

# KRUNG THAI BANK KTB TB

THAILAND / BANKING

## BUY

UNCHANGED

TARGET PRICE	THB23.50
CLOSE	THB20.90
UP/DOWNSIDE	+12.4%
PRIOR TP	THB19.90
CHANGE IN TP	+18.1%
TP vs CONSENSUS	+5.3%

## Ready to capture 2025 tailwinds

- We hold a positive view on KTB's business prospects for 2025-26 for its ability to capture the Thai economic recovery.
- We view KTB's asset quality as less concerning than other big banks, with an expected downtrend in NPL ratio and credit costs.
- We retain our top BUY call with an expected c5% dividend yield.

### Greater focus on private corporate and retail loans

We are optimistic about KTB's business outlook in 2025-26 due to its ability to capture the upcoming tailwinds, particularly the increased government spending from stimulus measures both in the short and long term. This should bode well for KTB's loan growth, which we expect to grow by 1% CAGR, based on our conservative assumptions, and below its 3% y-y guidance in 2024. Following its loan portfolio optimization strategy, private corporate and retail loans remain its critical focus. KTB's retail segment has unique characteristics compared to other banks, as most of its customers are government employees and hold salary accounts with the bank.

### Digital service standouts create fee growth opportunities

KTB's digital banking services stand at a different level than the very top of the industry. Their strong integration with the government's PaoTang app offers significant strategic advantages. Although there has not been a substantial boost in fee income growth directly from this connection, the large user base of the PaoTang app and the development of new financial products through it have led to increased customer acquisition in both loans and deposits. As a result, we foresee opportunities for fee income growth in the medium to long term, with potential upside risks compared to our conservative growth assumption of only a 1.5% CAGR in fee income for 2024-26.

### Asset quality is at the lowest level of concern among big banks

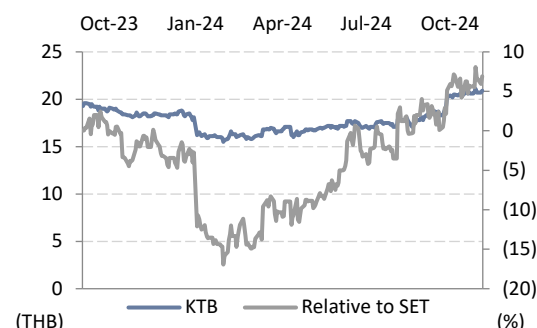
KTB's asset quality has been less of a concern compared to other big banks over the past five years (2018-23). Its NPL ratio has consistently trended downward from its peak at 5.26% in 2018 to 3.86% by the end of 2023, and remained stable at 3.85% in 1H24. Similarly, the percentage of Stage 2 loans has steadily declined from 9.51% in 2020 to 7.53% as of the end of 1H24. We view its asset quality as under control and aligning with its 2024 guidance.

### Maintain 2024-26 forecast and our top BUY call

We retain our 2024-26 net profit growth forecast at a 3.2% CAGR, based on our conservative assumptions. We retain KTB as our top BUY call and roll our GGM-based TP over to 2025 at THB23.50, implying a P/BV of 0.72x, under an expected LT-ROE of 8.8% and COE of 11.8% (no adjustment to our 4-star ESG score).

### 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 (%)	-	(8.8)	(9.2)	7.2
Recurring net profit	36,616	37,621	38,760	40,236
Core EPS (THB)	2.62	2.69	2.77	2.88
Chg. In EPS est. (%)	-	-	-	-
EPS growth (%)	8.7	2.7	3.0	3.8
Core P/E (x)	8.0	7.8	7.5	7.3
Dividend yield (%)	4.2	4.3	4.4	4.6
Price/book (x)	0.7	0.7	0.6	0.5
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 (%)	3.5	18.1	8.3
Relative to country (%)	1.7	7.5	7.2
Mkt cap (USD m)	8,724		
3m avg. daily turnover (USD m)	30.5		
Free float (%)	45		
Major shareholder	FIDF (55%)		
12m high/low (THB)	21.10/15.40		
Issued shares (m)	13,976		

Sources: Bloomberg consensus; FSSIA estimates



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### Investment thesis

We hold a positive view on KTB's business prospects for 2025-26. Our 2024-26 net profit growth projection reflects our cautious assumptions. However, several factors present upside risks to our performance estimates:

- The economy's gradual recovery in 2025-26, combined with the positive impact of government economic stimulus measures, particularly in public sector investment, should drive private sector investment as well. This will, in turn, positively affect increasing loan demand within the system.
- The 1.0% CAGR projection for fee income growth in 2024-26 offers a conservative estimate, overlooking the more proactive business growth potential expected to align with the economic recovery. This projection also downplays the bank's growing strengths in digital banking services, which continue to gain prominence.
- Asset quality continues to improve and positively affects the outlook for a further decline in NPLs and credit costs, potentially below our current estimates.

### 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, 1H24)

■ Net interest income - 75.9 %

■ Non-interest income - 24.1 %

Source: Krung Thai Bank

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### 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
18 Oct 2024	3Q24 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

			2025E	
Loan growth	±2ppt	(1.0)	1.0	3.0
% change in net profit		(2.2)		2.2
NIM (%)	±5bp	3.22	3.27	3.32
% change in net profit		(4.2)		4.2
Credit cost (bp)	±10bp	125	135	145
% change in net profit		5.4		(5.4)

Source: FSSIA estimates

## Greater focus on private corporate and retail loans

We are optimistic about KTB's business outlook in 2025-26 due to its ability to capture the upcoming tailwinds. We maintain our positive outlook on the Thai economy, supported by a K-shaped recovery. The Bank of Thailand (BoT) forecasts 2024 GDP growth at 2.6% y-y, up from 1.9% y-y in 2023, implying that Thai GDP will grow by 2.6% y-y and 3.6% y-y each quarter in 2H24, driven by 1) a continued recovery in the tourism sector; 2) private consumption growth, particularly in the service sector, though at a slower pace compared to 2023 due to debt burdens and incomplete income recovery; 3) increased government spending after the 2024 Budget Act came into effect in late April 2024; and 4) the government's economic stimulus measures both short and long term. The expected GDP growth in 2025, based on the BoT's forecasts, is at 3.0% y-y, rising from 2.6% y-y in 2024.

### Exhibit 1: NESDC and BoT economic projections

	2018	2019	2020	2021	2022	2023	---- NESDC ---- 2024E	---- Bank of Thailand ---- 2024E	2025E
	(y-y%)	(y-y%)	(y-y%)	(y-y%)	(y-y%)	(y-y%)	(y-y%)	(y-y%)	(y-y%)
Real GDP growth	4.2	2.3	(6.4)	1.5	2.6	1.9	2.3-2.8	<b>2.6</b>	<b>3.0</b>
Private consumption	4.6	4.0	(0.8)	0.6	6.3	7.1	4.5	<b>4.2</b>	<b>2.5</b>
Private investment	4.1	2.7	(8.1)	3.0	5.1	3.2	0.3	<b>3.3</b>	<b>3.2</b>
Public consumption	2.6	1.7	1.4	3.7	(0.0)	(4.6)	1.7	<b>1.8</b>	<b>3.3</b>
Public investment	2.8	0.1	5.1	3.4	(4.9)	(4.6)	(0.7)	<b>3.6</b>	<b>2.6</b>
Export value growth (USD b)	7.5	(3.3)	(6.5)	19.2	5.5	(1.7)	2.0	<b>1.8</b>	<b>2.6</b>
Headline inflation	1.1	0.7	(0.8)	1.2	6.1	1.2	0.4-0.9	<b>0.6</b>	<b>1.3</b>
Current account to GDP (%)	5.6	7.0	4.2	(2.0)	(3.2)	1.3	2.3	-	-
Number of tourist arrivals (m)	38.2	39.9	0.0	0.4	11.2	28.1	36.5	<b>35.5</b>	<b>39.5</b>

Note: 2024 NESDC and BoT projections do not include the digital wallet scheme

Sources: NESDC and BoT

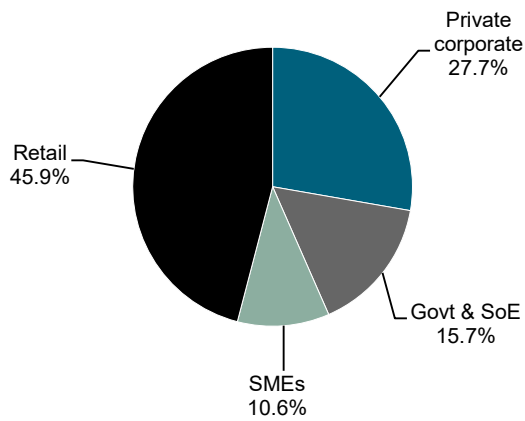
Remarkably, there are high expectations surrounding the government's plans for large-scale investment projects to drive new growth for Thailand. These include 1) the Southern Economic Corridor (Landbridge Project) with a project value of THB1t; and 2) an entertainment complex project valued at THB300-500b. Successful execution of these two projects could boost private sector investment and increase demand for bank loans in 2025, potentially resulting in growth that exceeds our current conservative estimate of 2.1% y-y.

KTB's loans have grown at an average CAGR of 4.9% over the past five years (2018-23), primarily driven by government and state enterprise loans (15% of total), which saw growth of 16.0%. Retail loans (33%) grew by 6.1%, followed by private corporate loans (29%), which increased by 3.2% CAGR during the same period. Despite the overall loan contraction of 0.6% y-y in 1H24, government and state enterprise loans surged by 6.3% y-y. Although these loans offer low yields, they serve as a channel for liquidity management, particularly when other core loan segments have slowed down, resulting in a loan-to-deposit ratio (LDR) ranging from 96.5%-100.6% vs 93.1%-97.6% of the aggregate LDR during 2016-1H24.

We project 2024-26 loans to expand by 1% CAGR, below its 3% y-y guidance in 2024. Following its loan portfolio optimization strategy, private corporate and retail loans remain its critical focus. KTB's retail loans have unique characteristics compared to other banks, as most of their customers are government employees. Additionally, many of these customers hold salary accounts with the bank, which helps reduce the default risk, particularly in the unsecured personal loan segment.

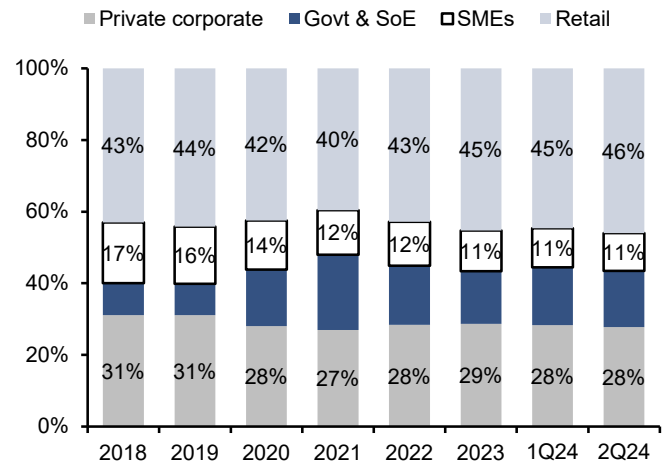
We expect 2H24 loans to grow by c2-3% h-h. The anticipated growth across different segments should remain similar to 1H24. If loans in the private corporate and retail sectors continue to decelerate, we will likely see more prominent growth in government and state-owned enterprise loans.

Exhibit 2: Loan breakdown, as of 2Q24



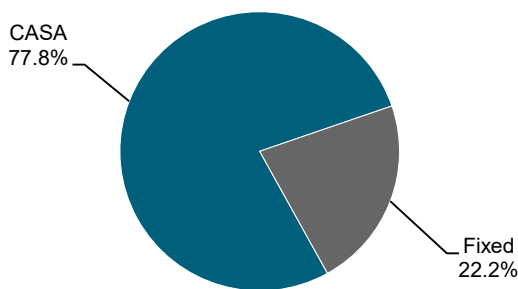
Sources: KTB; FSSIA's compilation

Exhibit 3: Loan breakdown, 2018-2Q24



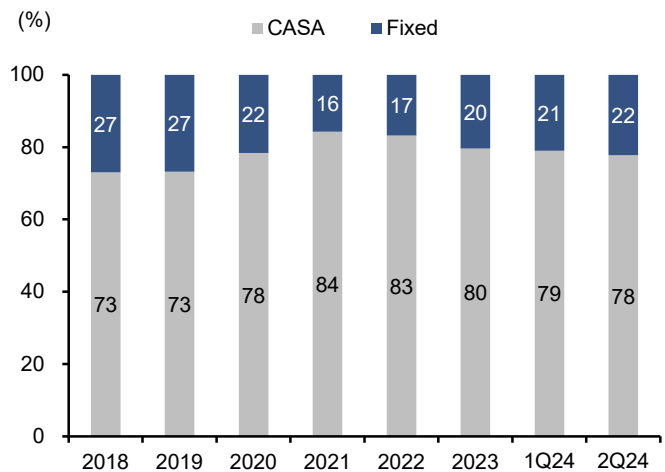
Sources: KTB; FSSIA's compilation

Exhibit 4: Deposit structure, as of 2Q24



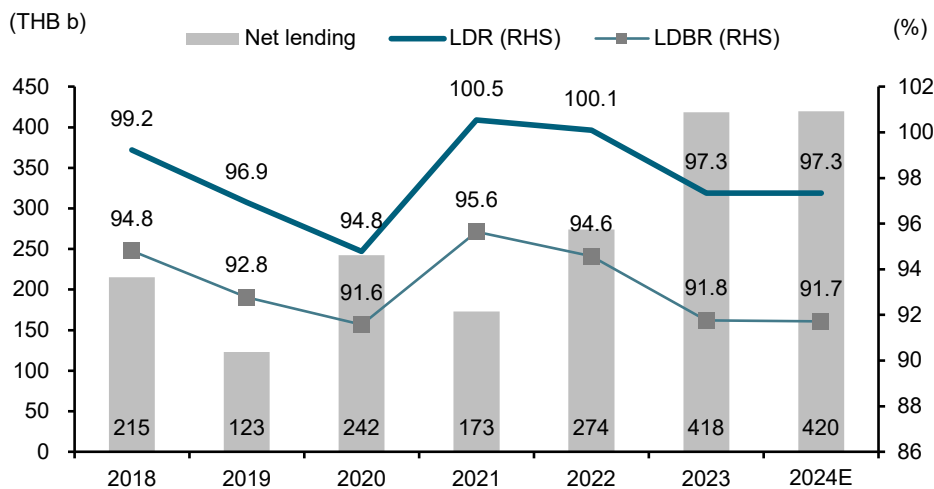
Sources: KTB; FSSIA's compilation

Exhibit 5: Deposit structure, 2018-2Q24



Sources: KTB; FSSIA's compilation

Exhibit 6: LDR and LDBR ratios, 2018-24E



Sources: KTB; FSSIA's compilation

## Effectively managed NIM despite a focus on low-yield loans

KTB's net interest margin (NIM) hit its lowest point at 2.51% in 2021, mainly due to the impact of Covid-19, during which the bank had to offer relief measures to its borrowers. However, KTB's NIM has consistently recovered since 2022, post Covid-19, reaching 3.23% in 2023 and further improving to 3.39% in 1H24. While this upward trend in NIM can mainly be attributed to rising interest rates throughout 2023, it partly stems from the bank's efficient management of interest expenses.

A significant factor in this improvement is the steady increase in the proportion of savings deposits, which grew to 78% in 1H24, up from 73% in 2018. Additionally, the bank has benefited from a shift in its loan portfolio, with the share of retail loans increasing to 46% of total loans, compared to 38% in 2017. In addition, there was a steady increase in the proportion of savings deposits, which grew to 78% in 1H24, up from 73% in 2018, thanks to KTB's strengths in multiple digital channel services.

Recent advancements in digital transformation have been made to support all activities in the digital age. KTB's standout digital services are summarized below.

### Exhibit 7: Summary of KTB's digital services

Application	Products	Achievement
<b>Krungthai NEXT</b>	Loan, deposits and transactional service	A comprehensive financial service application with over 18m users.
<b>PaoTang app</b>	Financial services	Developed as Thailand's Open Digital Platform, with a more than 40m customer base. This app offers financial services and integrates government programs, such as the "Khon La Khrueng" co-payment scheme, among others, effectively expanding the customer base.
<b>"Krungthai Gold Wallet" via PaoTang app</b>	Buy and sell 99.99% pure gold in real-time, with no transaction fees	This service, launched in 2021, has grown in popularity, with over 200K active accounts.
<b>"Digital Bond" via PaoTang app</b>	Digital bond trading	The first of its kind in Asia, with a minimum investment of only THB1K. It provides retail investors with equal and fair access to investment opportunities.
<b>"Digital Lottery" via Thung Ngern and PaoTang apps</b>	Distributing digital lottery tickets	In collaboration with the Government Lottery Office, KTB has developed this platform, making lottery ticket purchases more convenient for the public.
<b>"Krungthai Jai Pum Loan" via PaoTang app</b>	A loan service	Allowing customers to apply without needing a payroll account. The application process is quick and easy, with no guarantor required, and funds are transferred immediately upon approval.
<b>"Om Plern Savings" via PaoTang app</b>	A new savings service	Developed in collaboration with the National Savings Fund, aimed at informal workers. It encourages users to save automatically with every transaction, helping them build retirement savings efficiently.
<b>"Paotang Pay" via PaoTang app</b>	Comprehensive services for money transfers, top-ups, and payments through PromptPay QR codes at any bank or store across Thailand	The Bank has developed "Paotang Pay" under the concept of "Pay and Get". This includes the ability to pay bills for utilities like water, electricity, phone services, credit cards, insurance, and government fees, all while offering various benefits to users.

Sources: KTB; FSSIA's compilation

These services demonstrate KTB's robust development in supporting the digital age, offering comprehensive services that cover all aspects of finance and investment. In addition, the services have generated a wealth of big data, particularly from new customer bases, allowing KTB to offer a wide range of services, including loans, deposits, and fee-based income through cross-selling various financial products.

This capability to utilize data to enhance product offerings has become a key strength differentiating KTB from other banks. By leveraging big data, KTB can better understand customer needs and behaviors, enabling them to tailor services and improve customer experience, ultimately driving growth in multiple business areas. This data-driven approach plays a pivotal role in expanding KTB's competitive advantage in the market.

We expect the 2H24 NIM to be 3.23%, a 16bp drop from 1H24 due mainly to the effects of cost of funds repricing and lower yields (more competition in private corporate loans). Overall, the 2024 NIM could finish within the mid-range of its 3.0-3.3% target and our estimate of 3.28%. Thanks to effective cost management, the interest expense pressure did not accelerate as expected. Additionally, deposit competition in the market has not been intense recently, aligning with the sluggish private corporate loan demand.

We anticipate the 2025-26 NIM to stabilize at c3.27% based on our assumption that there will be no interest rate cut. However, if the interest rate decreases, we expect KTB to be the most affected bank due to its financial asset structures having more floating interest rate assets than floating interest rate liabilities (assuming only a 10bp saving deposit rate cut as during rising interest rates, this type of deposit rarely sees an increase in interest rates).

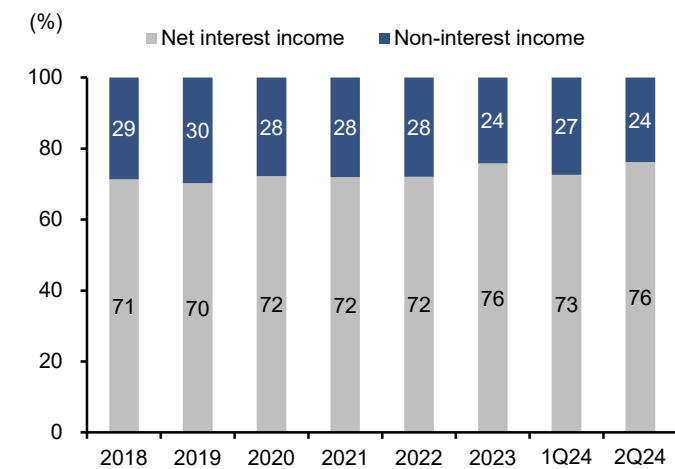
Based on our study of the impact on the 2025E NII, NIM, net profit, and target price of KTB, for every 25bp decrease in the market interest rate, the projected net interest income, currently at THB118.7b, would decline by 5.3%, all else being equal. The NIM would decrease by 15bp from the current forecast of 3.27%, net profit would drop by 11.4% from the current projection of THB38.8b, and our target price would fall by 4.7% from the current figure of THB23.50.

**Exhibit 8: Sensitivity analysis of 2025 NII, NIM, net profit, and TP in the event of a 0.25% interest rate decrease**

	BBL	KBANK	KTB	SCB	TTB	TISCO	KKP	Coverage
NII - Base case (THB m)	138,443	156,853	118,688	133,622	57,669	14,458	20,146	639,878
Change (%)	(3.6)	(3.1)	(5.3)	(2.7)	(1.0)	2.1	(0.3)	(3.1)
NIM - Base case (%)	2.91	3.68	3.27	3.83	3.27	4.84	4.69	3.42
Change (bp)	(9)	(10)	(15)	(8)	(1)	11	3	(7)
Net profit - Base case (THB m)	43,779	51,555	38,760	42,995	23,132	6,846	4,739	211,806
Change (%)	(7.6)	(6.5)	(11.4)	(5.4)	(0.9)	3.7	0.2	(6.3)
<b>TP 2025 - Base case (THB)</b>	<b>184.00</b>	<b>173.00</b>	<b>23.50</b>	<b>112.00</b>	<b>2.52</b>	<b>98.00</b>	<b>50.30</b>	
<b>Change (%)</b>	<b>(3.1)</b>	<b>(2.7)</b>	<b>(4.7)</b>	<b>(2.2)</b>	<b>(0.1)</b>	<b>1.3</b>	<b>-</b>	

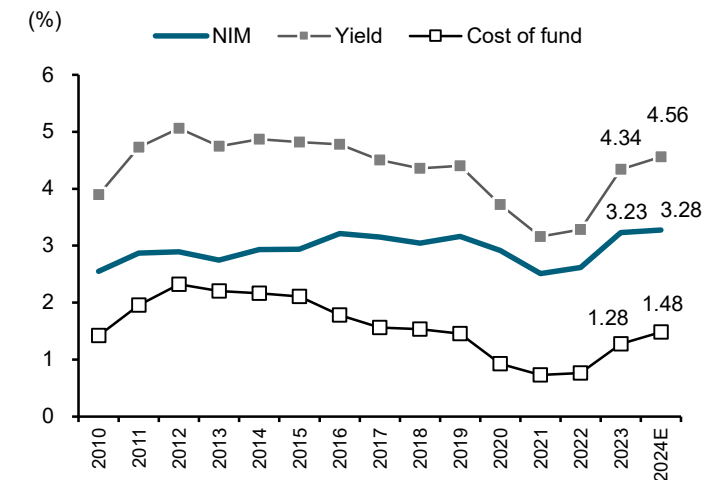
Source: FSSIA estimates

**Exhibit 9: Revenue breakdown, 2018-2Q24**



Sources: KTB; FSSIA estimates

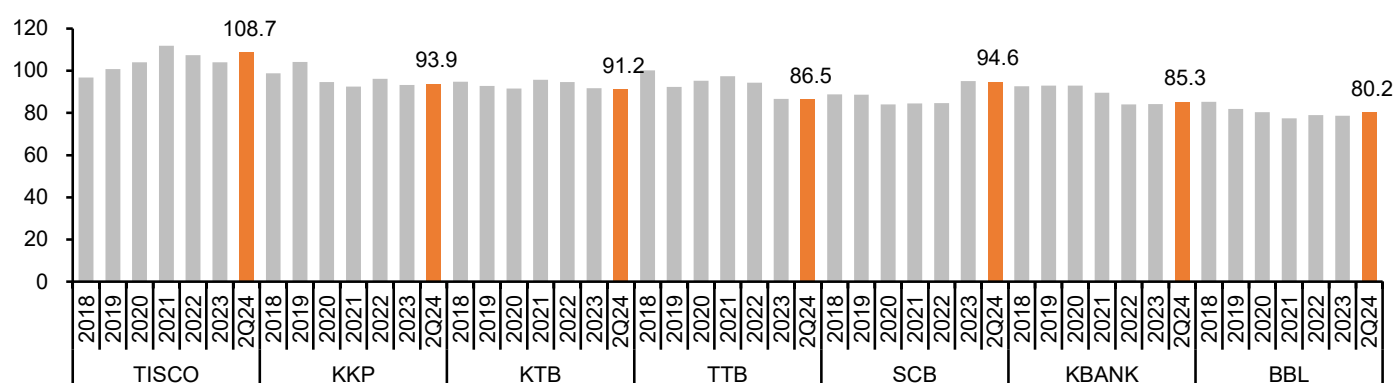
**Exhibit 10: Yields, cost of funds, and NIM, 2010-24E**



Sources: KTB; FSSIA estimates

## Exhibit 11: LDBR of Thai banks under coverage, 2018-2Q24

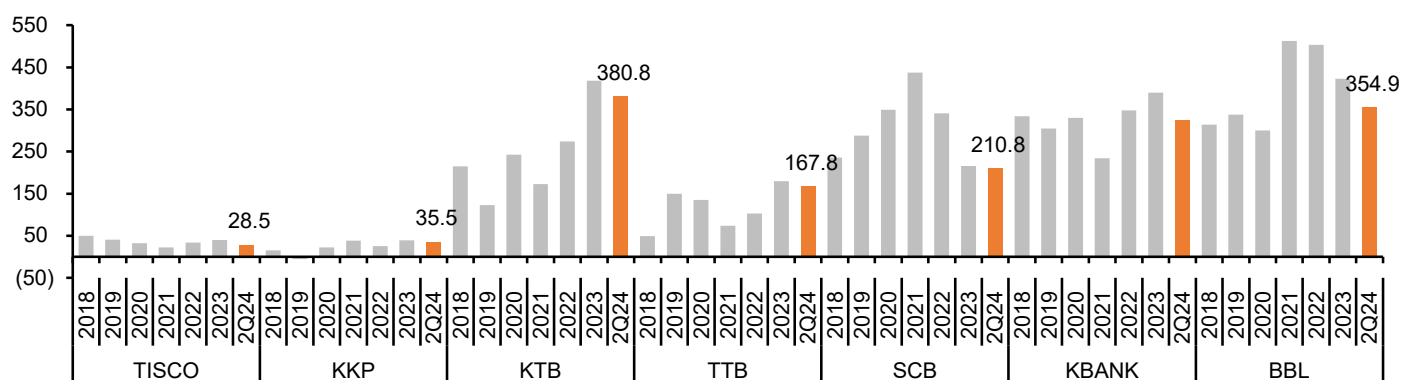
(%)



Sources: Company data; FSSIA's compilation

## Exhibit 12: Net lending position in interbank market of Thai banks under coverage, 2018-2Q24

(THB b)



Sources: Company data; FSSIA's compilation

## Digital service standouts create fee growth opportunities

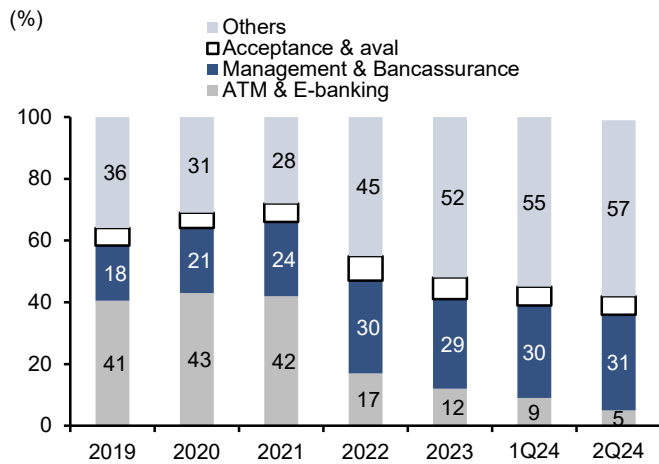
Although KTB's net fee income contracted at a 2.5% CAGR over the past five years (2018-23), contrasting with loan growth of 4.9% y-y during the same period, this trend aligns with the industry's peers. The decline is mainly driven by a continued slowdown in fee income from ATM and electronic banking services (36% of total fee income). However, it is noteworthy that more than 80% of other fee income comes from KTC (a subsidiary in which KTB holds a 49.29% stake), which has shown more aggressive growth. This was primarily driven by KTC's fee income, which surged by 13.0% CAGR over the same period.

However, the 1H24 net fee income turned out to grow 9.2% y-y, which was better than our low- to mid-single-digit assumption, with one critical driver from wealth-related fees. KTB expected a prolonged positive momentum in 2H24.

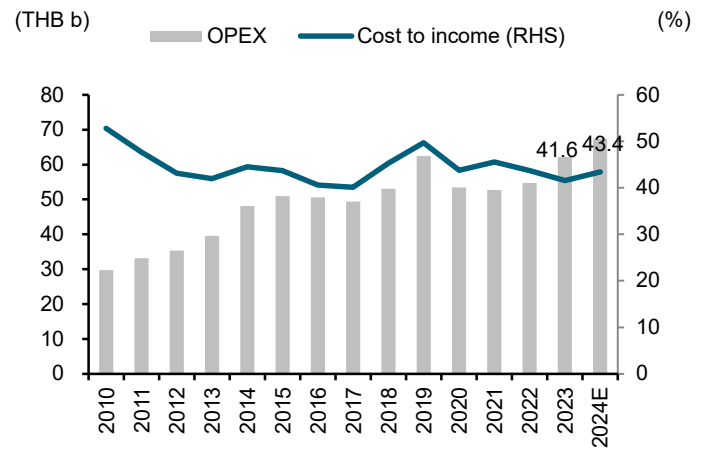
Furthermore, while KTB's digital banking services may stand at a different level than the very top of the industry, their strong integration with the government's PaoTang app offers significant strategic advantages. Although there has not been a substantial boost in fee income growth directly from this connection, the large user base of the PaoTang app and the development of new financial products through it – such as Krungthai Gold Wallet, Digital Bonds, and Digital Lottery – have led to increased customer acquisition in both loans and deposits. Additionally, these innovations allow for broader cross-selling of financial products across KTB's ecosystem.



As a result, we foresee opportunities for fee income growth in the medium to long term, with potential upside risk compared to our conservative growth assumption of only a 1.5% CAGR in fee income for 2024-26. This suggests that KTB could outperform its current fee income projections, especially as its digital banking ecosystem expands.

**Exhibit 13: Fee income breakdown, 2019-2Q24**


Sources: KTB; FSSIA's compilation

**Exhibit 14: Cost to income and OPEX, 2010-24E**


Sources: KTB; FSSIA estimates

**Exhibit 15: Network, 2018-2Q24**

	2018 (no.)	2019 (no.)	2020 (no.)	2021 (no.)	2022 (no.)	2023 (no.)	1Q24 (no.)	2Q24 (no.)
<b>Branch</b>	<b>1,120</b>	<b>1,066</b>	<b>1,024</b>	<b>1,028</b>	<b>995</b>	<b>966</b>	<b>966</b>	<b>966</b>
Change		(54)	(42)	4	(33)	(29)	(18)	(6)
Upcountry	764	747	723	724	703	685	685	685
Change		(17)	(24)	1	(21)	(18)	(11)	(4)
Metro	356	319	301	304	292	281	281	281
Change		(37)	(18)	3	(12)	(11)	(7)	(2)
<b>ATM</b>	<b>8,836</b>	<b>8,618</b>	<b>8,493</b>	<b>8,173</b>	<b>7,461</b>	<b>8,559</b>	<b>8,548</b>	<b>8,502</b>
Change		(218)	(125)	(320)	(712)	1,098	1,122	(226)
Upcountry	6,438	6,352	6,290	6,149	5,782	6,587	6,597	6,575
Change		(86)	(62)	(141)	(367)	805	840	(106)
Metro	2,398	2,266	2,203	2,024	1,679	1,972	1,951	1,927
Change		(132)	(63)	(179)	(345)	293	282	(120)

Sources: KTB; FSSIA's compilation



## Asset quality is at the lowest level of concern among big banks

KTB's asset quality has been less of a concern compared to other big banks over the past five years (2018-23). Its NPL ratio has consistently trended downward from its peak at 5.26% in 2018 to 3.86% by the end of 2023, and remained stable at 3.85% in 1H24. Similarly, the percentage of Stage 2 loans has steadily declined from 9.51% in 2020 to 7.53% as of the end of 1H24.

We view its asset quality as under control and aligning with its 2024 guidance. Despite rising concerns in the housing segment (19%) – higher new NPL inflow from the below-THB3m segment – the bank explains that most customers are payroll and salary-based, not self-employed, and the main effects stem from the slower-than-expected economic recovery. Regarding personal loans, the overall quality is still manageable, with more than 90% of its government officers being paid with a payroll deduction.

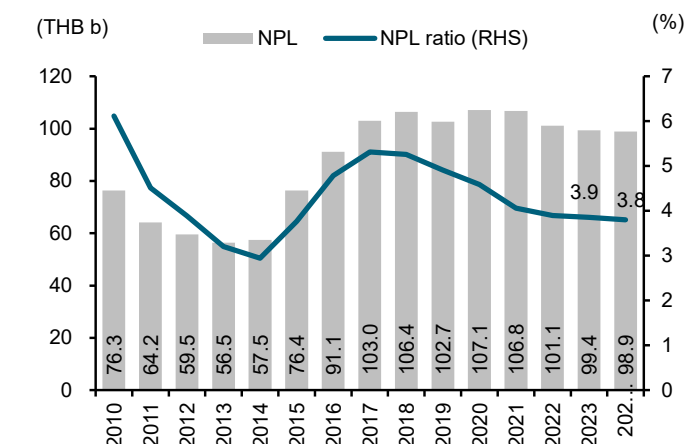
In addition, the new NPL formation of SMEs is minimal thanks to their continual de-risking (11% of total in 2Q24 from 19% in 2017). Moreover, the corporate loan quality also has no cause for alarm, just the EA case, which is short-term loans where the exposure is not material. In the worst-case scenario, KTB insists on managing the NPL ratio (<3.25%), credit costs (120-130bp vs 125bp in 1H24), and coverage ratio (>170% vs 176bp in 1H24) within its 2024 guidance.

### Exhibit 16: KTB – Staged loans and ECL, 2021-2Q24

	2021	2022	2023	1Q24	2Q24	2021	2022	2023	1Q24	2Q24
	(THB b)	(THB b)	(THB b)	(THB b)	(THB b)	(%)	(%)	(%)	(%)	(%)
<b>Staged loans</b>										
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
<b>Allowance for ECL</b>										
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
<b>LLR/ Loans</b>										
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					
<b>NPL / TL</b>										
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					

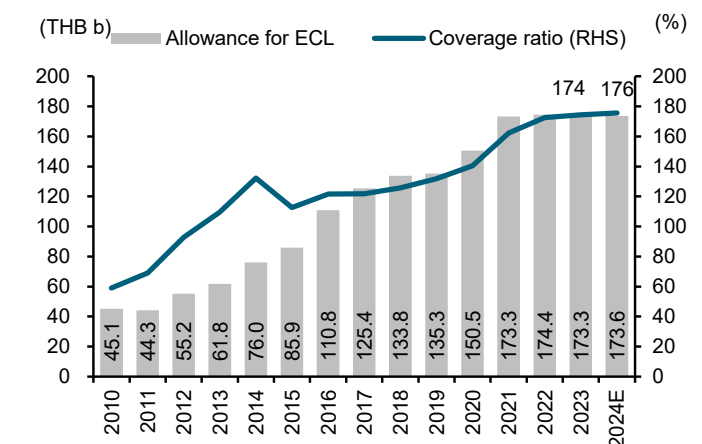
Sources: KTB; FSSIA's compilation

### Exhibit 17: Gross NPLs and NPL ratio, 2010-24E



Sources: KTB; FSSIA estimates

### Exhibit 18: Coverage ratio and LLR, 2010-24E



Sources: KTB; FSSIA estimates

## Slight growth in 3Q24 profit, pushed by rising fees

We expect KTB's 3Q24 net profit to grow slightly by 0.6% q-q but significantly grow by 9.5% y-y, amounting to THB11.3b. The anticipated PPOP is THB23.1b, increasing by 0.5% q-q and 4.4% y-y, mainly due to an anticipated increase in fees on the back of the wealth-related segment. In addition, a brighter capital market should bode well for its brokerage and mutual fund fees. NII should be stable q-q but rise by 1.6% y-y due to a slight increase in NIM by 3bp to 3.37% despite an elevated cost of funds, which would be lower than a rise in loan yields.

Moreover, we expect 3Q24 loans to expand by 1.6% q-q (but contract by 1.0% y-y) due to a corporate loan demand recovery. The expected YTD loans grow by 1.0%, slightly below its 3.0% y-y 2024 guidance. However, KTB expects loan growth to approach the guidance, supported by the corporate and government loan demand, which always accelerates in 4Q.

Operating expenses were manageable despite a continual IT investment, which was usual but not substantial. We expect the 3Q24 cost-to-income ratio to be stable q-q at 41.6%. KTB also anticipates a lower impairment loss from properties for sale in 2H24 than the THB5.40b in 1H24. The expected 9M24 cost-to-income ratio rises to 42.3%, still aligning with its mid-40% 2024 guidance and our 43.4% estimate.

Regarding its asset quality, the expected NPL ratio drops slightly to 3.80% with less cause for concern in 3Q24. We anticipate the 3Q24 credit cost to stable q-q at 124bp. The expected 9M24 credit cost at 123bp still aligns with its 120-130bp 2024 guidance, but is below our 140bp estimate.

Overall, 9M24 net profit should increase by 9.9% y-y, accounting for 89% of our full-year net profit forecast. We expect the 4Q24 net profit to decrease sharply following the peak season of operating expenses – personnel, IT, and marketing – which could offset an expected lower ECL following a stabilized NPL ratio at 3.80%.

### Exhibit 19: KTB – 3Q24E earnings preview

Year end Dec 31	3Q23	4Q23	1Q24	2Q24	3Q24E	----- Change -----		9M24E	Change	%of	2024E	Change
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)	(THB m)	(y-y%)	24E	(THB m)	(y-y %)
Net interest income	29,667	30,362	29,561	30,055	30,131	0.3	1.6	89,748	8.1	76	117,455	3.6
Non-interest income	9,221	9,228	11,141	9,394	9,486	1.0	2.9	30,021	11.9	80	37,687	4.6
Fee income - net	5,503	5,434	5,577	5,277	5,338	1.2	(3.0)	16,192	4.9	76	21,186	1.5
Total operating income	38,888	39,590	40,703	39,449	39,616	0.4	1.9	119,768	9.0	77	155,142	3.8
Total operating expenses	16,733	17,745	17,731	16,438	16,491	0.3	(1.4)	50,659	14.1	75	67,398	8.4
PPOP before tax	22,155	21,845	22,972	23,012	23,125	0.5	4.4	69,109	5.6	79	87,744	0.5
Expected credit loss	8,157	13,070	8,029	8,004	8,000	(0.0)	(1.9)	24,032	0.1	66	36,252	(2.2)
Income tax	2,774	1,733	2,936	2,877	2,904	0.9	4.7	8,717	6.7	86	10,093	1.9
Non-controlling interest	941	931	929	936	960	2.6	2.0	2,825	1.9	75	3,779	2.0
<b>Net profit</b>	<b>10,282</b>	<b>6,111</b>	<b>11,078</b>	<b>11,195</b>	<b>11,261</b>	<b>0.6</b>	<b>9.5</b>	<b>33,535</b>	<b>9.9</b>	<b>89</b>	<b>37,621</b>	<b>2.7</b>
EPS (THB)	0.74	0.44	0.79	0.80	0.81	0.6	9.5	2.40	9.9	89	2.69	2.7
<b>Key ratios</b>	<b>3Q23</b>	<b>4Q23</b>	<b>1Q24</b>	<b>2Q24</b>	<b>3Q24E</b>	<b>---- Change ----</b>		<b>9M24E</b>	<b>Change</b>		<b>2024E</b>	<b>Change</b>
<b>Asset quality ratio</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(q-q%)</b>	<b>(y-y%)</b>	<b>(THB m)</b>	<b>(y-y %)</b>		<b>(%)</b>	<b>(y-y %)</b>
Gross NPLs (THB m)	98,309	99,407	98,815	98,701	98,900	0.2	0.6	98,900	0.6		98,887	(0.5)
Change	(0.5)	1.1	(0.6)	(0.1)	0.2			0.6			(0.5)	
NPL ratios (%) - reported	3.10	3.08	3.14	3.12								
NPL ratio (%)*	3.74	3.86	3.77	3.85	3.80			3.80			3.80	
Coverage ratio (%) - reported	180	181	182	181								
Coverage ratio (%)*	174	174	175	176	176			176			176	
Credit cost (bp)	125	201	124	124	124			123			140	
<b>Profitability ratio</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>			<b>(%)</b>			<b>(%)</b>	
Cost to income ratio	43.0	44.8	43.6	41.7	41.6			42.3			43.4	
Average yield (%)	4.57	4.74	4.58	4.65	4.70			4.70			4.56	
Cost of funds (%)	1.32	1.49	1.46	1.48	1.51			1.50			1.48	
NIM (%) - reported	3.20	3.38	3.41	3.31	3.37							
NIM (%)*	3.42	3.45	3.31	3.37	3.40			3.40			3.28	
Non-interest income /total income (%)	23.7	23.3	27.4	23.8	23.9			25.1			24.3	
<b>Loan growth</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>			<b>(%)</b>			<b>(%)</b>	
q-q	2.0	(2.0)	1.6	(2.2)	1.6							
y-y	0.7	(0.6)	1.4	(0.7)	(1.0)			(1.0)			1.0	
Year-to-date	1.4	(0.6)	1.6	(0.6)	1.0			(0.6)				

Sources: KTB; FSSIA estimates

## Maintain 2024-26 forecast; higher loan growth potential than estimated

We retain our 2024-26 forecast at a 3.2% CAGR, based on our conservative assumptions following the 2024 economic situation, without factoring in any positive effects from the government stimulus packages to drive the Thai economy.

For 2024, we expect 2.7% y-y net profit growth with a 9.1% ROE, due mainly to a large base in 2023 following the market interest rate hikes. We assume a conservative 1.0% y-y loan expansion – below its 3.0% y-y guidance – with a 5bp rise in NIM (stable 2024 RP rate) to 3.28%, aligning with the bank's 3.00-3.30% guidance. Fee income should grow 1.5% y-y, aligning with its low- to mid-single-digit growth guidance, mainly driven by wealth-related fees. We anticipate a slight drop in credit costs to 140bp (to factor in reduced concern over its asset quality in 9M24), exceeding KTB's 120-130bp guidance. The cost-to-income ratio should climb to 43.4%, mainly due to an abnormal low in the 2023 level and a continual IT investment, aligning with its guidance of below the mid-40% range.

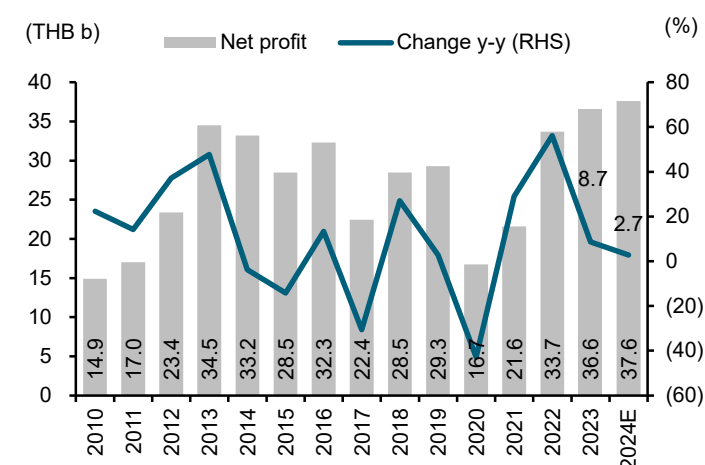
For 2025-26, we expect net profit to increase by 3.0% y-y and 3.8% y-y, respectively, based on our conservative 1.0% loan expansion CAGR. The increasing domestic loan demand driven by a new investment cycle will likely cause our loan growth assumptions to be underestimated. We anticipate a relatively flat 2025-26 NIM at 3.27% with our assumed stable MPC policy rate. The 2025-26 credit cost should gradually slow down to 135bp and 130bp, respectively, as we have less concern over KTB's asset quality, with a comfortable reserve coverage expected at 179% in 2026.

### Exhibit 20: FSSIA estimates vs management guidance

	KTB*	KTB*	FSSIA
	2023	2024E	2024E
Loan growth*	-0.6%	3.0%	1.0%
NIM	3.22%	3.0-3.3%	3.28%
Fee income growth	2.70%	Low to mid-single digit	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	181.30%	> 170%	176

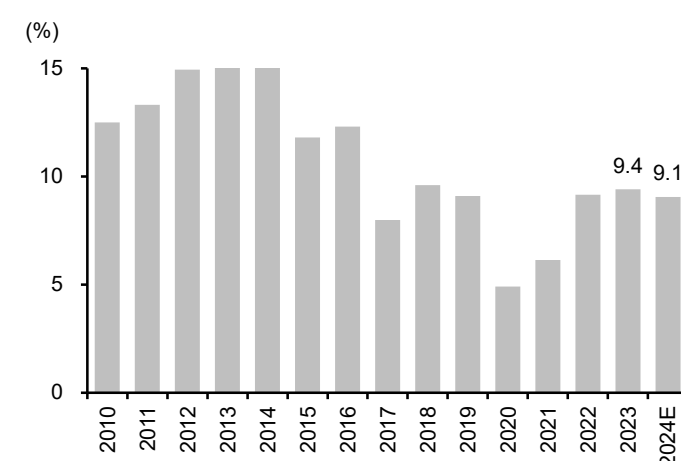
Sources: KTB; FSSIA estimates

### Exhibit 21: Net profit and growth, 2010-24E



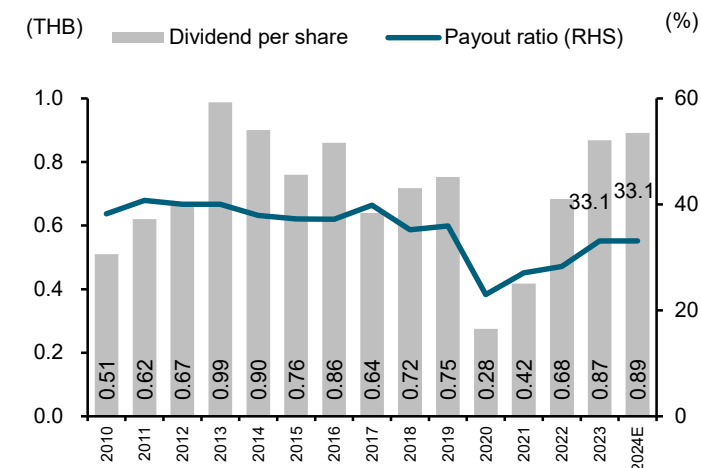
Sources: KTB; FSSIA estimates

### Exhibit 22: ROE, 2010-24E



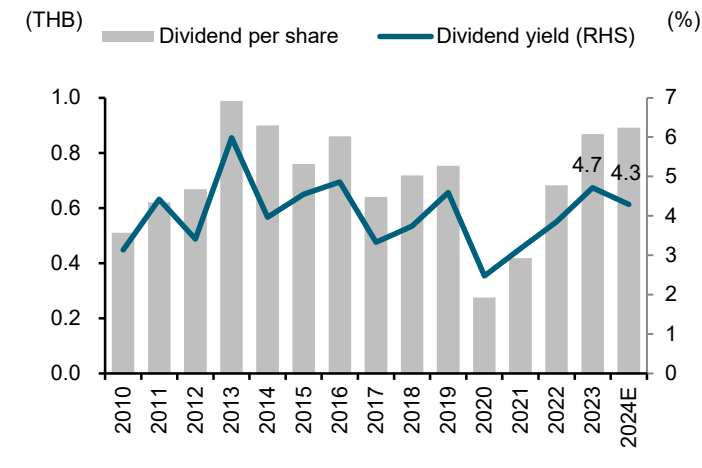
Sources: KTB; FSSIA estimates

Exhibit 23: Dividend and payout ratio, 2010-24E



Sources: KTB; FSSIA estimates

Exhibit 24: Dividend yield and DPS



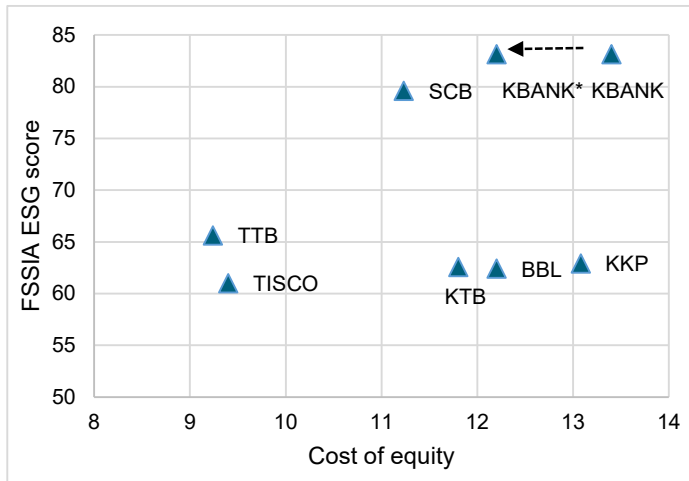
Sources: KTB; FSSIA estimates

### Maintain our top BUY call and roll over to 2025 TP at THB23.50

We retain our top BUY recommendation due to its ability to capture the upcoming opportunities of the new investment cycle, which should bode well for the government and private loan demand combined with fee growth from its solid digital service platform. Despite its current share price, which implies a 0.65x P/BV, exceeding its 5-yr average of 0.56x, we see an opportunity to re-rate and trade at a premium valuation at +1SD, or 0.70x P/BV, combined with an attractive dividend yield of c5.2-5.6% p.a. In addition, we roll our GGM-based TP over to 2025 at THB23.50, implying a P/BV of 0.72x, under an expected LT-ROE of 8.8% and COE of 11.8% (no adjustment to our 4-star ESG score).

With our compiled set of ESG scores of banks under coverage, KBANK and SCB stand out the most with ESG scores of 83 and 80, respectively, while most banks range in lower-scored territory of 60-65. As per our investigation to include ESG views on our valuations, we expect KTB to neither deserve a premium nor a discount, given its on-average score of 63. Meanwhile, we see SCB, with its outstanding ESG performance, as deserving a lower cost of equity (COE) of 11.2% relative to other big banks.

However, despite KBANK's leading sustainability performance, the COE that we are currently giving remains the highest among banks under coverage, which we think calls for a reduction to at least at 12.2%, equivalent to BBL's. Therefore, we see potential room for a higher P/BV valuation multiple of 0.71x that we now have for the bank.

**Exhibit 25: 2025E cost of equity vs FSSIA ESG scores**


Source: FSSIA estimates

**Exhibit 26: 2025E cost of equity vs FSSIA ESG scores (table)**

	Current COE (%)	FSSIA ESG score
<b>BBL</b>	<b>12.2</b>	<b>62</b>
KBANK	13.4	83
SCB	11.23	80
KTB	11.8	63
TTB	9.24	66
TISCO	9.4	61
KKP	13.08	63
<b>KBANK (Adjusted COE)</b>	<b>12.2</b>	<b>83</b>

Source: FSSIA estimates

**Exhibit 27: KTB – GGM-based 2025 TP**

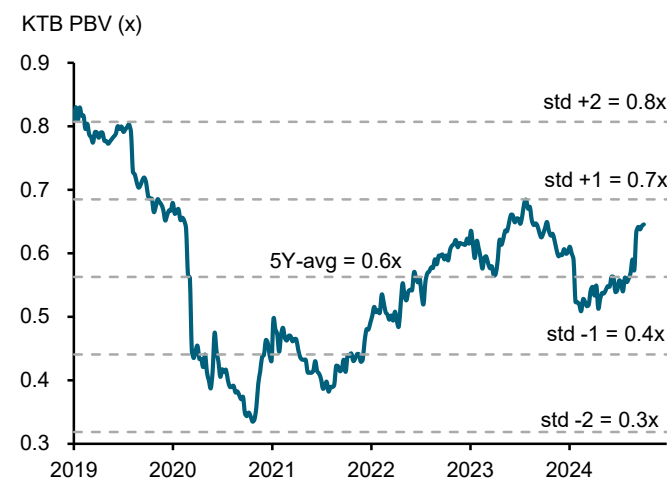
Gordon Growth Model	2025E
Sustainable ROE	8.8%
g	1.0%
ROE-g	7.8%
Beta	1.10
Risk free rate	3.0%
Risk premium	8.0%
COE	11.8%
COE-g	10.8%
<b>ROE-g/COE-g (PBV)</b>	<b>0.72</b>

Source: FSSIA estimates

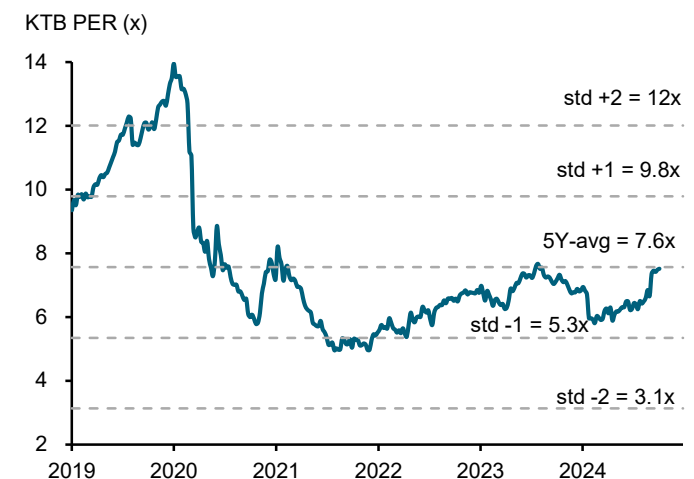
**Exhibit 28: Share price performance of banks under coverage, as of 8 October 2024**

	Price performance				
	1M (%)	3M (%)	6M (%)	1Y (%)	YTD (%)
BBL TB	2.3	14.8	10.3	(7.4)	(0.6)
KBANK TB	(2.3)	18.3	21.1	19.7	12.6
KKP TB	0.5	6.5	(5.7)	(7.5)	(1.5)
<b>KTB TB</b>	<b>2.5</b>	<b>19.4</b>	<b>24.4</b>	<b>7.7</b>	<b>13.6</b>
SCB TB	(1.8)	3.3	(4.3)	7.8	3.8
TISCO TB	(2.3)	1.6	(2.5)	(2.8)	(2.5)
TTB TB	(7.4)	3.9	2.7	11.3	12.0
<b>SETBANK</b>	<b>(2.0)</b>	<b>10.4</b>	<b>6.3</b>	<b>2.1</b>	<b>3.9</b>
<b>SET</b>	<b>1.5</b>	<b>10.1</b>	<b>3.7</b>	<b>1.5</b>	<b>2.6</b>

Source: Bloomberg

**Exhibit 29: KTB – one-year prospective P/BV band**


Sources: Bloomberg; FSSIA estimates

**Exhibit 30: KTB – one-year prospective PER band**


Sources: Bloomberg; FSSIA estimates

### Exhibit 31: Peer regional banks comparison, as of 8 October 2024

Company name	BBG	Share	Target	Upside	Market	--- PE ---		--- PBV ---		--- ROE ---		--- Div yld ---	
	code	price	price		Cap.	24E	25E	24E	25E	24E	25E	24E	25E
	(LCY)	(LCY)	(%)	(USD m)	(x)	(x)	(x)	(x)	(%)	(%)	(x)	(x)	
Thailand													
Bangkok Bank	BBL TB	155.50	184.00	18	8,865	7.1	6.8	0.5	0.5	7.7	7.6	4.7	4.8
Kasikornbank	KBANK TB	152.00	145.00	(5)	10,756	7.7	7.0	0.6	0.6	8.6	9.0	4.9	5.6
Krung Thai Bank	KTB TB	20.90	23.50	12	8,724	7.8	7.5	0.7	0.6	9.1	8.8	4.3	4.4
SCB X	SCB TB	110.00	110.00	0	11,062	9.0	8.6	0.8	0.7	8.6	8.8	8.9	9.3
TMBThanachart Bank	TTB TB	1.87	2.53	35	5,434	8.5	7.8	0.8	0.7	9.1	9.4	6.5	7.0
Kiatnakin Bank	KKP TB	49.50	50.30	2	1,236	9.5	8.6	0.7	0.6	7.0	7.5	5.1	5.6
Tisco Financial Group	TISCO TB	97.25	98.00	1	2,326	11.2	11.4	1.8	1.8	16.1	15.6	8.0	8.0
Thailand weighted average					6,915	9.0	8.5	0.8	0.7	8.6	8.7	5.6	5.9
Hong Kong													
Industrial & Comm Bank of China	1398 HK	4.62	n/a	n/a	284,633	4.3	4.2	0.4	0.4	9.9	9.4	7.4	7.4
China Construction Bank	939 HK	5.82	n/a	n/a	191,175	4.0	4.0	0.4	0.4	10.5	10.0	7.4	7.6
HSBC Holdings	5 HK	68.45	n/a	n/a	159,629	6.8	7.1	0.9	0.9	13.6	12.6	9.2	7.2
Bank of China	3988 HK	3.69	n/a	n/a	185,891	4.5	4.5	0.4	0.4	9.3	8.8	7.0	7.1
Hong Kong average					205,332	4.9	4.9	0.5	0.5	10.8	10.2	7.7	7.3
China													
Industrial & Comm Bank of China	601398 CH	6.12	n/a	n/a	285,015	6.2	6.1	0.6	0.6	9.8	9.3	5.0	5.0
Agricultural Bank of China	601288 CH	4.76	n/a	n/a	228,491	6.3	6.2	0.6	0.6	10.1	9.7	4.9	4.9
China Construction Bank	601939 CH	8.01	n/a	n/a	191,175	6.1	6.0	0.6	0.6	10.5	10.0	4.9	5.0
Bank of China	601988 CH	4.97	n/a	n/a	185,891	6.5	6.5	0.6	0.6	9.2	8.8	4.8	4.9
China average					222,643	6.3	6.2	0.6	0.6	9.9	9.4	4.9	5.0
South Korea													
KB Financial Group	105560 KS	89,400	n/a	n/a	26,227	6.8	6.1	0.6	0.5	9.0	9.3	3.6	3.9
Shinhan Financial Group	055550 KS	55,400	n/a	n/a	21,038	5.9	5.4	0.5	0.5	9.0	9.1	3.9	4.4
Hana Financial Group	086790 KS	61,300	n/a	n/a	13,126	4.7	4.4	0.4	0.4	9.4	9.3	5.8	6.3
Industrial Bank of Korea	024110 KS	14,130	n/a	n/a	8,400	4.2	4.1	0.4	0.3	8.8	8.5	7.3	7.8
South Korea average					17,198	5.4	5.0	0.5	0.4	9.0	9.0	5.2	5.6
Indonesia													
Bank Central Asia	BBCA IJ	10,400	n/a	n/a	83,262	24.1	21.9	4.9	4.5	21.1	21.2	2.6	2.9
Bank Rakyat Indonesia Persero	BBRI IJ	5,000	n/a	n/a	48,435	12.4	11.3	2.3	2.2	19.1	19.8	6.5	6.9
Bank Mandiri Persero	BMRI IJ	7,075	n/a	n/a	42,525	11.7	10.6	2.3	2.1	20.7	20.8	5.0	5.3
Bank Negara Indonesia Persero	BBNI IJ	5,350	n/a	n/a	12,925	9.1	8.0	1.3	1.2	14.3	15.1	5.2	5.8
Bank Syariah Indonesia	BRIS IJ	3,050	n/a	n/a	8,999	20.6	17.1	3.1	2.7	16.3	16.9	0.6	0.9
Indonesia average					39,229	15.6	13.8	2.8	2.5	18.3	18.8	4.0	4.4
Malaysia													
Malayan Banking	MAY MK	10.48	n/a	n/a	29,692	12.5	12.0	1.3	1.3	10.5	10.6	6.0	6.2
Public Bank	PBK MK	4.57	n/a	n/a	20,709	12.6	12.0	1.5	1.4	12.4	12.3	4.5	4.7
CIMB Group Holdings	CIMB MK	7.96	n/a	n/a	20,061	11.0	10.2	1.2	1.1	11.1	11.3	5.7	5.6
Hong Leong Bank	HLBK MK	21.00	n/a	n/a	10,637	10.5	9.7	1.2	1.1	11.6	11.6	3.2	3.6
RHB Bank	RHBBANK MK	6.20	n/a	n/a	6,320	9.1	8.6	0.8	0.8	9.3	9.4	6.4	6.7
Malaysia average					17,484	11.1	10.5	1.2	1.1	11.0	11.1	5.2	5.4
Singapore													
DBS Group Holdings	DBS SP	38.35	n/a	n/a	84,574	10.1	10.4	1.7	1.6	17.1	15.9	5.7	6.3
Oversea-Chinese Banking	OCBC SP	14.88	n/a	n/a	51,996	9.0	9.1	1.2	1.1	13.6	12.7	5.9	5.9
United Overseas Bank	UOB SP	31.76	n/a	n/a	40,880	9.0	8.7	1.1	1.1	12.9	12.6	5.6	5.8
Singapore average					59,150	9.4	9.4	1.3	1.3	14.5	13.7	5.7	6.0
Regional average (excl. Thailand)					89,668	9.1	8.6	1.2	1.1	12.4	12.2	5.4	5.5
Total average (incl. Thailand)					71,566	9.0	8.5	1.1	1.1	11.7	11.6	5.5	5.7

Sources: Bloomberg; FSSIA estimates

Our take on KTB’s ESG metrics

KTB has committed itself to sustainable banking by emphasizing environmental ESG issues as core elements of its corporate strategy. The bank has set a strong framework for ESG integration, and in 2023, KTB committed to achieving net-zero carbon emissions in its operations by 2030. However, the bank still faces challenges in fully meeting its carbon reduction goals, particularly in financed emissions, which present significant hurdles across various sectors, such as real estate and energy.

KTB has made steady but slower progress compared to its peers, particularly in environmental sustainability.

KTB has set a clear goal to reduce greenhouse gas emissions by 30% by 2030 compared to its 2022 baseline. In alignment with Thailand's national goal of net zero emissions by 2065, KTB also aims to achieve net zero emissions in the long run. However, the relatively recent introduction of these targets in 2022 means that the bank has less time to show progress compared to its peers, many of whom introduced their targets around 2020. Additionally, sub-targets related to water and waste management remain absent from its current disclosures, limiting transparency in these areas.

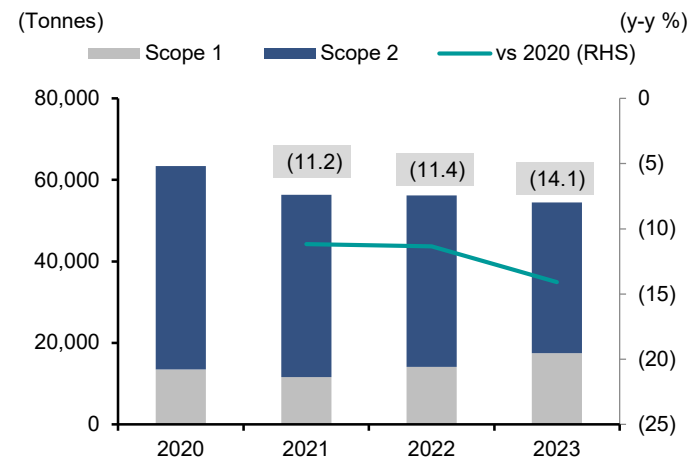
KTB also intends to steer toward green finance where the bank integrates ESG risk assessment into its financial services. However, as of the end of 2023, its outstanding green loans stood at THB20.1b, accounting for only 0.8% of total and lower than KBANK’s 2.8% and BBL’s 1.6%, reflecting how the bank is behind in terms of green financing trends.

In the social sphere, KTB has excelled in financial literacy, reaching over 1.0m people through its digital platforms like Krungthai NEXT. However, ESG-specific employee training lags, with only 39 employees participating in 2023.

KTB’s governance is solid, with a strong structure that includes multiple oversight committees and full compliance with anti-corruption and anti-money laundering regulations, but it lacks the international recognition achieved by KBANK.

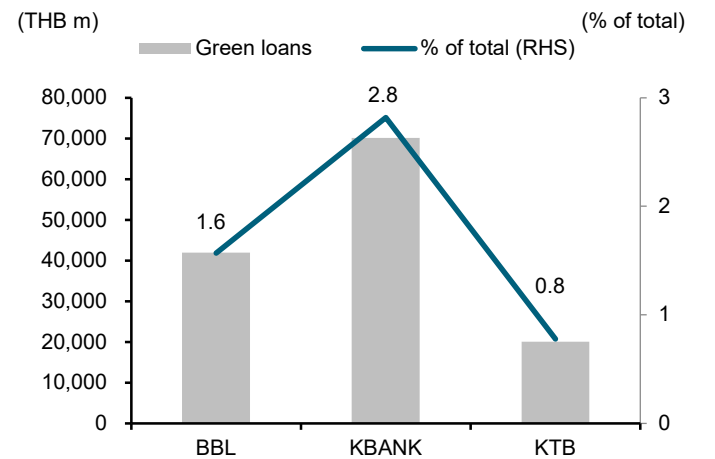
**Recommendation:** KTB has demonstrated clear progress in social initiatives, particularly in financial inclusion and literacy. While KTB has made solid contributions to social sustainability, particularly through its financial literacy programs, it lags KBANK in environmental performance and governance recognition. KTB seems to be taking a more incremental approach, focusing on applying ESG principles within its traditional financial operations, which reflects a reluctance to fully embrace the innovative potential of the green finance sector. This might serve it well in maintaining low-risk government clients, but it could lead KTB to struggle in staying competitive without further innovation in dedicated green finance products.

Exhibit 32: KTB – GHG emissions, 2020-23



Sources: KTB; FSSIA's compilation

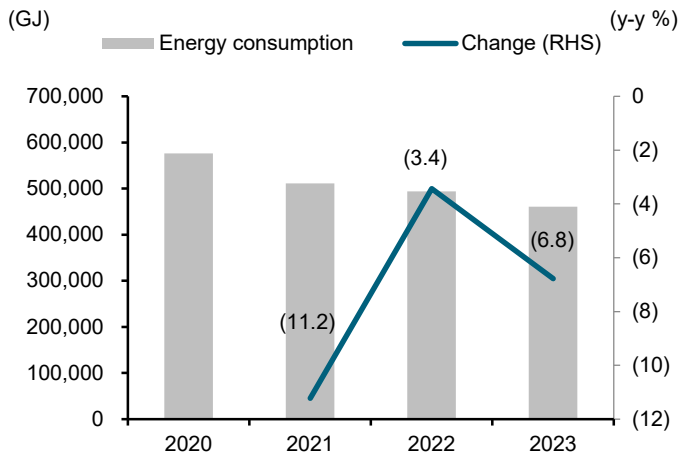
Exhibit 33: Comparison of green loans, as of 2023



Sources: KTB; FSSIA's compilation

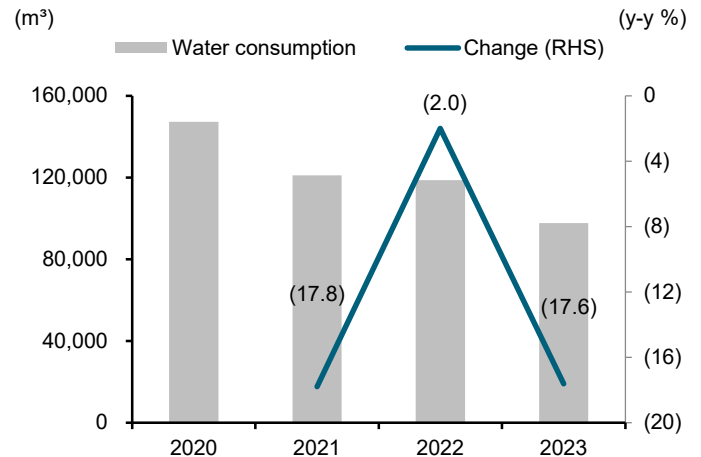


Exhibit 34: Energy consumption, 2020-23



Sources: KTB; FSSIA's compilation

Exhibit 35: Use of water, 2020-23



Sources: KTB; FSSIA's compilation

Exhibit 36: FSSIA ESG score implication

**62.57 /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	<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.

Source: FSSIA estimates

Exhibit 37: ESG – peers 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	70.66	5.69	4.40	4.05	4.81	4.50	4.04	Medium	57.14	BBB	23.05	60.65	66.19	3.72	28.17
Coverage	66.38	5.37	4.15	4.00	4.65	4.31	3.64	Medium	52.68	BB	18.59	58.02	61.99	3.40	31.94
BBL	62.41	--	Y	AA	5.00	4.00	Certified	Medium	59.26	--	41.00	62.71	69.00	2.19	60.06
KBANK	83.13	Y	Y	AAA	5.00	5.00	Certified	Medium	51.11	AA	48.00	73.64	86.00	4.05	59.77
KTB	62.57	--	Y	AAA	5.00	4.00	Certified	Medium	64.47	BBB	36.00	60.53	61.00	2.12	59.11
SCB	79.60	Y	Y	AA	5.00	4.00	Certified	Medium	50.11	A	--	77.07	85.00	3.43	--
KKP	62.90	--	Y	BBB	5.00	5.00	Certified	Medium	54.19	BBB	--	75.73	26.00	2.18	45.90
TISCO	60.99	--	Y	AAA	5.00	5.00	Certified	Medium	65.63	--	--	63.45	26.00	3.57	44.21
TTB	65.62	--	Y	AA	5.00	5.00	Certified	Medium	62.10	BBB	39.00	59.32	68.00	3.20	52.96

Sources: [SETTRADE.com](https://www.settrade.com); FSSIA's compilation

## 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	2.88
Reported EPS	2.41	2.62	2.69	2.77	2.88
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	3.8
Reported EPS (%)	56.1	8.7	2.7	3.0	3.8
<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	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
<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	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	99,407	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	1.7
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	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
<b>Asset Quality (FSSIA's calculation)</b>					
Change in NPL (%)	(5.3)	(1.7)	(0.5)	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	174.4	175.5	177.1	178.7
<b>Valuation</b>					
Recurring P/E (x) *	8.7	8.0	7.8	7.5	7.3
Recurring P/E @ target price (x) *	9.7	9.0	8.7	8.5	8.2
Reported P/E (x)	8.7	8.0	7.8	7.5	7.3
Dividend yield (%)	3.3	4.2	4.3	4.4	4.6
Price/book (x)	0.8	0.7	0.7	0.6	0.5
Price/tangible book (x)	0.8	0.7	0.7	0.6	0.5
Price/tangible book @ target price (x)	0.9	0.8	0.8	0.7	0.6

\* 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 38: 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.
★★★★★	>59-79	<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 39: 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](https://www.settrade.com); FSSIA's compilation

### Exhibit 40: 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 41: 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>								
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
<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 ( <a href="#">DJSI</a> ) 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 ( <a href="#">THSI</a> ) by The Stock Exchange of Thailand ( <a href="#">SET</a> )	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.																			
<b>CG Score</b> 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%).																			
<b>AGM level</b> 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.																			
<a href="#">Thai CAC</a> 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.																			
<a href="#">Morningstar Sustainalytics</a>	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><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+									
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0-10	10-20	20-30	30-40	40+																	
<a href="#">ESG Book</a>	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.																			
<a href="#">MSCI</a>	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><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></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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<a href="#">Moody's ESG solutions</a>	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.																				
<a href="#">Refinitiv ESG rating</a>	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>																				
<a href="#">S&amp;P Global</a>	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.																				
<b>Bloomberg</b>	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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Company	Ticker	Price	Rating	Valuation & Risks
Krung Thai Bank	KTB TB	THB 20.90	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.
Bangkok Bank	BBL TB	THB 155.50	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.
Kasikornbank	KBANK TB	THB 152.00	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. Upside risks comprise 1) lower credit cost from better asset quality; and 2) the better ongoing cost control efficiency
SCB X	SCB TB	THB 110.00	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. Upside risks comprise 1) the faster-than-expected recovery of EA operation and financial stability and 2) the reduction in Thailand household debts.
TMBThanachart Bank	TTB TB	THB 1.87	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 Phatra Bank	KKP TB	THB 49.50	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. Upside risks comprise 1) lower credit cost from better asset quality; and 2) improved market price of used cars and lower loss on sales of NPAs
Tisco Financial	TISCO TB	THB 97.25	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 08-Oct-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.