

# KRUNG THAI BANK

## THAILAND / BANKING

# KTB TB

# HOLD

FROM BUY

## คุณภาพสินทรัพย์ถดถอย

- กำไรสุทธิ 4Q23 ต่ำกว่าที่เรคาดมากส่วนมากจากผลขาดทุนทางเครดิตที่คาดว่าจะเกิดขึ้น (ECL) ที่เพิ่มขึ้นเพื่อรับมือกับการบริหารหนี้ต่อคุณภาพ (NPL) และการจัดชั้นสินเชื่อ ITD ใหม่
- คุณภาพสินทรัพย์ส่งสัญญาณเสื่อมลง
- เราปรับลดประมาณการกำไรสุทธิปี 2024-25 และราคาเป้าหมายปี 2024 ของเราซึ่งทำให้เราปรับลดคำแนะนำเป็นถือ

TARGET PRICE	THB19.90
CLOSE	THB18.10
UP/DOWNSIDE	+9.9%
PRIOR TP	THB23.10
CHANGE IN TP	-13.9%
TP vs CONSENSUS	-12.6%

## KEY STOCK DATA

YE Dec (THB m)	2023	2024E	2025E	2026E
Operating profit	50,223	51,493	53,003	54,935
Net profit	36,616	37,621	38,760	40,236
EPS (THB)	2.62	2.69	2.77	3.44
vs Consensus (%)	-	(5.3)	(7.0)	14.4
Recurring net profit	36,616	37,621	38,760	40,236
Core EPS (THB)	2.62	2.69	2.77	3.44
Chg. In EPS est. (%)	-	(5.8)	(7.6)	-
EPS growth (%)	8.7	2.7	3.0	24.0
Core P/E (x)	6.9	6.7	6.5	5.3
Dividend yield (%)	4.2	4.3	4.4	4.6
Price/book (x)	0.6	0.6	0.6	0.4
ROE (%)	9.4	9.0	8.7	8.5
ROA (%)	1.1	1.1	1.1	1.1

## ผลประกอบการ 4Q23 ออกมาหน้าผิดหวัง

KTB รายงานกำไรสุทธิ 4Q23 อยู่ที่ 6.11 พัน ลบ. (-40.6% q-q, -24.6% y-y) ส่วนมากจาก ECL และต้นทุนความเสี่ยงในการปล่อยสินเชื่อ (Credit costs) ที่เพิ่มขึ้นเพื่อการบริหาร NPL เชิงรุก และการจัดชั้นหนี้ของลูกค้ายกชั้นขนาดใหญ่ 1 รายการคือ ITD ใหม่เป็นหนี้ชั้นที่ 2 ซึ่งทำให้ธนาคาร ต้องจัดสรรสำรองพิเศษ เมื่อหักผลของสำรองพิเศษ ถ้าไรก่อนหักสำรองใกล้เคียงกับที่คาดไว้โดยอยู่ที่ 21.8 พัน ลบ. (-1.4% q-q, +15.2% y-y) โดยได้ปัจจัยกดดันจากค่าใช้จ่ายในการดำเนินงานที่เพิ่มขึ้นตามฤดูกาล ใน 4Q23 สัดส่วนค่าใช้จ่ายในการดำเนินงานต่อรายได้ (Cost-to-income ratio) เพิ่มขึ้นเป็น 44.8% จาก 43.0% ใน 3Q23 ในรอบปี 2023 Cost-to-income ratio ต่ำผิดปกติโดยอยู่ที่ 41.6% (จาก 43.7% ในปี 2022) แต่สอดคล้องกับเป้าหมายการของธนาคาร ที่ต่ำกว่าระดับ 40% กลาง การเติบโตของรายได้ดอกเบี้ยสุทธิและส่วนต่างดอกเบี้ยต่ำกว่าที่คาดเล็กน้อยจากต้นทุนในการระดมเงินฝาก (Cost of funds) ที่เร่งตัวขึ้นแม้ว่าผลตอบแทนสินเชื่อจะเพิ่มขึ้น สินเชื่อยังหดตัวต่อเนื่องโดยลดลง 2.0% q-q และ 0.6% y-y ส่วนมากจากการจ่ายคืนสินเชื่อภาครัฐ (15% ของสินเชื่อรวม) เมื่อหักสินเชื่อภาครัฐ สินเชื่อโตเล็กน้อย (+0.9% q-q, +1.5% y-y) ส่วนมากจากสินเชื่อรายย่อย

## คุณภาพสินเชื่อถดถอยแต่ยังอยู่ในระดับที่จัดการได้

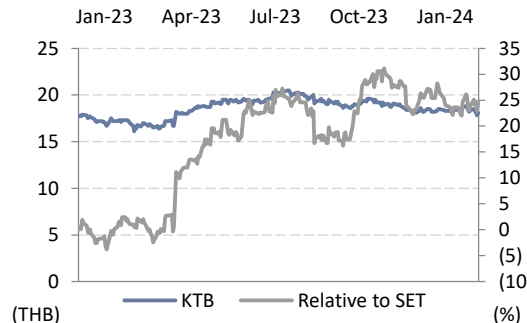
ใน 4Q23 สัดส่วน NPL (จากการคำนวณของ FSSIA) เพิ่มขึ้นเป็น 3.86% จาก 3.74% ใน 3Q23 โดยธนาคาร ไม่ได้เปิดเผยประเภทและชั้นของ NPL แม้ว่า ECL จะเพิ่มอย่างมีนัยสำคัญสัดส่วน NPL ที่เพิ่มขึ้นใน 4Q23 สะท้อนการก่อตัวของ NPL ใหม่ที่สูงกว่าคาด Credit cost เพิ่มขึ้น 201bp (จาก 125bp ใน 3Q23) ซึ่งทำให้ตัวเลขปี 2023 เพิ่มขึ้น 143bp (จาก 93bp ในปี 2022) ในขณะที่ KTB รายงาน Coverage ratio อยู่ที่ 181% สูงกว่าเป้าหมายการปี 2023 ของธนาคาร ที่ประมาณ 170%

## ปรับลดประมาณการกำไรปี 2024-25 ส่วนมากเพื่อสะท้อนสมมติฐาน Credit cost ที่สูงขึ้น

เราปรับลดประมาณการกำไรสุทธิปี 2024-25 ลง 5.8% และ 7.6% ตามลำดับเพื่อสะท้อน 1) สมมติฐาน Credit cost ที่สูงขึ้นจากคุณภาพสินทรัพย์ที่ถดถอย; 2) การเติบโตของสินเชื่อที่ลดลง ส่วนมากจากสินเชื่อภาครัฐที่ผันผวน; และ 3) สมมติฐาน Cost-to-income ratio ที่สูงขึ้นจากระดับที่ต่ำผิดปกติในปี 2023 เราคาดว่ากำไรสุทธิปี 2024-25 จะโต 2-3% ต่อบิลลดลงจากก่อนหน้านี้ที่ 5-6% ต่อบิล

## ปรับลดคำแนะนำเป็นถือ

เราปรับลดคำแนะนำเป็นถือ (จากซื้อ) จากผลตอบแทนในรูปเงินปันผลที่ประมาณ 4% ต่อบิล ราคาเป้าหมายปี 2024 ของเรา (GGM) ที่ 19.90 บาท (จาก 23.10 บาท) คิดเป็นค่า P/BV อยู่ที่ 0.65x (จาก 0.81x) ภายใต้สมมติฐาน L-T ROE ที่ 8.0% (จาก 9.0%) และ COE ที่ 11.8% (จาก 10.9%) ปัจจุบันหุ้นมีการซื้อขายในระดับที่สมเหตุสมผลเนื่องจากกำลังเข้าใกล้ค่า P/BV เฉลี่ย 5 ปีย้อนหลัง (2018-23) ที่ 0.6x



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(1.6)	(6.2)	4.0
Relative to country (%)	(0.7)	(3.5)	27.0
Mkt cap (USD m)			7,123
3m avg. daily turnover (USD m)			18.8
Free float (%)			45
Major shareholder			FIDF (55%)
12m high/low (THB)			20.50/16.00
Issued shares (m)			13,976

Sources: Bloomberg consensus; FSSIA estimates

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### Investment thesis

We have a negative view of KTB’s 4Q23 results, leading to a 2024-25E earnings and 2024 TP cut as follows:

- With the rising ECL, despite mainly coming from the ITD loan reclassification to stage 2, the coverage ratio remained at the same level, reflecting the higher-than-expected new NPL formation;
- Loan growth is still pressured by the government-related segment, whereas the high-yield, retail segment has not been able to compensate for the overall growth predicted due to its prudent credit policy;
- The current share price is relatively fair since it is approaching its 5-year P/BV average (2018-23) at 0.6x. Hence, we reduce our recommendation to HOLD for dividend (from Buy).

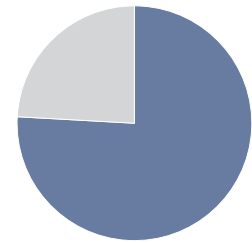
### Company profile

Krung Thai Bank began operations in 1966 and in 1989 was the first privatised state enterprise to be listed on the SET. At end-2022, KTB was the largest Thai bank in terms of lending, and ranked third by total assets.

[www.ktb.co.th](http://www.ktb.co.th)

### Principal activities (revenue, 2023)

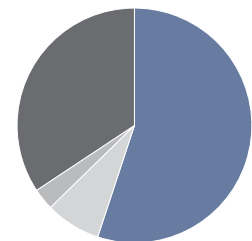
- Net interest income - 75.9 %
- Non-interest income - 24.1 %



Source: Krung Thai Bank

### Major shareholders

- FIDF - 55.1 %
- Thai NVDR - 7.6 %
- EGAT Saving and Credit Cooperative Limited - 3.0 %
- Others - 34.3 %



Source: Krung Thai Bank

### Catalysts

Potential share price catalysts for KTB include:

- Greater utilization of data acquired from KTB’s digital channels;
- 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 affecting loan growth and asset quality; and 2) the impact of new regulations from the Bank of Thailand. Upside risks are 1) broad-based economic recovery supporting higher loan growth; and 2) asset quality improvement, mainly from the retail segment, reducing its ECL burdens. By contrast, upside risks comprise better economic conditions and strengthening asset quality.

### Event calendar

Date	Event
Apr 2024	1Q24 results announcement

### Key assumptions

	2024E (%)	2025E (%)	2026E (%)
Net profit (THB m)	37,621	38,760	40,236
EPS (THB)	2.69	2.77	2.88
Net profit growth (%)	2.7	3.0	3.8
NIM (%)	3.28	3.27	3.27
Loan growth (%)	1.0	1.0	1.0
Fee growth (%)	1.5	1.5	1.5
Non-NII growth (%)	4.6	3.6	3.5
Credit cost (bp)	140	135	130
Cost to income (%)	43.4	44.0	44.4

Source: FSSIA estimates

### Earnings sensitivity

		2024E		
Loan growth	±2ppt	(1)	1	3
% change in net profit		(2)		2.2
NIM (%)	±5bp	3.23	3.28	3.33
% change in net profit		(4.5)		4.5
Credit cost (bp)	±10bp	130	140	150
% change in net profit		5.5		(5.5)

Source: FSSIA estimates

## Disappointing 4Q23 results

KTB reported a 4Q23 net profit of THB6.11b, decreasing 40.6% q-q and 24.6% y-y, mainly from higher-than-expected ECL and credit costs to proactively manage NPLs and for the reclassification of one corporate customer, ITD, to become stage 2 loans, which needed extra provisions.

Excluding the abnormal provisions, PPOP was in line with the expected THB21.8b, slightly decreasing by 1.4% q-q but increasing by 15.2% y-y, pressured by rising seasonal operating expenses. The 4Q23 cost-to-income ratio shot to 44.8% from 43.0% in 3Q23. The 2023 cost-to-income ratio was abnormally low at 41.6% (from 43.7% in 2022) but in line with KTB's guidance of below mid-40%.

Net interest income growth and NIM were slightly softer in 4Q than expected from the accelerating cost of funds, despite increasing loan yields. Loans continued to contract by 2.0% q-q and 0.6% y-y, mainly from the repayment of government-related loans (15% of total). Excluding government-related loans, loans showed slight growth of 0.9% q-q and 1.5% y-y, mainly from retail segments, i.e., housing, personal, and credit card loans.

2023 net profit was THB36.6b, growing by 8.7% y-y, pushed by the solid growth of net interest income and NIM expansion, which offset the impacts of sluggish fee income, rising operating expenses (mainly IT investment related), and ECL.

### Exhibit 1: KTB – 4Q23 results summary

Year end Dec 31	4Q22	1Q23	2Q23	3Q23	4Q23	--- Change ---		2022	2023	Change
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)	(THB m)	(THB m)	(y-y %)
Net interest income	24,606	25,619	27,771	29,667	30,362	2.3	23.4	90,405	113,420	25.5
Non-interest income	10,046	9,653	7,944	9,221	9,228	0.1	(8.1)	34,986	36,046	3.0
Fee income - net	5,073	5,139	4,797	5,503	5,434	(1.2)	7.1	20,316	20,872	2.7
Total operating income	34,652	35,272	35,715	38,888	39,590	1.8	14.2	125,391	149,465	19.2
Total operating expenses	15,696	13,650	14,028	16,733	17,745	6.0	13.1	54,771	62,157	13.5
PPOP before tax	18,956	21,622	21,687	22,155	21,845	(1.4)	15.2	70,620	87,309	23.6
Expected credit loss	7,532	8,104	7,754	8,157	13,070	60.2	73.5	24,338	37,085	52.4
Income tax	2,494	2,531	2,864	2,774	1,733	(37.5)	(30.5)	9,077	9,902	9.1
Non-controlling interest	821	921	912	941	931	(1.1)	13.4	3,508	3,705	5.6
Net profit	8,109	10,067	10,157	10,282	6,111	(40.6)	(24.6)	33,698	36,616	8.7
EPS (THB)	0.58	0.72	0.73	0.74	0.44	(40.6)	(24.6)	2.41	2.62	8.7
<b>Key ratios</b>	<b>4Q22</b>	<b>1Q23</b>	<b>2Q23</b>	<b>3Q23</b>	<b>4Q23</b>	<b>--- Change ---</b>		<b>2022</b>	<b>2023</b>	<b>Change</b>
Asset quality ratio	(%)	(%)	(%)	(%)	(%)	(q-q%)	(y-y%)	(%)	(%)	(y-y %)
Gross NPLs (THB m)	101,096	102,542	98,810	98,309	99,439	(0.5)	(6.1)	101,096	99,439	(1.6)
Change (% from prior period)	(3.5)	1.4	(3.6)	(0.5)	1.1			(5.3)	(1.6)	
NPL ratios (%) - reported	3.26	3.22	3.11	3.10	3.08			3.26	3.08	
NPL ratio (%)*	3.90	3.97	3.83	3.74	3.86			3.90	3.86	
Coverage ratio (%) - reported	180	183	177	180	181			180	181	
Coverage ratio (%)*	172	177	171	174	174			172	174	
Credit cost (bp)	116	125	120	125	201			93	143	
Profitability ratio	(%)	(%)	(%)	(%)	(%)			(%)	(%)	
Cost to income ratio	45.3	38.7	39.3	43.0	44.8			43.7	41.6	
Average yield (%)	3.59	3.95	4.26	4.57	4.74			3.28	4.34	
Cost of funds (%)	0.87	1.13	1.21	1.32	1.49			0.76	1.28	
NIM (%) - reported	2.61	2.80	3.00	3.20	3.38			2.60	3.22	
NIM (%)*	2.83	2.97	3.21	3.42	3.45			2.62	3.23	
Non-interest income/total income (%)	29.0	27.4	22.2	23.7	23.3			27.9	24.1	
Liquidity ratio	(%)	(%)	(%)	(%)	(%)			(%)	(%)	
Loan to deposit	100.1	98.5	100.0	100.7	97.3			100.1	97.3	
Loan to deposit & borrowing (LDBR)	94.6	93.2	94.2	94.8	91.8			94.6	91.8	
Capital adequacy ratio	(%)	(%)	(%)	(%)	(%)			(%)	(%)	
CAR	19.8	19.9	20.1	20.5	20.7			19.8	20.7	
CET 1/ Risk assets	15.7	15.8	16.1	16.4	16.5			15.7	16.5	
Tier 2 / Risk assets	3.1	3.1	3.1	3.2	4.2			3.1	4.2	
Loan growth	(%)	(%)	(%)	(%)	(%)			(%)	(%)	
q-q	(0.7)	(0.4)	(0.2)	2.0	(2.0)					
y-y	(1.4)	(2.9)	(2.2)	0.7	(0.6)			(1.4)	(0.6)	
Year-to-date	(1.4)	(0.4)	(0.6)	1.4	(0.6)					

Sources: KTB; FSSIA's compilation

## Asset quality deteriorated but still manageable

The 4Q23 NPL ratio (FSSIA's calculation) increased to 3.86% from 3.74% in 3Q23, with no details of the NPL categories and staging loans disclosed. Despite a significant rise in ECL during 4Q23, the increasing NPL ratio reflected higher-than-expected new NPL formation. 4Q23 credit cost rose to 201bp (from 125bp in 3Q23), bringing 2023's credit cost to 143bp (from 93bp in 2022), and the reported coverage ratio finished at 181%, exceeding KTB's 2023 guidance of c170%.

### Exhibit 2: KTB – Staged loans and ECL

	2021 (THB b)	2022 (THB b)	1Q23 (THB b)	2Q23 (THB b)	3Q23 (THB b)	2021 (%)	2022 (%)	1Q23 (%)	2Q23 (%)	3Q23 (%)
<b>Staged loans</b>						<b>% Staged loans</b>				
Stage 1	2,306,478	2,289,507	2,276,905	2,290,350	2,354,779	87.16	87.53	87.39	88.33	88.90
Stage 2	228,443	217,522	217,505	204,087	196,282	8.63	8.32	8.35	7.87	7.41
Stage 3	111,422	108,732	110,912	98,506	97,740	4.21	4.16	4.26	3.80	3.69
Total	2,646,343	2,615,761	2,605,322	2,592,943	2,648,801	100.00	100.00	100.00	100.00	100.00
<b>Allowance for ECL</b>						<b>% ECL to staged loans</b>				
Stage 1	44,722	44,720	46,619	46,442	47,396	1.94	1.95	2.05	2.03	2.01
Stage 2	48,923	52,526	55,146	52,635	53,046	21.42	24.15	25.35	25.79	27.03
Stage 3	77,334	76,508	79,135	69,503	70,112	69.41	70.36	71.35	70.56	71.73
Total	170,979	173,754	180,900	168,580	170,554	6.46	6.64	6.94	6.50	6.44
<b>LLR / Loans</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>					
Stage 1	1.94	1.95	2.05	2.03	2.01					
Stage 2	21.42	24.15	25.35	25.79	27.03					
Stage 3	69.41	70.36	71.35	70.56	71.73					
Total	6.46	6.64	6.94	6.50	6.44					
	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>					
NPL / TL	4.21	4.16	4.26	3.80	3.69					
NPL vs. Stage 2 loans / TL	12.84	12.47	12.61	11.67	11.10					
LLR / NPL	153.45	159.80	163.10	171.14	174.50					
LLR / (NPL vs. Stage 2 loans)	50.31	53.26	55.08	55.71	58.01					

Sources: KTB; FSSIA's compilation

## Cut 2024-25E profit mainly to reflect higher credit cost

We cut our 2024-25E net profit by 5.8% and 7.6%, respectively, to reflect 1) higher credit cost chiefly due to its asset quality deterioration; 2) lower loan growth, mainly from the volatile government-related loans; and 3) a higher cost-to-income ratio from the abnormally low level in 2023. We forecast 2024-25 net profit growth of 2-3% p.a., decreasing from the previous 5-6% p.a.

### Exhibit 3: 2024-25E earnings revisions

	Current			Previous			Change		
	2024E (%)	2025E (%)	2026E (%)	2024E (%)	2025E (%)	2026E (%)	2024E (%)	2025E (%)	2026E (%)
Net profit (THB m)	37,621	38,760	40,236	39,929	41,941	43,652	(5.8)	(7.6)	(7.8)
EPS (THB)	2.69	2.77	2.88	2.86	3.00	3.12	(5.8)	(7.6)	(7.7)
Net profit growth (%)	2.7	3.0	3.8	5.6	5.0	4.1			
NIM (%)	3.28	3.27	3.27	3.14	3.15	3.15			
Loan growth (%)	1.0	1.0	1.0	3.0	3.0	3.0			
Fee growth (%)	1.5	1.5	1.5	1.5	1.5	1.5			
Non-NII growth (%)	4.6	3.6	3.5	6.3	3.6	3.8			
Credit cost (bp)	140	135	130	125	125	125			
Cost to income (%)	43.4	44.0	44.4	41.4	41.3	41.3			
NPL ratio	3.80	3.80	3.80	3.80	3.80	3.80			

Source: FSSIA estimates

## Downgrade recommendation to HOLD

We reduce our recommendation to HOLD for dividend yields of c4% p.a. (from Buy). Our 2024 GGM-based TP of THB19.90 (from THB23.10) implies a P/BV of 0.65x (from 0.81x) under expected L-T ROE of 8.0% (from 9.0%) and COE of 11.8% (from 10.9%). The current share price is relatively fair since it is approaching its 5-year P/BV average (2018-23) at 0.6x.

Exhibit 4: GGM-based 2024 TP

Gordon growth model	New	Previous
Sustainable ROE	8.0%	9.0%
g	1.0%	1.0%
ROE-g	7.0%	8.0%
Beta	1.10	1.05
Risk free rate	3.0%	2.5%
Risk premium	8.0%	8.0%
COE	11.8%	10.9%
COE-g	10.8%	9.9%
ROE-g/COE-g (PBV)	0.65	0.81

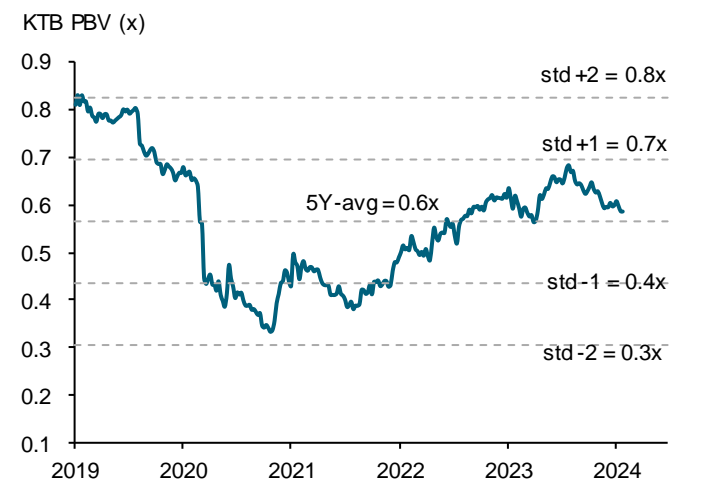
Source: FSSIA estimates

Exhibit 5: Share price performance of banks under our coverage, as of 19 January 2024

	Price performance				
	1M	3M	6M	1Y	YTD
	(%)	(%)	(%)	(%)	(%)
BBL TB	(3.65)	(13.17)	(11.85)	(4.29)	(7.35)
KBANK TB	(7.60)	(5.81)	(5.81)	(15.92)	(10.00)
KKP TB	(6.57)	(10.19)	(23.55)	(35.09)	(7.96)
<b>KTB TB</b>	<b>(12.02)</b>	<b>(16.15)</b>	<b>(20.30)</b>	<b>(5.85)</b>	<b>(12.50)</b>
SCB TB	0.00	4.26	(5.88)	(4.15)	(1.89)
TISCO TB	(0.26)	1.04	(0.26)	(4.88)	(2.26)
TTB TB	13.84	4.62	7.10	28.37	8.38
SETBANK	(2.54)	(5.58)	(8.81)	(6.18)	(4.87)
SET	(1.94)	(1.54)	(9.90)	(17.85)	(2.69)

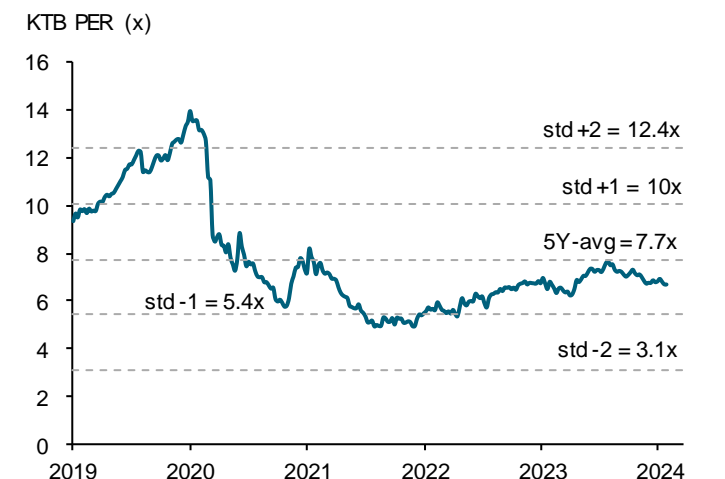
Source: Bloomberg

Exhibit 6: KTB – one-year prospective PBV band



Sources: Bloomberg; FSSIA estimates

Exhibit 7: KTB – one-year prospective PER band



Sources: Bloomberg; FSSIA estimates

**Exhibit 8: Regional bank peers comparison, as of 19 January 2024**

Company name	BBG code	Share price (LCY)	Target price (LCY)	Upside (%)	Market Cap. (USD b)	PE		PBV		ROE		Div yld	
						23E (x)	24E (x)	23E (x)	24E (x)	23E (%)	24E (%)	23E (x)	24E (x)
<b>Thailand</b>													
Bangkok Bank	BBL TB	144.50	191.00	32	7,767.2	6.6	6.6	0.5	0.5	8.1	7.7	4.4	4.5
Kasikombank	KBANK TB	125.50	140.00	12	8,373.2	7.2	6.8	0.6	0.5	8.2	8.1	3.8	4.1
Krung Thai Bank	KTB TB	18.10	19.90	10	7,123.4	6.9	6.7	0.6	0.6	9.4	9.0	4.2	4.3
SCB X	SCB TB	105.00	118.00	12	9,956.0	8.1	8.0	0.7	0.7	9.3	9.0	7.1	7.4
TMBThanachart Bank	TTB TB	1.69	2.19	30	4,609.8	8.9	10.0	0.7	0.7	8.2	7.0	5.6	5.6
Kiatnakin Bank	KKP TB	48.00	55.00	15	1,144.5	6.8	6.0	0.7	0.6	10.0	10.7	6.8	6.5
Tisco Financial Group	TISCO TB	97.75	97.00	(1)	2,203.8	10.7	11.6	1.8	1.8	17.1	15.7	8.2	8.2
<b>Thailand weighted average</b>					<b>5,825</b>	<b>9.0</b>	<b>8.5</b>	<b>0.8</b>	<b>0.7</b>	<b>8.9</b>	<b>8.9</b>	<b>4.4</b>	<b>4.6</b>
<b>Hong Kong</b>													
Industrial & Comm Bank of China	1398 HK	3.59	n/a	n/a	224,304.5	3.3	3.3	0.3	0.3	10.7	10.4	9.4	9.6
China Construction Bank	939 HK	4.39	n/a	n/a	142,484.0	3.1	2.9	0.3	0.3	11.5	11.1	9.9	10.2
HSBC Holdings	5 HK	58.65	n/a	n/a	142,591.2	5.7	5.6	0.9	0.8	15.8	15.5	8.8	10.6
Bank of China	3988 HK	2.88	n/a	n/a	147,693.7	3.5	3.4	0.3	0.3	10.2	9.9	9.0	9.3
<b>Hong Kong average</b>					<b>164,268</b>	<b>3.9</b>	<b>3.8</b>	<b>0.5</b>	<b>0.4</b>	<b>12.0</b>	<b>11.7</b>	<b>9.3</b>	<b>9.9</b>
<b>China</b>													
Industrial & Comm Bank of China	601398 CH	4.89	n/a	n/a	224,421.8	5.0	4.8	0.5	0.5	10.6	10.2	6.3	6.5
Agricultural Bank of China	601288 CH	3.68	n/a	n/a	175,734.4	5.1	4.8	0.5	0.5	11.1	10.7	6.2	6.4
China Construction Bank	601939 CH	6.48	n/a	n/a	142,558.5	5.0	4.8	0.6	0.5	11.6	11.1	6.1	6.3
Bank of China	601988 CH	3.97	n/a	n/a	147,770.9	5.4	5.2	0.5	0.5	10.4	10.1	5.8	6.0
<b>China average</b>					<b>172,621</b>	<b>5.1</b>	<b>4.9</b>	<b>0.5</b>	<b>0.5</b>	<b>10.9</b>	<b>10.6</b>	<b>6.1</b>	<b>6.3</b>
<b>South Korea</b>													
KB Financial Group	105560 KS	49,500	n/a	n/a	15,035.3	4.0	3.8	0.4	0.3	9.6	9.1	6.5	6.9
Shinhan Financial Group	055550 KS	36,800	n/a	n/a	14,305.5	4.3	4.1	0.4	0.3	9.2	8.8	5.6	6.1
Hana Financial Group	086790 KS	41,200	n/a	n/a	9,043.3	3.3	3.2	0.3	0.3	9.8	9.6	8.4	9.0
Industrial Bank of Korea	024110 KS	11,630	n/a	n/a	6,952.0	3.5	3.4	0.3	0.3	9.5	9.2	8.5	8.9
<b>South Korea average</b>					<b>11,334</b>	<b>3.8</b>	<b>3.6</b>	<b>0.3</b>	<b>0.3</b>	<b>9.5</b>	<b>9.2</b>	<b>7.3</b>	<b>7.7</b>
<b>Indonesia</b>													
Bank Central Asia	BBCA IJ	9,625	n/a	n/a	75,827.5	24.2	22.2	4.8	4.4	21.0	20.7	2.3	2.7
Bank Rakyat Indonesia Persero	BBRI IJ	5,800	n/a	n/a	56,323.6	14.9	13.1	2.7	2.5	18.9	20.2	5.0	5.7
Bank Mandiri Persero	BMRI IJ	6,525	n/a	n/a	39,021.0	11.9	10.8	2.4	2.1	21.2	21.0	4.1	5.2
Bank Negara Indonesia Persero	BBNI IJ	5,500	n/a	n/a	13,323.0	9.7	8.6	1.4	1.3	15.0	15.5	4.2	4.8
Bank Syariah Indonesia	BRIS IJ	2,010	n/a	n/a	6,147.8	17.7	14.9	2.5	2.2	15.3	16.0	0.8	1.0
<b>Indonesia average</b>					<b>38,129</b>	<b>15.7</b>	<b>13.9</b>	<b>2.8</b>	<b>2.5</b>	<b>18.3</b>	<b>18.7</b>	<b>3.3</b>	<b>3.9</b>
<b>Malaysia</b>													
Malayan Banking	MAY MK	9.03	n/a	n/a	23,001.1	11.6	11.2	1.2	1.2	10.5	10.6	6.7	6.8
Public Bank	PBK MK	4.35	n/a	n/a	17,810.6	12.3	11.7	1.6	1.5	13.0	12.8	4.3	4.5
CIMB Group Holdings	CIMB MK	6.01	n/a	n/a	13,492.4	9.3	8.7	0.9	0.9	10.4	10.4	5.9	6.3
Hong Leong Bank	HLBK MK	18.80	n/a	n/a	8,755.4	10.3	9.8	1.2	1.1	12.1	11.4	3.4	3.4
RHB Bank	RHBBANK MK	5.53	n/a	n/a	5,050.2	8.2	8.1	0.8	0.7	9.6	9.3	7.0	7.2
<b>Malaysia average</b>					<b>13,622</b>	<b>10.3</b>	<b>9.9</b>	<b>1.1</b>	<b>1.1</b>	<b>11.1</b>	<b>10.9</b>	<b>5.4</b>	<b>5.6</b>
<b>Singapore</b>													
DBS Group Holdings	DBS SP	32.05	n/a	n/a	61,393.4	8.1	8.3	1.4	1.3	17.5	16.1	6.5	7.1
Oversea-Chinese Banking	OCBC SP	12.91	n/a	n/a	43,369.5	8.2	8.1	1.0	1.0	13.2	12.7	6.4	6.6
United Overseas Bank	UOB SP	27.85	n/a	n/a	34,870.5	8.2	8.0	1.1	1.0	13.3	12.9	6.1	6.4
<b>Singapore average</b>					<b>46,544</b>	<b>8.2</b>	<b>8.2</b>	<b>1.2</b>	<b>1.1</b>	<b>14.6</b>	<b>13.9</b>	<b>6.3</b>	<b>6.7</b>
<b>Regional average (excl. Thailand)</b>					<b>71,651</b>	<b>8.2</b>	<b>7.7</b>	<b>1.1</b>	<b>1.0</b>	<b>12.8</b>	<b>12.6</b>	<b>6.1</b>	<b>6.5</b>
<b>Total average (incl. Thailand)</b>					<b>57,264</b>	<b>8.2</b>	<b>7.8</b>	<b>1.1</b>	<b>1.0</b>	<b>12.4</b>	<b>12.1</b>	<b>6.1</b>	<b>6.4</b>

Sources: Bloomberg; FSSIA estimates

## Financial Statements

Krung Thai Bank

Profit and Loss (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Interest Income	113,475	152,369	163,544	165,340	167,251
Interest expense	(23,070)	(38,949)	(46,089)	(46,652)	(47,158)
Net interest income	90,405	113,420	117,455	118,688	120,093
Net fees & commission	20,316	20,872	21,186	21,504	21,826
Foreign exchange trading income	5,233	5,178	6,000	6,500	7,000
Securities trading income	239	195	195	195	195
Dividend income	352	319	351	387	425
Other income	8,847	9,481	9,955	10,453	10,975
Non interest income	34,986	36,046	37,687	39,038	40,422
Total income	125,391	149,465	155,142	157,726	160,515
Staff costs	(25,763)	(25,766)	(26,539)	(27,335)	(28,155)
Other operating costs	(29,007)	(36,391)	(40,859)	(42,081)	(43,086)
Operating costs	(54,771)	(62,157)	(67,398)	(69,416)	(71,241)
Pre provision operating profit	70,620	87,309	87,744	88,309	89,274
Expected credit loss	(24,338)	(37,085)	(36,252)	(35,306)	(34,339)
Other provisions	-	-	-	-	-
Operating profit	46,283	50,223	51,493	53,003	54,935
Recurring non operating income	0	0	0	0	0
Associates	-	-	-	-	-
Goodwill amortization	-	-	-	-	-
Non recurring items	0	0	0	0	0
Profit before tax	46,283	50,223	51,493	53,003	54,935
Tax	(9,077)	(9,902)	(10,093)	(10,389)	(10,767)
Profit after tax	37,206	40,321	41,400	42,614	44,168
Non-controlling interest	(3,508)	(3,705)	(3,779)	(3,855)	(3,932)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	33,698	36,616	37,621	38,760	40,236
Non recurring items & goodwill (net)	-	-	0	0	0
Recurring net profit	33,698	36,616	37,621	38,760	40,236
<b>Per share (THB)</b>					
Recurring EPS *	2.41	2.62	2.69	2.77	3.44
Reported EPS	2.41	2.62	2.69	2.77	3.44
DPS	0.68	0.76	0.78	0.80	0.83
<b>Growth</b>					
Net interest income (%)	8.4	25.5	3.6	1.0	1.2
Non interest income (%)	7.9	3.0	4.6	3.6	3.5
Pre provision operating profit (%)	12.0	23.6	0.5	0.6	1.1
Operating profit (%)	51.6	8.5	2.5	2.9	3.6
Reported net profit (%)	56.1	8.7	2.7	3.0	3.8
Recurring EPS (%)	56.1	8.7	2.7	3.0	24.0
Reported EPS (%)	56.1	8.7	2.7	3.0	24.0
<b>Income Breakdown</b>					
Net interest income (%)	72.1	75.9	75.7	75.2	74.8
Net fees & commission (%)	16.2	14.0	13.7	13.6	13.6
Foreign exchange trading income (%)	4.2	3.5	3.9	4.1	4.4
Securities trading income (%)	0.2	0.1	0.1	0.1	0.1
Dividend income (%)	0.3	0.2	0.2	0.2	0.3
Other income (%)	7.1	6.3	6.4	6.6	6.8
<b>Operating performance</b>					
Gross interest yield (%)	3.28	4.34	4.56	4.56	4.55
Cost of funds (%)	0.76	1.28	1.48	1.48	1.48
Net interest spread (%)	2.52	3.06	3.08	3.08	3.07
Net interest margin (%)	2.6	3.2	3.3	3.3	3.3
Cost/income(%)	43.7	41.6	43.4	44.0	44.4
Cost/assets(%)	1.5	1.7	1.8	1.8	1.9
Effective tax rate (%)	19.6	19.7	19.6	19.6	19.6
Dividend payout on recurring profit (%)	28.3	29.0	29.0	29.0	24.3
ROE (%)	9.2	9.4	9.0	8.7	8.5
ROE - COE (%)	(0.8)	(0.5)	(0.9)	(1.2)	(1.5)
ROA (%)	1.0	1.1	1.1	1.1	1.1
RORWA (%)	1.8	1.9	1.9	1.9	3.9

\* 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	2022	2023	2024E	2025E	2026E
Gross customer loans	2,592,838	2,576,516	2,602,281	2,628,304	2,654,587
Allowance for expected credit loss	(174,378)	(173,317)	(173,569)	(176,875)	(180,214)
interest in suspense	25,372	22,909	26,543	26,809	27,077
<b>Net customer loans</b>	<b>2,443,832</b>	<b>2,426,108</b>	<b>2,455,256</b>	<b>2,478,238</b>	<b>2,501,450</b>
Bank loans	550,941	701,162	708,173	722,337	736,783
Government securities	-	-	-	-	-
Trading securities	-	-	-	-	-
Investment securities	322,942	329,132	337,635	346,717	356,432
Cash & equivalents	61,591	55,626	42,978	53,825	63,367
Other interesting assets	-	-	-	-	-
Tangible fixed assets	72,029	65,924	67,204	68,516	69,861
Associates	-	-	-	-	-
Goodwill	-	-	-	-	-
Other intangible assets	-	-	-	-	-
Other assets	141,084	125,694	133,402	141,734	150,749
<b>Total assets</b>	<b>3,592,419</b>	<b>3,703,646</b>	<b>3,744,648</b>	<b>3,811,366</b>	<b>3,878,642</b>
Customer deposits	2,590,236	2,646,872	2,673,340	2,700,074	2,727,074
Bank deposits	277,099	282,696	288,350	294,117	297,058
Other interest bearing liabilities	151,172	160,839	164,056	165,696	167,353
Non interest bearing liabilities	181,340	166,447	169,820	173,262	176,774
Hybrid Capital	-	-	-	-	-
<b>Total liabilities</b>	<b>3,199,847</b>	<b>3,256,853</b>	<b>3,295,566</b>	<b>3,333,149</b>	<b>3,368,260</b>
Share capital	72,005	72,005	72,005	72,005	72,005
Reserves	304,300	330,371	357,683	385,849	416,995
<b>Total equity</b>	<b>376,305</b>	<b>402,376</b>	<b>429,688</b>	<b>457,854</b>	<b>489,000</b>
Non-controlling interest	16,267	18,470	19,394	20,363	21,382
<b>Total liabilities &amp; equity</b>	<b>3,592,419</b>	<b>3,677,700</b>	<b>3,744,648</b>	<b>3,811,366</b>	<b>3,878,642</b>
<b>Supplementary items</b>					
Risk weighted assets (RWA)	2,131,788	2,182,395	2,222,123	2,261,714	0
Average interest earning assets	3,456,331	3,510,866	3,586,335	3,628,191	3,674,323
Average interest bearing liabilities	3,031,708	3,054,457	3,108,076	3,142,817	3,175,686
CET 1 capital	335,601	359,787	386,807	414,643	0
Total capital	401,825	425,859	453,119	481,197	0
Gross non performing loans (NPL)	101,096	99,439	98,887	99,876	100,874
<b>Per share (THB)</b>					
Book value per share	26.92	28.79	30.74	32.76	41.78
Tangible book value per share	26.92	28.79	30.74	32.76	41.78
<b>Growth</b>					
Gross customer loans	(1.4)	(0.6)	1.0	1.0	1.0
Average interest earning assets	4.1	1.6	2.1	1.2	1.3
Total asset (%)	1.0	3.1	1.1	1.8	1.8
Risk weighted assets (%)	11.5	2.4	1.8	1.8	nm
Customer deposits (%)	(0.9)	2.2	1.0	1.0	1.0
<b>Leverage &amp; capital measures</b>					
Customer loan/deposits (%)	94.3	91.7	91.8	91.8	91.7
Equity/assets (%)	10.5	10.9	11.5	12.0	12.6
Tangible equity/assets (%)	10.5	10.9	11.5	12.0	12.6
RWA/assets (%)	59.3	58.9	59.3	59.3	-
CET 1 CAR (%)	15.7	16.5	17.4	18.3	-
Total CAR (%)	18.8	19.5	20.4	21.3	-
<b>Asset Quality (FSSIA's calculation)</b>					
Change in NPL (%)	(5.3)	(1.6)	(0.6)	1.0	1.0
NPL/gross loans (%)	3.9	3.9	3.8	3.8	3.8
Allowance for ECL/gross loans (%)	6.7	6.7	6.7	6.7	6.8
Allowance for ECL/NPL (%)	172.5	174.3	175.5	177.1	178.7
<b>Valuation</b>					
Recurring P/E (x) *	7.5	6.9	6.7	6.5	5.3
Recurring P/E @ target price (x) *	8.3	7.6	7.4	7.2	5.8
Reported P/E (x)	7.5	6.9	6.7	6.5	5.3
Dividend yield (%)	3.8	4.2	4.3	4.4	4.6
Price/book (x)	0.7	0.6	0.6	0.6	0.4
Price/tangible book (x)	0.7	0.6	0.6	0.6	0.4
Price/tangible book @ target price (x)	0.7	0.7	0.6	0.6	0.5

\* Pre-exceptional, pre-goodwill and fully diluted

Sources: Krung Thai Bank; FSSIA estimates



# Krung Thai Bank PCL (KTB TB)

**FSSIA ESG rating**

★★★★

**63.10 /100**

## Exhibit 9: FSSIA ESG score implication

Rating	Score	Implication
★★★★★	>79-100	Leading its industry peers in managing the most significant ESG risks which not only better cost efficiency but also lead to higher profitability.
★★★★	<b>&gt;59-79</b>	<b>A mixed track record of managing the most significant ESG risks and opportunities relative to industry peers.</b>
★★★	>39-59	Relevant ESG materiality matrix has been constructively addressed, well-managed and incorporated into day-to-day operations, in which targets and achievements are evaluated annually.
★★	>19-39	Relevant ESG materiality matrix has been identified with key management in charge for progress to be followed up on and to provide intensive disclosure. Most targets are conventional and achievable.
★	1-19	The company has adopted the United Nations Sustainable Development Goals (UN SDGs), established sustainability management guidelines and fully complies with regulations or ESG suggested guidance from related organizations such as the SET and SEC.

Sources: FSSIA estimates

## Exhibit 10: ESG – peer comparison

	FSSIA ESG score	Domestic ratings						Global ratings					Bloomberg		
		DJSI	SET THSI	THSI	CG score	AGM level	Thai CAC	Morningstar ESG risk	ESG Book	MSCI	Moody's	Refinitiv	S&P Global	ESG score	Disclosure score
SET100	69.20	5.34	4.40	4.40	4.76	4.65	3.84	Medium	51.76	BBB	20.87	58.72	63.91	3.72	28.17
Coverage	67.12	5.11	4.15	4.17	4.83	4.71	3.53	Medium	52.04	BB	16.97	56.85	62.09	3.40	31.94
BBL	62.08	--	Y	Y	5.00	5.00	Certified	Medium	54.70	--	29.00	58.68	67.00	2.19	60.06
KBANK	84.17	Y	Y	Y	5.00	5.00	Certified	Medium	62.19	AA	46.00	73.83	83.00	4.05	59.77
KTB	63.10	--	Y	Y	5.00	5.00	Certified	Medium	53.59	BBB	34.00	64.64	64.00	2.12	61.33
SCB	62.57	Y	Y	Y	5.00	4.00	--	High	--	A	--	--	86.00	3.43	--
KKP	62.96	--	Y	Y	5.00	5.00	Certified	Medium	52.81	BBB	--	77.56	26.00	2.18	45.90
TISCO	61.17	--	Y	Y	5.00	5.00	Certified	Medium	61.41	--	--	66.13	29.00	3.57	44.21
TTB	63.69	--	Y	Y	5.00	5.00	Certified	Medium	53.98	--	36.00	56.17	71.00	3.20	52.96

Sources: [SETTRADE.com](http://SETTRADE.com); FSSIA's compilation

## Exhibit 11: ESG score by Bloomberg

FY ending Dec 31	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
<b>ESG financial materiality scores - ESG score</b>	<b>1.36</b>	<b>1.75</b>	<b>1.82</b>	<b>1.72</b>	<b>2.13</b>	<b>2.07</b>	<b>2.14</b>	<b>2.12</b>
BESG environmental pillar score	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
BESG social pillar score	1.18	1.88	1.95	1.92	2.63	2.65	2.72	2.63
BESG governance pillar score	3.69	4.06	4.28	3.83	4.34	4.03	4.18	4.28
<b>ESG disclosure score</b>	<b>38.85</b>	<b>41.85</b>	<b>42.19</b>	<b>42.19</b>	<b>53.35</b>	<b>55.27</b>	<b>56.12</b>	<b>61.33</b>
Environmental disclosure score	6.74	8.46	8.46	8.46	34.46	38.63	38.63	39.47
Social disclosure score	28.57	29.56	30.59	30.59	38.12	39.69	42.26	57.07
Governance disclosure score	81.10	87.36	87.36	87.36	87.36	87.36	87.36	87.36
<b>Environmental</b>								
Emissions reduction initiatives	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Climate change policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Climate change opportunities discussed	No	No	No	No	No	No	No	No
Risks of climate change discussed	No	No	No	No	No	No	No	No
GHG scope 1	—	—	—	—	14	14	12	15
GHG scope 2 location-based	7	135	128	60	53	50	45	42
GHG Scope 3	—	—	—	—	26	28	27	43
Carbon per unit of production	—	—	—	—	—	—	—	—
Biodiversity policy	No	No	No	No	No	No	No	Yes
Energy efficiency policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Total energy consumption	—	—	—	—	211	203	180	174
Renewable energy use	—	—	—	—	0	0	0	0
Electricity used	—	232	219	103	105	100	90	84
Fuel used - natural gas	—	—	—	—	—	—	—	—

Sources: Bloomberg; FSSIA's compilation

**Exhibit 12: ESG score by Bloomberg (cont.)**

FY ending Dec 31	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Fuel used - crude oil/diesel	No	No	No	No	No	No	No	No
Waste reduction policy	No	No	No	No	No	Yes	Yes	Yes
Hazardous waste	—	—	—	—	—	0	0	0
Total waste	—	—	—	—	3	4	3	3
Waste recycled	—	—	—	—	—	—	—	—
Waste sent to landfills	—	—	—	—	—	—	—	—
Environmental supply chain management	No	No	No	No	Yes	Yes	Yes	Yes
Water policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Water consumption	—	—	—	—	170	147	121	119
<b>Social</b>								
Human rights policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Policy against child labor	No	No	Yes	Yes	Yes	Yes	Yes	Yes
Quality assurance and recall policy	No	No	No	No	No	No	No	No
Consumer data protection policy	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Equal opportunity policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Gender pay gap breakout	No	No	No	No	No	No	No	No
Pct women in workforce	69	69	69	70	70	70	70	71
Pct disabled in workforce	—	—	—	—	—	—	—	—
Business ethics policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Anti-bribery ethics policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Health and safety policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Lost time incident rate - employees	0	0	0	0	0	0	0	0
Total recordable incident rate - employees	0	0	0	0	0	0	0	0
Training policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Fair remuneration policy	No	No	No	No	No	No	No	No
Number of employees – CSR	24,057	23,611	22,417	21,606	21,133	20,262	18,937	17,157
Employee turnover pct	—	—	—	—	7	5	9	12
Total hours spent by firm - employee training	2,742,500	1,726,760	1,693,780	1,591,920	1,507,460	2,322,770	2,102,850	1,350,850
Social supply chain management	No	No	No	No	Yes	Yes	Yes	Yes
<b>Governance</b>								
<b>Board size</b>	<b>12</b>	<b>12</b>	<b>12</b>	<b>12</b>	<b>11</b>	<b>12</b>	<b>12</b>	<b>12</b>
<b>No. of independent directors (ID)</b>	<b>4</b>	<b>6</b>	<b>6</b>	<b>6</b>	<b>5</b>	<b>6</b>	<b>6</b>	<b>6</b>
No. of women on board	0	1	1	1	2	2	2	2
No. of non-executive directors on board	9	11	11	11	10	8	8	11
Company conducts board evaluations	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
No. of board meetings for the year	28	27	27	24	27	26	23	22
Board meeting attendance pct	93	96	92	84	94	97	100	96
Board duration (years)	3	3	3	3	3	3	3	3
Director share ownership guidelines	No	No	No	No	No	No	No	No
Age of the youngest director	51	44	45	47	48	49	49	50
Age of the oldest director	61	62	63	64	64	65	66	67
<b>No. of executives / company managers</b>	<b>21</b>	<b>20</b>	<b>20</b>	<b>20</b>	<b>19</b>	<b>21</b>	<b>19</b>	<b>22</b>
No. of female executives	7	4	5	4	3	3	3	3
Executive share ownership guidelines	No	No	No	No	No	No	No	No
<b>Size of audit committee</b>	<b>3</b>	<b>4</b>	<b>4</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>
No. of ID on audit committee	3	4	4	3	3	3	3	3
Audit committee meetings	19	26	25	22	20	22	19	26
Audit meeting attendance %	91	96	95	95	98	100	98	98
<b>Size of compensation committee</b>	<b>4</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>2</b>	<b>3</b>	<b>3</b>	<b>3</b>
No. of ID on compensation committee	3	2	3	2	1	2	2	2
No. of compensation committee meetings	20	19	17	17	21	20	15	15
Compensation meeting attendance %	95	95	90	92	94	100	100	100
<b>Size of nomination committee</b>	<b>4</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>2</b>	<b>3</b>	<b>3</b>	<b>3</b>
No. of nomination committee meetings	20	19	17	17	21	20	15	15
Nomination meeting attendance %	95	95	90	92	94	100	100	100
<b>Sustainability governance</b>								
Verification type	No	No	No	No	No	No	No	No

Sources: Bloomberg; FSSIA's compilation

## Disclaimer for ESG scoring

ESG score	Methodology	Rating																												
The Dow Jones Sustainability Indices (DJSI) By S&P Global	The DJSI World applies a transparent, rules-based component selection process based on the companies' Total Sustainability Scores resulting from the annual S&P Global Corporate Sustainability Assessment (CSA). Only the top-ranked companies within each industry are selected for inclusion.	Be a member and invited to the annual S&P Global Corporate Sustainability Assessment (CSA) for DJSI. Companies with an S&P Global ESG Score of less than 45% of the S&P Global ESG Score of the highest scoring company are disqualified. The constituents of the DJSI indices are selected from the Eligible Universe.																												
Sustainability Investment List (THSI) by The Stock Exchange of Thailand (SET)	THSI quantifies responsibility in Environmental and Social issues by managing business with transparency in Governance, updated annually. Candidates must pass the preemptive criteria, with two crucial conditions: 1) no irregular trading of the board members and executives; and 2) free float of >150 shareholders, and combined holding must be >15% of paid-up capital. Some key disqualifying criteria include: 1) CG score of below 70%; 2) independent directors and free float violation; 3) executives' wrongdoing related to CG, social & environmental impacts; 4) equity in negative territory; and 5) earnings in red for > 3 years in the last 5 years.	To be eligible for <b>THSI inclusion</b> , verified data must be scored at a minimum of 50% for each indicator, unless the company is a part of DJSI during the assessment year. The scoring will be fairly weighted against the nature of the relevant industry and materiality. <b>SETTHSI Index</b> is extended from the THSI companies whose 1) market capitalization > THB5b (~USD150b); 2) free float >20%; and 3) liquidity >0.5% of paid-up capital for at least 9 out of 12 months. The SETTHSI Index is a market capitalisation-weighted index, cap 5% quarterly weight at maximum, and no cap for number of stocks.																												
CG Score by Thai Institute of Directors Association (Thai IOD)	An indicator of CG strength in sustainable development, measured annually by the Thai IOD, with support from the Stock Exchange of Thailand (SET). The results are from the perspective of a third party, not an evaluation of operations.	Scores are rated in six categories: 5 for Excellent (90-100), 4 for Very Good (80-89), 3 for Good (70-79), 2 for Fair (60-69), 1 for Pass (60-69), and not rated for scores below 50. Weightings include: 1) the rights; 2) and equitable treatment of shareholders (weight 25% combined); 3) the role of stakeholders (25%); 4) disclosure & transparency (15%); and 5) board responsibilities (35%).																												
AGM level By Thai Investors Association (TIA) with support from the SEC	It quantifies the extent to which shareholders' rights and equitable treatment are incorporated into business operations and information is transparent and sufficiently disclosed. All form important elements of two out of five the CG components to be evaluated annually. The assessment criteria cover AGM procedures before the meeting (45%), at the meeting date (45%), and after the meeting (10%). <i>(The first assesses 1) advance circulation of sufficient information for voting; and 2) facilitating how voting rights can be exercised. The second assesses 1) the ease of attending meetings; 2) transparency and verifiability; and 3) openness for Q&amp;A. The third involves the meeting minutes that should contain discussion issues, resolutions and voting results.)</i>	The scores are classified into four categories: 5 for Excellent (100), 4 for Very Good (90-99), 3 for Fair (80-89), and not rated for scores below 79.																												
Thai CAC By Thai Private Sector Collective Action Against Corruption (CAC)	The core elements of the Checklist include corruption risk assessment, establishment of key controls, and the monitoring and developing of policies. The Certification is good for three years. <i>(Companies deciding to become a CAC certified member start by submitting a Declaration of Intent to kick off an 18-month deadline to submit the CAC Checklist for Certification, including risk assessment, in place of policy and control, training of managers and employees, establishment of whistleblowing channels, and communication of policies to all stakeholders.)</i>	The document will be reviewed by a committee of nine professionals. A passed Checklist will move for granting certification by the CAC Council approvals whose members are twelve highly respected individuals in professionalism and ethical achievements.																												
Morningstar Sustainalytics	The Sustainalytics' ESG risk rating provides an overall company score based on an assessment of how much of a company's exposure to ESG risk is unmanaged. <i>Sources to be reviewed include corporate publications and regulatory filings, news and other media, NGO reports/websites, multi-sector information, company feedback, ESG controversies, issuer feedback on draft ESG reports, and quality &amp; peer reviews.</i>	A company's ESG risk rating score is the sum of unmanaged risk. The more risk is unmanaged, the higher ESG risk is scored. <table border="1" style="margin-top: 10px;"> <thead> <tr> <th>NEGL</th> <th>Low</th> <th>Medium</th> <th>High</th> <th>Severe</th> </tr> </thead> <tbody> <tr> <td>0-10</td> <td>10-20</td> <td>20-30</td> <td>30-40</td> <td>40+</td> </tr> </tbody> </table>	NEGL	Low	Medium	High	Severe	0-10	10-20	20-30	30-40	40+																		
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0-10	10-20	20-30	30-40	40+																										
ESG Book	The ESG score identifies sustainable companies that are better positioned to outperform over the long term. The methodology considers the principle of financial materiality including information that significantly helps explain future risk-adjusted performance. Materiality is applied by over-weighting features with higher materiality and rebalancing these weights on a rolling quarterly basis.	The total ESG score is calculated as a weighted sum of the features scores using materiality-based weights. The score is scaled between 0 and 100 with higher scores indicating better performance.																												
MSCI	MSCI ESG ratings aim to measure a company's management of financially relevant ESG risks and opportunities. It uses a rules-based methodology to identify industry leaders and laggards according to their exposure to ESG risks and how well they manage those risks relative to peers. <table border="1" style="margin-top: 10px;"> <tbody> <tr> <td><b>AAA</b></td> <td>8.571-10.000</td> <td><b>Leader:</b></td> <td>leading its industry in managing the most significant ESG risks and opportunities</td> </tr> <tr> <td><b>AA</b></td> <td>7.143-8.570</td> <td></td> <td></td> </tr> <tr> <td><b>A</b></td> <td>5.714-7.142</td> <td></td> <td></td> </tr> <tr> <td><b>BBB</b></td> <td>4.286-5.713</td> <td><b>Average:</b></td> <td>a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers</td> </tr> <tr> <td><b>BB</b></td> <td>2.857-4.285</td> <td></td> <td></td> </tr> <tr> <td><b>B</b></td> <td>1.429-2.856</td> <td></td> <td></td> </tr> <tr> <td><b>CCC</b></td> <td>0.000-1.428</td> <td><b>Laggard:</b></td> <td>lagging its industry based on its high exposure and failure to manage significant ESG risks</td> </tr> </tbody> </table>	<b>AAA</b>	8.571-10.000	<b>Leader:</b>	leading its industry in managing the most significant ESG risks and opportunities	<b>AA</b>	7.143-8.570			<b>A</b>	5.714-7.142			<b>BBB</b>	4.286-5.713	<b>Average:</b>	a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers	<b>BB</b>	2.857-4.285			<b>B</b>	1.429-2.856			<b>CCC</b>	0.000-1.428	<b>Laggard:</b>	lagging its industry based on its high exposure and failure to manage significant ESG risks	
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Moody's ESG solutions	Moody's assesses the degree to which companies take into account ESG objectives in the definition and implementation of their strategy policies. It believes that a company integrating ESG factors into its business model and relatively outperforming its peers is better positioned to mitigate risks and create sustainable value for shareholders over the medium to long term.																													
Refinitiv ESG rating	Designed to transparently and objectively measure a company's relative ESG performance, commitment and effectiveness across 10 main themes, based on publicly available and auditable data. The score ranges from 0 to 100 on relative ESG performance and insufficient degree of transparency in reporting material ESG data publicly. <i>(Score ratings are 0 to 25 = poor; &gt;25 to 50 = satisfactory; &gt;50 to 75 = good; and &gt;75 to 100 = excellent.)</i>																													
S&P Global	The S&P Global ESG Score is a relative score measuring a company's performance on and management of ESG risks, opportunities, and impacts compared to its peers within the same industry classification. The score ranges from 0 to 100.																													
Bloomberg	ESG Score	Bloomberg score evaluating the company's aggregated Environmental, Social and Governance (ESG) performance. The score is based on Bloomberg's view of ESG financial materiality. The score is a weighted generalized mean (power mean) of Pillar Scores, where the weights are determined by the pillar priority ranking. Values range from 0 to 10; 10 is the best.																												
Bloomberg	ESG Disclosure Score	Disclosure of a company's ESG used for Bloomberg ESG score. The score ranges from 0 for none to 100 for disclosure of every data point, measuring the amount of ESG data reported publicly, and not the performance on any data point.																												

Rating regarding the sustainable development of Thai listed companies, both on the SET and MAI, are publicly available on the website of the Securities and Exchange Commission of Thailand (SEC). Currently, ratings available are 1) "CG Score"; 2) "AGM Level"; 3) "Thai CAC"; and 4) THSI. The ratings are updated on an annual basis. FSSIA does not confirm nor certify the accuracy of such ratings.

Source: FSSIA's compilation

## GENERAL DISCLAIMER

### ANALYST(S) CERTIFICATION

#### Usanee Liurut, CISA FSS International Investment Advisory Securities Co., Ltd

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Company	Ticker	Price	Rating	Valuation & Risks
Krung Thai Bank	KTB TB	THB 18.10	HOLD	Downside risks to our GGM-based TP are 1) prolonged economic sluggishness affecting loan growth and asset quality; and 2) the impact of new regulations from the Bank of Thailand. Upside risks are 1) broad-based economic recovery supporting higher loan growth; and 2) asset quality improvement, mainly from the retail segment, reducing its ECL burdens. By contrast, upside risks comprise better economic conditions and strengthening asset quality.
Kasikornbank	KBANK TB	THB 125.50	HOLD	Downside risks to our GGM-based TP are 1) prolonged economic sluggishness affecting loan growth and asset quality; and 2) the impact of new regulations from the Bank of Thailand. Upside risks are 1) government stimulus projects leading to an economic recovery; and 2) rising NIM from well-controlled cost of funds.
Bangkok Bank	BBL TB	THB 144.50	BUY	Downside risks to our GGM-based TP are 1) prolonged economic sluggishness affecting loan growth and asset quality; and 2) an impact of new regulations from the Bank of Thailand.
SCB X	SCB TB	THB 105.00	BUY	Downside risks to our GGM-based TP are 1) prolonged economic sluggishness affecting loan growth and asset quality; and 2) the impact of new regulations from the Bank of Thailand.
TMBThanachart Bank	TTB TB	THB 1.69	BUY	Downside risks to our GGM-based TP are 1) prolonged economic sluggishness affecting loan growth and asset quality; and 2) the impact of new regulations from the Bank of Thailand.
Kiatnakin Bank	KKP TB	THB 48.00	HOLD	Downside risks to our GGM-based target price include weakening asset quality and lower fee income and upside risks include better capital market conditions, higher used car price, and strengthening asset quality.
Tisco Financial	TISCO TB	THB 97.75	HOLD	Downside risks to our GGM-based TP are 1) prolonged economic sluggishness affecting loan growth and asset quality; and 2) the impact of new regulations from the Bank of Thailand. Upside risks are 1) aggressive loan growth; and 2) well-controlled asset quality.

Source: FSSIA estimates

#### Additional Disclosures

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

All share prices are as at market close on 19-Jan-2024 unless otherwise stated.

## RECOMMENDATION STRUCTURE

### Stock ratings

Stock ratings are based on absolute upside or downside, which we define as  $(\text{target price}^* - \text{current price}) / \text{current price}$ .

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

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

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

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

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

### Industry Recommendations

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

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

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

### Country (Strategy) Recommendations

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

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

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