Gross customer loans | 11.7 | 12.6 | 4.0 | 4.0 | 4.0 |
| Average interest earning assets | 10.5 | 10.3 | 5.6 | 3.0 | 3.0 |
| Total asset (%) | 10.5 | 6.9 | 3.4 | 2.4 | 3.0 |
| Risk weighted assets (%) | (0.8) | 3.5 | 4.0 | 4.0 | 4.0 |
| Customer deposits (%) | 14.3 | 6.2 | 4.7 | 2.0 | 2.0 |
| Leverage & capital measures | | | | | |
| Customer loan/deposits (%) | 89.3 | 94.7 | 93.9 | 95.7 | 97.4 |
| Equity/assets (%) | 10.3 | 10.1 | 10.4 | 10.7 | 11.0 |
| Tangible equity/assets (%) | 10.3 | 10.1 | 10.4 | 10.7 | 11.0 |
| RWA/assets (%) | 57.5 | 55.7 | 56.0 | 56.9 | 57.5 |
| Tier 1 CAR (%) | 15.3 | 16.5 | 16.8 | 17.0 | 17.2 |
| Total CAR (%) | 18.8 | 19.9 | 20.0 | 20.1 | 20.2 |
| Asset Quality | | | | | |
| Change in NPL (%) | 4.4 | (0.3) | 8.0 | 8.0 | 3.0 |
| NPL/gross loans (%) | 4.6 | 4.1 | 4.2 | 4.4 | 4.3 |
| Total provisions/gross loans (%) | 6.4 | 6.6 | 6.5 | 6.2 | 6.5 |
| Total provisions/NPL (%) | 140.5 | 162.3 | 154.5 | 148.3 | 149.3 |
| Valuation | | | | | |
| Recurring P/E (x) * | 12.0 | 9.3 | 7.5 | 7.3 | 6.4 |
| Recurring P/E @ target price (x) * | 13.7 | 10.6 | 8.5 | 8.3 | 7.3 |
| Reported P/E (x) | 12.0 | 9.3 | 7.5 | 7.3 | 6.4 |
| Dividend yield (%) | 1.9 | 2.9 | 4.7 | 4.8 | 4.9 |
| 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) | 0.7 | 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 | PCSGH | PDJ | PG | PHOL | PLANB | PLANET |
| 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 | 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 | 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:

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.

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| Company | Ticker | Price | Rating | Valuation & Risks |
|--------------------|----------|------------|--------|--|
| Krung Thai Bank | KTB TB | THB 14.40 | 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; and 3) an increase in OPEX due to aggressive digital investment. |
| Bangkok Bank | BBL TB | THB 125.50 | 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 its 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 144.50 | 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 69.50 | BUY | Downside risks to our GGM-based target price include weakening asset quality and lower fee income. |
| SCB X | SCB TB | THB 108.00 | 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 89.25 | 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 1.24 | 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. |
| CP All | CPALL TB | THB 64.00 | BUY | The key downside risks to our DCF-derived TP are: 1) the higher-than-expected impact from a loss of service income from the convenience store business; 2) the worse-than-expected overseas performance of Makro; and 3) the slow recovery of tourist numbers. |

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 17-May-2022 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.