

23 JULY 2024

EQUITY RESEARCH - RESULTS FLASH

KRUNG THAI BANK
 THAILAND / BANKING

KTB TB
FINANSIA
 FSS INTERNATIONAL INVESTMENT ADVISORY

FSSIA ESG rating


BUY
 UNCHANGED

2Q24 results at first glance

2Q24 profit in line with our estimate but 5% below BBG consensus

KTB reported a 2Q24 net profit of THB11.2b, growing by 1.1% q-q and 10.2% y-y. PPOP was THB23.0b, increasing 0.2% q-q and 6.1% y-y, supported by higher net interest income and lower operating expenses, which offset the lower non-NII. In addition, we have no cause for concern about its asset quality in this period. 1H24 net profit grew 10.1% y-y, accounting for 59% of our full-year forecast. We retain our 2024-26 forecast and maintain our BUY call with a 2024 GGM-based TP of THB19.90, implying 0.65x P/BV (expected LT-ROE 8% and COE 11.8%).

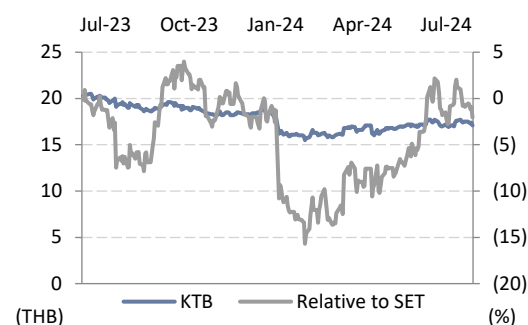
Highlights

- (+) **Net interest income** amounted to THB30.0b, increasing slightly by 1.7% q-q and 8.2% y-y. Loans contracted by 2.2% q-q, 0.7% y-y, and 0.6% YTD, mainly from corporate (28%) and government and state enterprise (16%) loan repayments. Meanwhile, SMEs continued shrinking following the bank's de-risking policy in the high-risk segment. However, retail – housing (19%) and personal loans (24%) – grew minimally q-q. KTB maintains its 2024 loan guidance at 3.0% y-y, with the expected loan demand to accelerate in 2H24. The 2Q24 NIM increased by 6bp to 3.37% on higher loan yields (more high-yield concentration) and accelerating interest expenses. Overall, the 1H24 NIM spiked to 3.39%, exceeding its 2024 guidance of 3.00-3.30% and our target of 3.28%.
- (-) **Non-interest income** was worse than expected due to lower net fee income by 5.4% q-q (seasonality), but increased by 10.0% y-y (from credit card transactions and mutual fund fees). The 1H24 net fees grew by 9.2% y-y, exceeding its 2024 guidance of low to mid-single-digit growth and our forecast of 1.5% y-y. Moreover, the bad debt recovery decreased more than expected in 2Q24 to THB2b vs our expectation of THB3.3b and THB3.11b in 1Q24.
- (+) **Operating expenses** were better than expected in 2Q24, mainly due to a decrease in impairment losses from properties for sale to THB1.61b vs THB3.79b in 1Q24. KTB expects the figure to be lower in 2H24. The 2Q24 cost-to-income ratio decreased to 41.7% from 43.6% in 1Q24. Overall, the 1H24 cost-to-income ratio finished at 42.6%, aligning with its 2024 guidance of below mid-40% and our expectation of 43.4%.

TARGET PRICE	THB19.90
CLOSE	THB17.10
UP/DOWNSIDE	+16.4%
TP vs CONSENSUS	-0.5%

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 (%)	-	(2.9)	(3.4)	16.5
Recurring net profit	36,616	37,621	38,760	40,236
Core EPS (THB)	2.62	2.69	2.77	3.44
EPS growth (%)	8.7	2.7	3.0	24.0
Core P/E (x)	6.5	6.4	6.2	5.0
Dividend yield (%)	5.1	5.2	5.4	5.6
Price/book (x)	0.6	0.6	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 (%)	0.0	6.9	(14.9)
Relative to country (%)	(1.0)	8.1	(0.7)
Mkt cap (USD m)	6,586		
3m avg. daily turnover (USD m)	16.1		
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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(0) Asset quality – no cause for concern in 2Q24. As expected, the NPL ratio slightly increased to 3.85% from 3.77% in 1Q24, partly due to a decreased loan base, while the NPL amount dipped q-q. Stage 2 loans also reduced by 3.7% q-q to 7.5% of total loans from 7.7% at the end of 1Q24. Credit costs and the coverage ratio were stable q-q as expected at 124bp and 176%, respectively. Overall, the 1H24 credit costs rose to 125bp, below its 2024 guidance of 120-130bp and our target of 140bp.

For the EA lending exposure, KTB disclosed no details but indicated a minimal impact on its 2024 guidance.

Exhibit 1: KTB – 2Q24 operating summary

Year end Dec 31	2Q23	3Q23	4Q23	1Q24	2Q24	---- Change ----		1H23	1H24	Change	%of	2024E	Change
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)	(THB m)	(THB m)	(y-y%)	24E	(THB m)	(y-y %)
Net interest income	27,771	29,667	30,362	29,561	30,055	1.7	8.2	53,390	59,617	11.7	51	117,455	3.6
Non-interest income	7,944	9,221	9,228	11,141	9,394	(15.7)	18.3	17,597	20,535	16.7	54	37,687	4.6
Fee income - net	4,797	5,503	5,434	5,577	5,277	(5.4)	10.0	9,935	10,854	9.2	51	21,186	1.5
Total operating income	35,715	38,888	39,590	40,703	39,449	(3.1)	10.5	70,987	80,152	12.9	52	155,142	3.8
Total operating expenses	14,028	16,733	17,745	17,731	16,438	(7.3)	17.2	27,679	34,168	23.4	51	67,398	8.4
PPOP before tax	21,686	22,155	21,845	22,972	23,012	0.2	6.1	43,308	45,984	6.2	52	87,744	0.5
Expected credit loss	7,754	8,157	13,070	8,029	8,004	(0.3)	3.2	15,858	16,032	1.1	44	36,252	(2.2)
Income tax	2,864	2,774	1,733	2,936	2,877	(2.0)	0.5	5,395	5,813	7.7	58	10,093	1.9
Non-controlling interest	912	941	931	929	936	0.7	2.7	1,832	1,865	1.8	49	3,779	2.0
Net profit	10,156	10,282	6,111	11,078	11,195	1.1	10.2	20,223	22,273	10.1	59	37,621	2.7
EPS (THB)	0.73	0.74	0.44	0.79	0.80	1.1	10.2	1.45	1.59	10.1	59	2.69	2.7
Key ratios	2Q23	3Q23	4Q23	1Q24	2Q24	---- Change ----		1H23	1H24	Change	%of	2024E	Change
Asset quality ratio	(%)	(%)	(%)	(%)	(%)	(q-q%)	(y-y%)	(THB m)	(THB m)	(y-y%)	24E	(%)	(y-y%)
Gross NPLs (THB m)	98,810	98,309	99,407	98,815	98,701	(0.1)	(0.1)	98,810	98,701	(0.1)		98,887	(0.5)
Change (% from prior period)	(3.6)	(0.5)	1.1	(0.6)	(0.1)			(5.4)	(0.1)			(0.5)	
NPL ratios (%) - reported	3.11	3.10	3.08	3.14	3.12			3.11	3.12				
NPL ratio (%)	3.83	3.74	3.86	3.77	3.85			3.83	3.85			3.80	
Coverage ratio (%) - reported	177	180	181	182	181			177	181				
Coverage ratio (%)	171	174	174	175	176			171	176			176	
Credit cost (bp)	120	125	201	124	124			122	125			140	
Profitability ratio	(%)	(%)	(%)	(%)	(%)							(%)	
Cost to income ratio	39.3	43.0	44.8	43.6	41.7			39.0	42.6			43.4	
Average yield (%)	4.26	4.57	4.74	4.58	4.65			4.11	4.69			4.56	
Cost of funds (%)	1.21	1.32	1.49	1.46	1.48			1.17	1.49			1.48	
NIM (%) - reported	3.00	3.20	3.38	3.41	3.31			3.10	3.35				
NIM (%)	3.21	3.42	3.45	3.31	3.37			3.09	3.39			3.28	
Non-interest income /total income (%)	22.2	23.7	23.3	27.4	23.8			24.8	25.6			24.3	
Loan growth	(%)	(%)	(%)	(%)	(%)			(%)	(%)			(%)	
q-q	(0.2)	2.0	(2.0)	1.6	(2.2)								
y-y	(2.2)	0.7	(0.6)	1.4	(0.7)			(2.2)	(0.7)			1.0	
Year-to-date	(0.6)	1.4	(0.6)	1.6	(0.6)			(0.6)	(0.6)				

Sources: KTB; FSSIA estimates

Exhibit 2: KTB – Staged loans and ECL

	2021 (THB b)	2022 (THB b)	2023 (THB b)	1Q24 (THB b)	2Q24 (THB b)	2021 (%)	2022 (%)	2023 (%)	1Q24 (%)	2Q24 (%)
Staged loans										
Stage 1	2,306	2,290	2,296	2,338	2,289	87.2	87.5	88.4	88.6	88.7
Stage 2	228	218	202	203	195	8.6	8.3	7.8	7.7	7.5
Stage 3	111	109	99	98	98	4.2	4.2	3.8	3.7	3.8
Total	2,646	2,616	2,596	2,639	2,582	100.0	100.0	100.0	100.0	100.0
Allowance for ECL										
Stage 1	45	45	47	44	44	1.9	2.0	2.1	1.9	1.9
Stage 2	49	53	57	60	60	21.4	24.1	28.2	29.3	30.9
Stage 3	77	77	68	68	69	69.4	70.4	69.2	69.2	69.8
Total	171	174	172	172	173	6.5	6.6	6.6	6.5	6.7
LLR/ Loans										
Stage 1	1.9	2.0	2.1	1.9	1.9					
Stage 2	21.4	24.1	28.2	29.3	30.9					
Stage 3	69.4	70.4	69.2	69.2	69.8					
Total	6.5	6.6	6.6	6.5	6.7					
	(%)	(%)	(%)	(%)	(%)					
NPL / TL	4.2	4.2	3.8	3.7	3.8					
NPL vs. Stage 2 loans / TL	12.8	12.5	11.6	11.4	11.3					
LLR / NPL	153	160	175	175	176					
LLR / (NPL vs. Stage 2)	50	53	57	57	59					

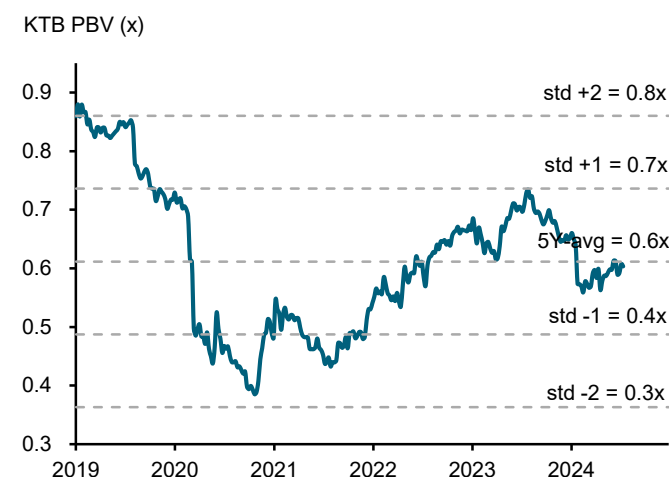
Sources: KTB; FSSIA's compilation

Exhibit 3: 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%
ROE-g/COE-g (PBV)	0.65

Source: FSSIA estimates

Exhibit 5: KTB – one-year prospective P/BV band



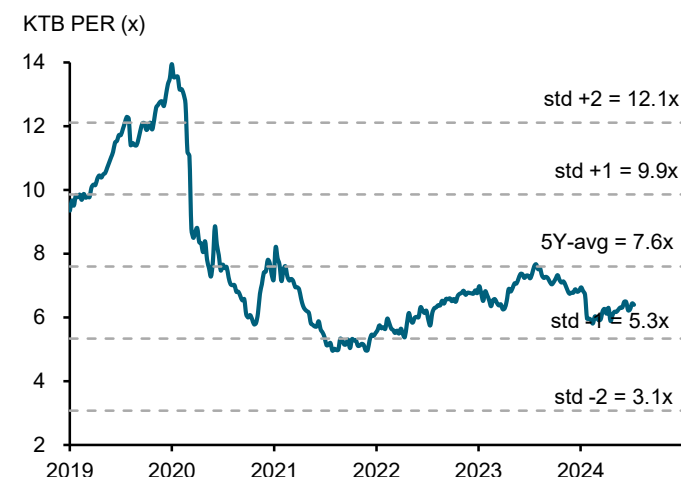
Sources: Bloomberg; FSSIA estimates

Exhibit 4: Share price performance of banks under coverage, as of 19 July 2024

	Price performance				
	1M (%)	3M (%)	6M (%)	1Y (%)	YTD (%)
BBL TB	5.4	(0.7)	(4.8)	(16.2)	(12.1)
KBANK TB	2.4	2.8	1.6	(5.2)	(5.6)
KKP TB	(9.4)	(15.6)	(9.9)	(28.8)	(13.9)
KTB TB	1.8	8.8	(3.9)	(13.4)	(5.4)
SCB TB	(3.8)	(1.5)	(3.3)	(8.6)	(4.2)
TISCO TB	(1.6)	(4.8)	(3.3)	(2.8)	(5.3)
TTB TB	9.9	(0.6)	4.7	8.6	6.0
SETBANK	1.3	(1.3)	(4.3)	(12.0)	(7.4)
SET	1.6	(0.5)	(4.2)	(13.8)	(6.4)

Source: Bloomberg

Exhibit 6: KTB – one-year prospective PER band



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
Per share (THB)					
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
Growth					
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
Income Breakdown					
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
Operating performance					
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	1.9
* 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
Net customer loans	2,443,832	2,426,095	2,455,250	2,478,232	2,501,444
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
Total assets	3,592,419	3,677,684	3,743,120	3,808,284	3,874,218
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	-	-	-	-	-
Total liabilities	3,199,847	3,256,838	3,295,550	3,333,133	3,368,244
Share capital	72,005	72,005	72,005	72,005	72,005
Reserves	304,300	330,371	356,171	382,782	412,588
Total equity	376,305	402,376	428,176	454,787	484,593
Non-controlling interest	16,267	18,470	19,394	20,363	21,382
Total liabilities & equity	3,592,419	3,677,684	3,743,120	3,808,284	3,874,218
Supplementary items					
Risk weighted assets (RWA)	2,131,788	2,182,386	2,221,216	2,259,885	2,299,011
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	439,371
Total capital	401,825	424,346	450,053	476,530	506,170
Gross non performing loans (NPL)	101,096	99,439	98,887	99,876	100,874
Per share (THB)					
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
Growth					
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	1.7
Customer deposits (%)	(0.9)	2.2	1.0	1.0	1.0
Leverage & capital measures					
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	59.3
CET 1 CAR (%)	15.7	16.4	17.3	18.1	19.1
Total CAR (%)	18.8	19.4	20.3	21.1	22.0
Asset Quality (FSSIA's calculation)					
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
Valuation					
Recurring P/E (x) *	7.1	6.5	6.4	6.2	5.0
Recurring P/E @ target price (x) *	8.3	7.6	7.4	7.2	5.8
Reported P/E (x)	7.1	6.5	6.4	6.2	5.0
Dividend yield (%)	4.0	5.1	5.2	5.4	5.6
Price/book (x)	0.6	0.6	0.6	0.5	0.4
Price/tangible book (x)	0.6	0.6	0.6	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 7: 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.
★★★★★	>59-79	A mixed track record of managing the most significant ESG risks and opportunities relative to industry peers.
★★★	>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 8: ESG – peer comparison

	FSSIA	Domestic ratings						Global ratings					Bloomberg		
	ESG score	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 9: ESG score by Bloomberg

FY ending Dec 31	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
ESG financial materiality scores - ESG score	1.36	1.75	1.82	1.72	2.13	2.07	2.14	2.12
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
ESG disclosure score	38.85	41.85	42.19	42.19	53.35	55.27	56.12	61.33
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
Environmental								
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 10: 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
Social								
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
Governance								
Board size	12	12	12	12	11	12	12	12
No. of independent directors (ID)	4	6	6	6	5	6	6	6
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
No. of executives / company managers	21	20	20	20	19	21	19	22
No. of female executives	7	4	5	4	3	3	3	3
Executive share ownership guidelines	No	No	No	No	No	No	No	No
Size of audit committee	3	4	4	3	3	3	3	3
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
Size of compensation committee	4	3	3	3	2	3	3	3
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
Size of nomination committee	4	3	3	3	2	3	3	3
No. of nomination committee meetings	20	19	17	17	21	20	15	15
Nomination meeting attendance %	95	95	90	92	94	100	100	100
Sustainability governance								
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 THSI inclusion , 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. SETTHSI Index 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&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 & 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><tr><th>NEGL</th><th>Low</th><th>Medium</th><th>High</th><th>Severe</th></tr><tr><td>0-10</td><td>10-20</td><td>20-30</td><td>30-40</td><td>40+</td></tr></table>	NEGL	Low	Medium	High	Severe	0-10	10-20	20-30	30-40	40+									
NEGL	Low	Medium	High	Severe																	
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><tr><td>AAA</td><td>8.571-10.000</td><td rowspan="3">Leader:</td><td rowspan="3">leading its industry in managing the most significant ESG risks and opportunities</td></tr><tr><td>AA</td><td>7.143-8.570</td></tr><tr><td>A</td><td>5.714-7.142</td></tr><tr><td>BBB</td><td>4.286-5.713</td><td rowspan="3">Average:</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>BB</td><td>2.857-4.285</td></tr><tr><td>B</td><td>1.429-2.856</td></tr><tr><td>CCC</td><td>0.000-1.428</td><td>Laggard:</td><td>lagging its industry based on its high exposure and failure to manage significant ESG risks</td></tr></table>	AAA	8.571-10.000	Leader:	leading its industry in managing the most significant ESG risks and opportunities	AA	7.143-8.570	A	5.714-7.142	BBB	4.286-5.713	Average:	a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers	BB	2.857-4.285	B	1.429-2.856	CCC	0.000-1.428	Laggard:	lagging its industry based on its high exposure and failure to manage significant ESG risks
AAA	8.571-10.000	Leader:	leading its industry in managing the most significant ESG risks and opportunities																		
AA	7.143-8.570																				
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BB	2.857-4.285																				
B	1.429-2.856																				
CCC	0.000-1.428	Laggard:	lagging its industry based on its high exposure and failure to manage significant ESG risks																		
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; >25 to 50 = satisfactory; >50 to 75 = good; and >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

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

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Company	Ticker	Price	Rating	Valuation & Risks
Kiatnakin Phatra Bank	KKP TB	THB 41.00	HOLD	Downside risks to our GGM-based target price include weakened asset quality and lower fee income. By contrast, upside risks include better capital market conditions, higher used car prices, and strengthened asset quality.
Bangkok Bank	BBL TB	THB 132.50	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 comprise 1) lower credit cost from better asset quality; and 2) better ongoing cost control efficiency.
Kasikornbank	KBANK TB	THB 128.00	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.
Krung Thai Bank	KTB TB	THB 17.10	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.
SCB X	SCB TB	THB 101.50	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 comprise 1) the faster-than-expected recovery of EA's operations and financial stability; and 2) a reduction in Thailand's household debt.
Tisco Financial	TISCO TB	THB 93.75	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.
TMBThanachart Bank	TTB TB	THB 1.76	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 19-Jul-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.