

25 MARCH 2024

EQUITY RESEARCH - COMPANY REPORT

# KRUNG THAI BANK KTB TB

THAILAND / BANKING

FSSIA ESG rating ★★★★

**BUY**

FROM HOLD

TARGET PRICE	THB19.90
CLOSE	THB16.80
UP/DOWNSIDE	+18.5%
PRIOR TP	THB19.90
CHANGE IN TP	UNCHANGED
TP vs CONSENSUS	+1.0%

## Promising signs of recovery

- Despite the lackluster core business, we expect KTB's 1Q24 net profit to grow significantly from declining ECL and OPEX.
- We retain our 2024-26 earnings forecast and 2024 TP, since most assumptions align with its 2024 guidance.
- Upgrade to BUY; wider upside and attractive dividend yield.

### 1Q24E profit is showing a significant recovery

We expect 1Q24 net profit to recover by 66.8% q-q and 1.3% y-y, reaching THB10.2b and accounting for 27% of our full-year forecast. This recovery would mainly be due to a significant decline in ECL and operating expenses (post-seasonal effect), which should offset the lackluster core business – NII and non-NII. Regarding NII, we predict a q-q decline of 0.6% (but a significant rise of 17.9% y-y) due mainly to an expected dip in loans and a relatively stable NIM. Despite the expectation of rising loan yields, an increased cost of funds would offset the positive effect.

### Reduced concerns over its asset quality

Apart from the large corporate loan issue, ITD – which KTB has already classified as a stage 2 loan and set aside 100% reserves for – we view KTB's asset quality as manageable. We anticipate the 1Q24 NPL ratio to finish relatively stable q-q at 3.85% (FSSIA's calculation), with a lower credit cost at 132bp. This is slightly higher than KTB's 2024 guidance of 120-130bp to tackle new NPL formation without hurting its coverage ratio, which we expect to remain stable at 174% in 1Q24.

### Maintain our conservative 2024-26 forecast

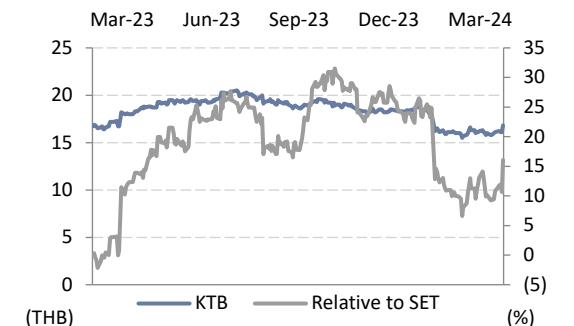
We retain our 2024-25E net profit growth of 2-3% p.a. Referencing its 2024 guidance, most targets are still in line with our estimates, except for the +3% y-y loan target that KTB has set (including government loans). However, we expect 1% y-y growth based on the volatile and difficult-to-predict government loans. Therefore, our scheduled loan target remains. Meanwhile, KTB's credit cost target is down from 2023's 143bp to 120-130bp, while we expect 140bp as per our conservative approach. Hence, there is a potential upside to the forecast where every 10bp decline in credit cost would add 5.5% to the 2024 net profit, all else being equal.

### Upgrade to BUY; wider upside with an attractive dividend yield

We upgrade our recommendation to BUY from Hold to reflect our reduced concerns about its asset quality issues. KTB's share price has already factored in many negative elements, with the current P/BV of 0.55x falling below the 5-year historical average of 0.6x. This is also lower than our GGM-based valuation's P/BV of 0.65x (expected LT-ROE 8% and COE 11.8%), which presents a potential buying opportunity.

## 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 (%)	-	(6.0)	(5.6)	(3.7)
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. (%)	-	-	-	-
EPS growth (%)	8.7	2.7	3.0	3.8
Core P/E (x)	6.4	6.2	6.1	4.9
Dividend yield (%)	5.2	5.3	5.5	5.7
Price/book (x)	0.6	0.5	0.5	0.4
ROE (%)	9.4	9.1	8.8	8.6
ROA (%)	1.1	1.1	1.1	1.1



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	1.2	(8.2)	(1.2)
Relative to country (%)	2.8	(6.6)	13.4
Mkt cap (USD m)	6,455		
3m avg. daily turnover (USD m)	26.6		
Free float (%)	45		
Major shareholder	FIDF (55%)		
12m high/low (THB)	20.50/15.40		
Issued shares (m)	13,976		

Sources: Bloomberg consensus; FSSIA estimates



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### Investment thesis

We have a more positive view of KTB's asset quality, leading to a recommendation upgrade to BUY as follows:

- KTB's clarification of ITD issues leads to fewer concerns about its potential asset quality deterioration. If loans migrate to NPLs and other contingent liabilities emerge, its bottom line would not be hurt significantly since the bank has fully provided reserves.
- After the 4Q23 operating results announcement, its share price has factored in many negative elements. The current P/BV of 0.55x falls below the 5-year historical average of 0.6x, and is lower than our GGM-based 2024 TP of THB19.90, implying a P/BV of 0.65x, while offering an attractive dividend yield of c5% p.a.

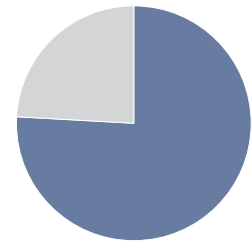
### Company profile

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)

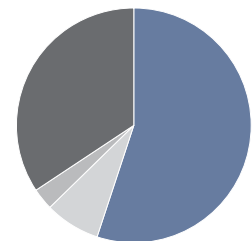
- Net interest income - 75.9 %
- Non-interest income - 24.1 %



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 formation;
- Faster disbursement of government budgets.

### 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.

### 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
% change in net profit		(2)	2.2
NIM (%)	±5bp	3.23	3.28
% change in net profit		(4.5)	4.5
Credit cost (bp)	±10bp	130	140
% change in net profit		5.5	(5.5)

Source: FSSIA estimates

### 1Q24E profit is showing a significant recovery

We expect 1Q24 net profit to recover by 66.8% q-q and 1.3% y-y, reaching THB10.2b and accounting for 27% of our full-year forecast. This recovery would mainly be due to a significant decline in ECL and operating expenses (post-seasonal effect), which should offset the lackluster core business – NII and non-NII. Regarding NII, we predict a q-q decline of 0.6% (but with a significant rise of 17.9% y-y) due mainly to an expected dip in loans and a relatively stable NIM. Despite the expectation of rising loan yields, an increased cost of funds would offset the positive effect. For non-NII, we expect an increase of a mere 2.5% q-q (but a decrease of 2.0% y-y), supported by another FVTPL investment gain booked and gains from asset sales. However, we expect fee income to decrease slightly q-q amid the unfavorable loan situation.

#### Exhibit 1: KTB – 1Q24 earnings preview

Year-end Dec 31	1Q23	2Q23	3Q23	4Q23	1Q24E	----- Change -----		2024E	% of	Change
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)	(THB m)	2024E	(y-y %)
Net interest income	25,619	27,771	29,667	30,362	30,195	(0.6)	17.9	117,455	25.7	3.6
Non-interest income	9,653	7,944	9,221	9,228	9,462	2.5	(2.0)	37,687	25.1	4.6
Fee income - net	5,139	4,797	5,503	5,434	5,424	(0.2)	5.6	21,186	25.6	1.5
Total operating income	35,272	35,715	38,888	39,590	39,657	0.2	12.4	155,142	25.6	3.8
Total operating expenses	13,650	14,028	16,733	17,745	17,330	(2.3)	27.0	67,398	25.7	8.4
PPOP before tax	21,622	21,686	22,155	21,845	22,327	2.2	3.3	87,744	25.4	0.5
Expected credit loss	8,104	7,754	8,157	13,070	8,500	(35.0)	4.9	36,252	23.4	(2.2)
Income tax	2,531	2,864	2,774	1,733	2,724	57.2	7.6	10,093	27.0	1.9
Non-controlling interest	921	912	941	931	910	(2.3)	(1.2)	3,779	24.1	2.0
Net profit	10,067	10,156	10,282	6,111	10,193	66.8	1.3	37,621	27.1	2.7
EPS (THB)	0.72	0.73	0.74	0.44	0.73	66.8	1.3	2.69	27.1	2.7
<b>Key ratios</b>	<b>1Q23</b>	<b>2Q23</b>	<b>3Q23</b>	<b>4Q23</b>	<b>1Q24E</b>	<b>----- Change -----</b>		<b>2024E</b>		
Asset quality ratio	(%)	(%)	(%)	(%)	(%)	(q-q%)	(y-y%)	(%)		
Gross NPLs (THB m)	102,542	98,810	98,309	99,439	98,501	(0.9)	(3.9)	98,887		
Change (% from prior period)	1.4	(3.6)	(0.5)	1.1	(0.9)			(0.6)		
NPL ratios (%) - reported	3.22	3.11	3.10	3.08						
NPL ratio (%)	3.97	3.83	3.74	3.86	3.85			3.80		
Coverage ratio (%) - reported	183	177	180	181						
Coverage ratio (%)	177	171	174	174	174			176		
Credit cost (bp)	125	120	125	201	132			140		
<b>Profitability ratio</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>			<b>(%)</b>		
Cost to income ratio	38.7	39.3	43.0	44.8	43.7			43.4		
Average yield (%)	3.95	4.26	4.57	4.74	4.87			4.56		
Cost of funds (%)	1.13	1.21	1.32	1.49	1.65			1.48		
NIM (%) - reported	2.80	3.00	3.20	3.38						
NIM (%)	2.97	3.21	3.42	3.45	3.44			3.28		
Non-interest income/total income (%)	27.4	22.2	23.7	23.3	23.9			24.3		
<b>Liquidity ratio</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>			<b>(%)</b>		
Loan to deposit	98.5	100.0	100.7	97.3	98.6			97.3		
Loan to deposit & borrowing (LDBR)	93.2	94.2	94.8	91.8	92.8			91.7		
<b>Capital adequacy ratio</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>			<b>(%)</b>		
CAR	19.9	20.1	20.5	20.7				21.2		
CET 1/ Risk assets	15.8	16.1	16.4	16.5				17.3		
Tier 2 / Risk assets	3.1	3.1	3.2	4.2				3.0		
<b>Loan growth</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>			<b>(%)</b>		
q-q	(0.4)	(0.2)	2.0	(2.0)	(0.7)					
y-y	(2.9)	(2.2)	0.7	(0.6)	(0.9)			1.0		
Year-to-date	(0.4)	(0.6)	1.4	(0.6)	(0.7)					

Sources: KTB; FSSIA estimates

## Key takeaways from the analyst meeting

The following key points were discussed at KTB’s analyst meeting, providing valuable insights into the bank’s plans and strategies.

### Highlights:

- 1) **KTB clarified the ITD case**, which has been a concern for the past few quarters. Despite no exposure disclosed, we roughly estimate from the rising stage 2 loans, that increased by cTHB5.60b in 4Q23, that KTB had fully set aside 100% reserves (excluding collateral), and confirm that it has the most minor exposure among peers. Apart from the ITD loans, the bank provided total reserves for ITD’s related supply chains and contingent liabilities. Therefore, we think this information greatly reduces concerns about KTB’s asset quality overhangs.
- 2) **The 2024 guidance has just been revealed.** Most targets are still in line with our estimates, except for the +3% y-y loan target that KTB has set (including government loans). However, we expect 1% y-y growth based on the volatile and difficult-to-predict government loans. Therefore, our scheduled loan target remains. Meanwhile, KTB’s credit cost target is down from 2023’s 143bp to 120-130bp, while we expect 140bp as per our conservative approach. Hence, there is a potential upside to the forecast where every 10bp of lower credit cost would add 5.5% to the 2024 net profit, all else being equal.
- 3) **Portfolio optimization succession and 2024 business strategy:** KTB emphasized the success of de-risking its portfolio – SME loan downsizing to 11% of total at year-end 2023 from 21% in 2016, whereas government loans widened to 15% from 4% during the same period – with growth focusing on strategic segments to optimize risk-return. To continue its successful journey roadmap, KTB will focus on reshaping its client value proposition in 2024. The bank is proud that it could connect its customers to digital and O2O (35M users in total) across generations, with a higher composition of Gen Y and Gen Z customers. In addition, KTB’s mobile banking app, Krungthai NEXT, currently ranks number two, and is closing the gap with number one, K PLUS.
- 4) **Virtual bank:** KTB is likely to apply for a license from the Bank of Thailand to operate a virtual bank (VB), whose main benefits comprise 1) business expansion in the bank’s ecosystem and the partner groups in the consortium; and 2) a new customer base that will come from external sources via its partners, which the bank is currently unable to penetrate. KTB claims its current IT technology is firm and is not inferior to competitors, combined with the alliance’s various strengths. The trend of investment in VB is not a burden on the bank, according to management, while KTB maintains its IT investment budget target at the same level of 10 billion baht per year.

### Exhibit 2: 2024E – KTB guidance vs FSSIA estimates

	KTB 2023	KTB 2024E	FSSIA 2024E
Loan growth	-0.6%	3%	1.0%
NIM	3.22%	3.0-3.3%	3.28%
Fee income growth	2.70%	Low to mid-single digits	1.5%
Cost to income	41.60%	≤ Mid-40s	43.4%
NPL	3.08%	< 3.25%	3.80%
Credit cost (bps)	143	120-130	140
Coverage ratio	181%	170% +	176%

Sources: KTB; FSSIA estimates

**Exhibit 3: KTB – staged loans and ECL**

	2021 (THB b)	2022 (THB b)	2023 (THB b)	2021 (%)	2022 (%)	2023 (%)
<b>Staged loans</b>				<b>% Staged loans</b>		
Stage 1	2,306	2,290	2,296	87.2	87.5	88.4
Stage 2	228	218	202	8.6	8.3	7.8
Stage 3	111	109	99	4.2	4.2	3.8
Total	2,646	2,616	2,596	100.0	100.0	100.0
<b>Allowance for ECL</b>				<b>% ECL to loans</b>		
Stage 1	45	45	47	1.9	2.0	2.1
Stage 2	49	53	57	21.4	24.1	28.2
Stage 3	77	77	68	69.4	70.4	69.2
Total	171	174	172	6.5	6.6	6.6
<b>LLR/ Loans</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>			
Stage 1	1.9	2.0	2.1			
Stage 2	21.4	24.1	28.2			
Stage 3	69.4	70.4	69.2			
Total	6.5	6.6	6.6			
	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>			
NPL / TL	4.2	4.2	3.8			
NPL vs. Stage 2 loans / TL	12.8	12.5	11.6			
LLR / NPL	153	160	175			
LLR / (NPL vs. Stage 2)	50	53	57			

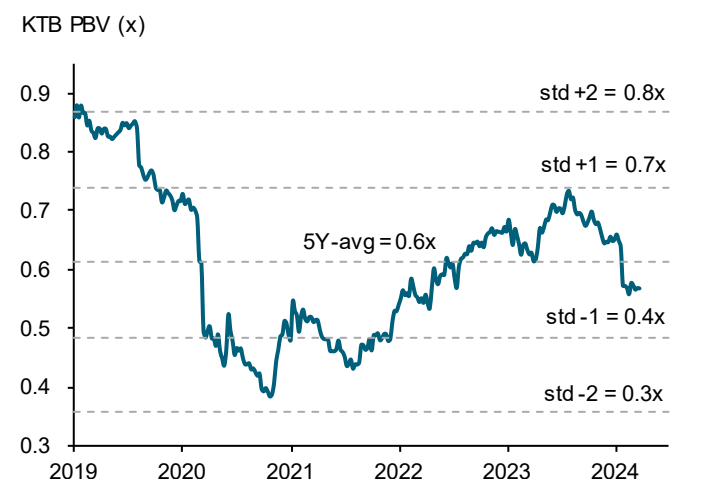
Sources: KTB; FSSIA's compilation

**Exhibit 4: GGM-based 2024 TP**

Gordon Growth Model	2024E
Sustainable ROE	8.0%
g	1.0%
ROE-g	7.0%
Beta	1.10
Risk free rate	3.0%
Risk premium	8.0%
COE	11.8%
COE-g	10.8%
<b>ROE-g/COE-g (PBV)</b>	<b>0.65</b>

Source: FSSIA estimates

**Exhibit 6: KTB – one-year prospective P/BV band**



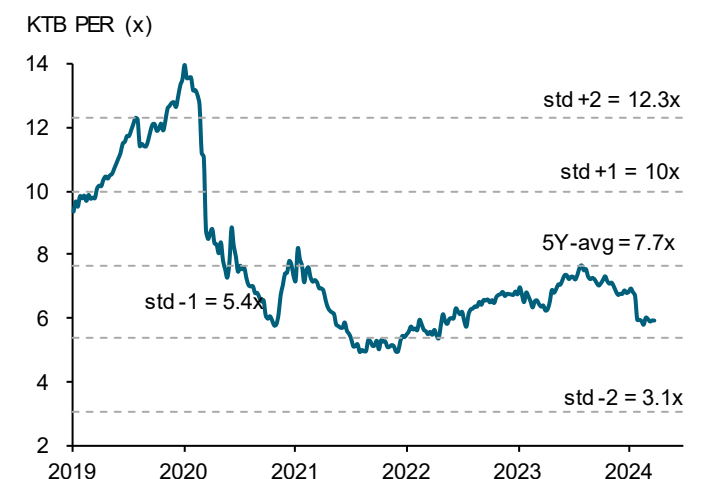
Sources: Bloomberg; FSSIA estimates

**Exhibit 5: Share price performance of banks under coverage, as of 22 March 2024**

	Price performance				
	1M (%)	3M (%)	6M (%)	1Y (%)	YTD (%)
BBL TB	(1.40)	(6.02)	(15.11)	(8.17)	(10.22)
KBANK TB	0.00	(5.34)	(1.20)	(5.70)	(8.15)
KKP TB	1.50	3.57	(7.31)	(21.92)	1.00
<b>KTB TB</b>	<b>3.07</b>	<b>(8.20)</b>	<b>(9.68)</b>	<b>(0.59)</b>	<b>(8.70)</b>
SCB TB	2.67	11.59	11.59	12.68	8.96
TISCO TB	0.00	2.04	0.76	(0.50)	0.25
TTB TB	(1.60)	15.63	11.45	35.04	10.78
<b>SETBANK</b>	<b>0.42</b>	<b>0.35</b>	<b>(3.70)</b>	<b>0.69</b>	<b>(2.39)</b>
<b>SET</b>	<b>(1.22)</b>	<b>(1.97)</b>	<b>(8.38)</b>	<b>(13.24)</b>	<b>(2.46)</b>

Source: Bloomberg

**Exhibit 7: KTB – one-year prospective PER band**



Sources: Bloomberg; FSSIA estimates

**Exhibit 8: Peer regional banks comparison, as of 22 March 2024**

Company name	BBG code	Share price (LCY)	Target price (LCY)	Upside (%)	Market Cap. (USD b)	----- PE -----		----- PBV ----		----- ROE ----		-- Div yld --	
						24E (x)	25E (x)	24E (x)	25E (x)	24E (%)	25E (%)	24E (x)	25E (x)
<b>Thailand</b>													
Bangkok Bank	BBL TB	140.50	191.00	36	7,373.0	6.4	6.1	0.5	0.5	7.7	7.6	4.6	4.8
Kasikombank	KBANK TB	124.00	140.00	13	8,076.9	6.7	6.2	0.5	0.5	8.1	8.4	4.2	4.6
Krung Thai Bank	KTB TB	16.80	19.90	18	6,454.9	6.2	6.1	0.5	0.5	9.1	8.8	5.3	5.5
SCB X	SCB TB	115.50	118.00	2	10,691.4	8.8	8.4	0.8	0.8	9.0	9.1	6.7	6.9
TMBThanachart Bank	TTB TB	1.85	2.19	18	4,926.5	10.9	10.7	0.8	0.7	7.0	7.0	5.2	5.3
Kiatnakin Bank	KKP TB	50.75	50.60	(0)	1,181.4	7.4	7.0	0.7	0.6	9.3	9.4	6.9	7.4
Tisco Financial Group	TISCO TB	100.00	97.00	(3)	2,201.1	11.9	11.8	1.9	1.8	15.7	15.6	8.0	8.0
<b>Thailand weighted average</b>					<b>5,739</b>	<b>9.2</b>	<b>8.7</b>	<b>0.7</b>	<b>0.7</b>	<b>8.4</b>	<b>8.4</b>	<b>5.0</b>	<b>5.3</b>
<b>Hong Kong</b>													
Industrial & Comm Bank of China	1398 HK	3.96	n/a	n/a	240,880.0	3.7	3.5	0.4	0.3	10.1	10.0	8.6	8.9
China Construction Bank	939 HK	4.80	n/a	n/a	156,698.0	3.3	3.1	0.3	0.3	11.0	10.7	9.2	9.7
HSBC Holdings	5 HK	60.95	n/a	n/a	149,314.5	6.3	6.5	0.8	0.8	14.5	12.3	10.0	7.8
Bank of China	3988 HK	3.26	n/a	n/a	163,415.3	3.9	3.8	0.4	0.3	9.8	9.5	7.8	8.2
<b>Hong Kong average</b>					<b>177,577</b>	<b>4.3</b>	<b>4.2</b>	<b>0.5</b>	<b>0.4</b>	<b>11.4</b>	<b>10.6</b>	<b>8.9</b>	<b>8.6</b>
<b>China</b>													
Industrial & Comm Bank of China	601398 CH	5.25	n/a	n/a	239,806.2	5.1	4.9	0.5	0.5	10.2	10.0	6.0	6.3
Agricultural Bank of China	601288 CH	4.18	n/a	n/a	197,419.3	5.5	5.2	0.6	0.5	10.7	10.5	5.7	6.0
China Construction Bank	601939 CH	6.86	n/a	n/a	155,986.2	5.0	4.8	0.5	0.5	11.1	10.8	6.0	6.4
Bank of China	601988 CH	4.39	n/a	n/a	162,686.8	5.7	5.5	0.5	0.5	9.9	9.6	5.5	5.8
<b>China average</b>					<b>188,975</b>	<b>5.3</b>	<b>5.1</b>	<b>0.5</b>	<b>0.5</b>	<b>10.5</b>	<b>10.2</b>	<b>5.8</b>	<b>6.1</b>
<b>South Korea</b>													
KB Financial Group	105560 KS	74,900	n/a	n/a	21,520.2	5.5	5.1	0.5	0.4	8.8	8.9	4.7	5.0
Shinhan Financial Group	055550 KS	50,600	n/a	n/a	19,260.9	5.5	5.1	0.5	0.4	8.8	8.7	4.4	4.6
Hana Financial Group	086790 KS	64,000	n/a	n/a	13,678.4	5.0	4.6	0.4	0.4	9.3	9.2	5.8	6.2
Industrial Bank of Korea	024110 KS	15,280	n/a	n/a	9,063.3	4.4	4.2	0.4	0.4	9.0	8.9	6.9	7.3
<b>South Korea average</b>					<b>15,881</b>	<b>5.1</b>	<b>4.8</b>	<b>0.4</b>	<b>0.4</b>	<b>9.0</b>	<b>9.0</b>	<b>5.4</b>	<b>5.8</b>
<b>Indonesia</b>													
Bank Central Asia	BBCA IJ	10,100	n/a	n/a	77,738.6	22.9	21.0	4.6	4.2	21.0	20.8	2.6	2.8
Bank Rakyat Indonesia Persero	BBRI IJ	6,125	n/a	n/a	58,925.8	13.7	12.1	2.8	2.6	21.0	22.0	5.7	6.4
Bank Mandiri Persero	BMRI IJ	7,050	n/a	n/a	41,450.7	11.3	10.3	2.3	2.1	21.5	21.3	5.0	5.4
Bank Negara Indonesia Persero	BBNI IJ	5,850	n/a	n/a	13,734.8	9.2	8.1	1.3	1.2	15.1	15.5	4.8	5.5
Bank Syariah Indonesia	BRIS IJ	2,630	n/a	n/a	7,669.7	18.3	15.7	2.8	2.5	16.5	16.9	0.9	1.2
<b>Indonesia average</b>					<b>39,904</b>	<b>15.1</b>	<b>13.5</b>	<b>2.7</b>	<b>2.5</b>	<b>19.0</b>	<b>19.3</b>	<b>3.8</b>	<b>4.3</b>
<b>Malaysia</b>													
Malayan Banking	MAY MK	9.59	n/a	n/a	24,388.7	11.7	11.2	1.2	1.2	10.4	10.5	6.4	6.6
Public Bank	PBK MK	4.24	n/a	n/a	17,299.5	11.7	11.1	1.4	1.3	12.5	12.4	4.7	5.0
CIMB Group Holdings	CIMB MK	6.55	n/a	n/a	14,685.6	9.2	8.8	1.0	0.9	10.7	10.8	6.1	6.2
Hong Leong Bank	HLBK MK	19.44	n/a	n/a	8,835.7	9.9	9.2	1.1	1.0	11.5	11.4	3.4	3.7
RHB Bank	RHBBANK MK	5.64	n/a	n/a	5,096.5	8.4	8.0	0.7	0.7	9.2	9.3	7.2	7.5
<b>Malaysia average</b>					<b>14,061</b>	<b>10.2</b>	<b>9.6</b>	<b>1.1</b>	<b>1.0</b>	<b>10.8</b>	<b>10.9</b>	<b>5.6</b>	<b>5.8</b>
<b>Singapore</b>													
DBS Group Holdings	DBS SP	35.83	n/a	n/a	68,113.3	9.4	9.4	1.5	1.4	16.0	15.3	6.5	7.0
Oversea-Chinese Banking	OCBC SP	13.60	n/a	n/a	45,327.5	8.5	8.5	1.1	1.0	12.8	12.1	6.2	6.3
United Overseas Bank	UOB SP	29.07	n/a	n/a	35,657.6	8.3	8.0	1.0	1.0	12.6	12.4	6.2	6.4
<b>Singapore average</b>					<b>49,699</b>	<b>8.7</b>	<b>8.6</b>	<b>1.2</b>	<b>1.1</b>	<b>13.8</b>	<b>13.3</b>	<b>6.3</b>	<b>6.6</b>
<b>Regional average (excl. Thailand)</b>					<b>77,946</b>	<b>8.5</b>	<b>7.9</b>	<b>1.1</b>	<b>1.1</b>	<b>12.6</b>	<b>12.4</b>	<b>5.8</b>	<b>6.1</b>
<b>Total average (incl. Thailand)</b>					<b>62,174</b>	<b>8.4</b>	<b>7.9</b>	<b>1.1</b>	<b>1.0</b>	<b>11.9</b>	<b>11.7</b>	<b>5.8</b>	<b>6.1</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	0.87	0.89	0.92	0.95
<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	33.1	33.1	33.1	27.7
ROE (%)	9.2	9.4	9.1	8.8	8.6
ROE - COE (%)	(0.8)	(0.5)	(0.9)	(1.2)	(1.4)
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)	(173,323)	(173,575)	(176,881)	(180,220)
interest in suspense	25,372	22,902	26,543	26,809	27,077
<b>Net customer loans</b>	<b>2,443,832</b>	<b>2,426,095</b>	<b>2,455,250</b>	<b>2,478,232</b>	<b>2,501,444</b>
Bank loans	550,941	701,162	708,173	722,337	736,783
Government securities	-	-	-	-	-
Trading securities	-	-	-	-	-
Investment securities	322,942	303,186	337,635	346,717	356,432
Cash & equivalents	61,591	55,626	41,459	50,752	58,953
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	125,692	133,399	141,731	150,745
<b>Total assets</b>	<b>3,592,419</b>	<b>3,677,684</b>	<b>3,743,120</b>	<b>3,808,284</b>	<b>3,874,218</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	166,432	169,804	173,246	176,758
Hybrid Capital	-	-	-	-	-
<b>Total liabilities</b>	<b>3,199,847</b>	<b>3,256,838</b>	<b>3,295,550</b>	<b>3,333,133</b>	<b>3,368,244</b>
Share capital	72,005	72,005	72,005	72,005	72,005
Reserves	304,300	330,371	356,171	382,782	412,588
<b>Total equity</b>	<b>376,305</b>	<b>402,376</b>	<b>428,176</b>	<b>454,787</b>	<b>484,593</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>3,677,684</b>	<b>3,743,120</b>	<b>3,808,284</b>	<b>3,874,218</b>
<b>Supplementary items</b>					
Risk weighted assets (RWA)	2,131,788	2,182,386	2,221,216	2,259,885	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	358,274	383,741	409,975	0
Total capital	401,825	424,346	450,053	476,530	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	30.63	32.54	41.40
Tangible book value per share	26.92	28.79	30.63	32.54	41.40
<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	2.4	1.8	1.7	1.7
Risk weighted assets (%)	11.5	2.4	1.8	1.7	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	11.4	11.9	12.5
Tangible equity/assets (%)	10.5	10.9	11.4	11.9	12.5
RWA/assets (%)	59.3	59.3	59.3	59.3	-
CET 1 CAR (%)	15.7	16.4	17.3	18.1	-
Total CAR (%)	18.8	19.4	20.3	21.1	-
<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) *	7.0	6.4	6.2	6.1	4.9
Recurring P/E @ target price (x) *	8.3	7.6	7.4	7.2	5.8
Reported P/E (x)	7.0	6.4	6.2	6.1	4.9
Dividend yield (%)	4.1	5.2	5.3	5.5	5.7
Price/book (x)	0.6	0.6	0.5	0.5	0.4
Price/tangible book (x)	0.6	0.6	0.5	0.5	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**

★★★★

## Exhibit 9: FSSIA ESG score implication

**63.10 /100**

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; 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 (50-59), 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-left: auto; margin-right: auto;"> <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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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-left: auto; margin-right: auto;"> <tbody> <tr> <td><b>AAA</b></td> <td>8.571-10.000</td> <td rowspan="3"><b>Leader:</b></td> <td rowspan="3">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> </tr> <tr> <td><b>A</b></td> <td>5.714-7.142</td> </tr> <tr> <td><b>BBB</b></td> <td>4.286-5.713</td> <td rowspan="3"><b>Average:</b></td> <td rowspan="3">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> </tr> <tr> <td><b>B</b></td> <td>1.429-2.856</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

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

Company	Ticker	Price	Rating	Valuation & Risks
Krung Thai Bank	KTB TB	THB 16.80	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 50.75	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 prices, and strengthening asset quality.
Tisco Financial	TISCO TB	THB 100.00	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.
Bangkok Bank	BBL TB	THB 140.50	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.
Kasikornbank	KBANK TB	THB 124.00	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 economic recovery; and 2) the rising NIM from well-controlled cost of funds.
SCB X	SCB TB	THB 115.50	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 1.85	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.

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 22-Mar-2024 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.