

# KRUNG THAI BANK

THAILAND / BANKING

# KTB TB

# BUY

UNCHANGED

## 3Q24 results at first glance

### 3Q24 profit in line with our estimate but exceeded the BBG consensus by 3%

KTB reported a 3Q24 net profit of THB11.1b, a decrease of 0.8% q-q but an increase of 8.0% y-y. The slight q-q decline in net profit was mainly due to higher ECLs than the PPOP. PPOP rose by 1.5% q-q and 5.5% y-y to THB23.4b, driven by higher non-NII, especially net fee income, which offset the decline in NII and increased operating expenses. Furthermore, there were no concerns about asset quality in 3Q24, as it was well-managed and in line with the bank's 2024 guidance. The 9M24 net profit grew by 9.4% y-y, representing 89% of our full-year forecast.

We retain our 2024-26 forecast and maintain our top BUY call with a 2025 GGM-based TP of THB 23.50, implying 0.72x P/BV, based on an expected LT-ROE of 8% and COE of 11.8%.

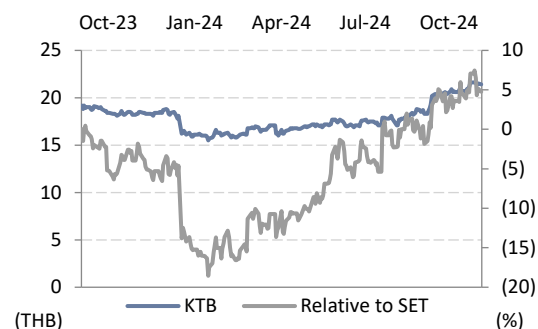
#### Highlights

- (0) **Net interest income (NII) slightly declined as expected**, in line with the continued loan slowdown of +0.1% q-q and -2.5% y-y. While there was growth in government loans (16% of total) and retail loans (46%), particularly in housing (19%) and personal loans (24%), this was offset by declines in private corporate loans (16%) and SME loans (10%) due to high levels of debt repayment. Overall, loans in 9M24 contracted slightly by 0.5% YTD, below the 2024 guidance of 3% y-y but in line with our target of 1% y-y, as we expect loan demand to increase in 4Q24 due to seasonal factors. The 3Q24 NIM remained stable at 3.38%, with a 5bp increase in the loan yield, which was offset by a similar rise in the cost of funds. The 9M24 NIM rose to 3.39%, exceeding the 2024 guidance of 3.00-3.30% and our estimate of 3.28%.
- (+) **Non-NII increased more than expected in 3Q24**, growing 13.6% q-q and 15.7% y-y. This growth was supported by a higher-than-anticipated rise in net fee income, mainly from bancassurance and wealth management transactions. 9M24 fee income rose by 6.7% y-y, surpassing the 2024 guidance of low to mid-single-digit growth and our estimate of 1.5% y-y. Other non-NII components also exceeded expectations, including gains from mark-to-market on FVTPL investments, gains on investment, and bad-debt recovery income.
- (-) **Operating expenses increased more than expected**, rising by 4.6% q-q and 2.8% y-y in 3Q24 due to higher IT and digital investment costs. This increase offset the positive impact of a significant reduction in losses from foreclosed assets, which had been substantially marked down in previous periods and are now approaching normalized levels. Consequently, the 3Q24 cost-to-income ratio rose to 42.4% vs 41.7% in 2Q24. Overall, the 9M24 cost-to-income ratio stood at 42.5%, aligning with its 2024 guidance of below the mid-40% range and our full-year estimate of 43.4%.

TARGET PRICE	THB23.50
CLOSE	THB21.40
UP/DOWNSIDE	+9.8%
TP vs CONSENSUS	+5.1%

#### 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)	8.1
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)	8.2	8.0	7.7	6.2
Dividend yield (%)	4.1	4.2	4.3	4.5
Price/book (x)	0.7	0.7	0.7	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 (%)	4.9	25.1	11.5
Relative to country (%)	2.3	10.7	4.8
Mkt cap (USD m)	8,945		
3m avg. daily turnover (USD m)	36.3		
Free float (%)	45		
Major shareholder	FIDF (55%)		
12m high/low (THB)	22.00/15.40		
Issued shares (m)	13,976		

Sources: Bloomberg consensus; FSSIA estimates



Usanee Liurut, CISA

Fundamental Investment Analyst on Capital Market; License no. 017928  
usanee.l@fssia.com, +66 2646 9967

Maeta Cherdsatirakul

Research Assistant  
maeta.c@fssia.com, +66 2646 9971

- (0) **Asset quality was well-contained and aligned with guidance.** The NPL ratio dropped slightly to 3.83% following reduced gross NPLs by 0.4% q-q in 3Q24. Stage 2 loans increased slightly to 7.59% vs 7.53% in 2Q24, with the ratio averaging 7-8% during the past 1.5 years. The 3Q24 credit costs grew slightly by 6bp to 130bp, following a rise in ECLs. The 9M24 credit cost rose to 125bp, which still aligned with its 120-130bp 2024 guidance, but was below our 140bp estimate. The NPL coverage ratio remained solid at 179% vs 176% in 2Q24.

### Exhibit 1: KTB – 3Q24 results summary

Year end Dec 31	3Q23	4Q23	1Q24	2Q24	3Q24	----- Change -----		9M24	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	29,885	(0.6)	0.7	89,502	7.8	76	117,455	3.6
Non-interest income	9,221	9,228	11,141	9,394	10,672	13.6	15.7	31,207	16.4	83	37,687	4.6
Fee income - net	5,503	5,434	5,577	5,277	5,619	6.5	2.1	16,473	6.7	78	21,186	1.5
Total operating income	38,888	39,590	40,703	39,449	40,557	2.8	4.3	120,709	9.9	78	155,142	3.8
Total operating expenses	16,733	17,745	17,731	16,438	17,193	4.6	2.8	51,361	15.6	76	67,398	8.4
PPOP before tax	22,155	21,845	22,972	23,012	23,364	1.5	5.5	69,347	5.9	79	87,744	0.5
Expected credit loss	8,157	13,070	8,029	8,004	8,312	3.9	1.9	24,345	1.4	67	36,252	(2.2)
Income tax	2,774	1,733	2,936	2,877	2,958	2.8	6.6	8,771	7.4	87	10,093	1.9
Non-controlling interest	941	931	929	936	985	5.3	4.7	2,851	2.8	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>11,108</b>	<b>(0.8)</b>	<b>8.0</b>	<b>33,381</b>	<b>9.4</b>	<b>89</b>	<b>37,621</b>	<b>2.7</b>
EPS (THB)	0.74	0.44	0.79	0.80	0.79	(0.8)	8.0	2.39	9.4	89	2.69	2.7
<b>Key ratios</b>	<b>3Q23</b>	<b>4Q23</b>	<b>1Q24</b>	<b>2Q24</b>	<b>3Q24</b>	<b>----- Change -----</b>		<b>9M24</b>	<b>2024E</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>(%)</b>			
Gross NPLs (THB m)	98,309	99,407	98,815	98,701	98,301	(0.4)	(0.0)	98,301	(0.0)		98,887	(0.5)
Change (% from prior period)	(0.5)	1.1	(0.6)	(0.1)	(0.4)			(0.0)			(0.5)	
NPL ratios (%) - reported	3.10	3.08	3.14	3.12	3.14			3.14				
NPL ratio (%)	3.74	3.86	3.77	3.85	3.83			3.83			3.80	
Coverage ratio (%) - reported	180	181	182	181	184			184				
Coverage ratio (%)	174	174	175	176	179			179			176	
Credit cost (bp)	125	201	124	124	130			125			140	
<b>Profitability ratio</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>							
Cost to income ratio	43.0	44.8	43.6	41.7	42.4			42.5			43.4	
Average yield (%)	4.57	4.74	4.58	4.65	4.70			4.69			4.56	
Cost of funds (%)	1.32	1.49	1.46	1.48	1.53			1.50			1.48	
NIM (%) - reported	3.38	3.38	3.41	3.37	3.35			3.36				
NIM (%)	3.42	3.45	3.31	3.37	3.38			3.39			3.28	
Non-interest income/total income (%)	23.7	23.3	27.4	23.8	26.3			25.9			24.3	
<b>Loan growth</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>							
q-q	2.0	(2.0)	1.6	(2.2)	0.1							
y-y	0.7	(0.6)	1.4	(0.7)	(2.5)			(2.5)			1.0	
Year-to-date	1.4	(0.6)	1.6	(0.6)	(0.5)			(0.5)				

Sources: KTB; FSSIA estimates

## Exhibit 2: KTB – Staged loans and ECL

	2021 (THB b)	2022 (THB b)	2023 (THB b)	3Q24 (THB b)	2021 (%)	2022 (%)	2023 (%)	3Q24 (%)
<b>Staged loans</b>								
Stage 1	2,306	2,290	2,296	2,290	87.16	87.53	88.42	88.61
Stage 2	228	218	202	196	8.63	8.32	7.78	7.60
Stage 3	111	109	99	98	4.21	4.16	3.81	3.79
Total	2,646	2,616	2,596	2,585	100.00	100.00	100.00	100.00
<b>Allowance for ECL</b>								
Stage 1	45	45	47	45	1.9	2.0	2.1	2.0
Stage 2	49	53	57	62	21.4	24.1	28.2	31.4
Stage 3	77	77	68	69	69.4	70.4	69.2	70.0
Total	171	174	172	175	6.5	6.6	6.6	6.8
	(%)	(%)	(%)	(%)				
NPL / TL	4.2	4.2	3.8	3.8				
NPL vs Stage 2 loans / TL	12.8	12.5	11.6	11.4				
LLR / NPL	153	160	175	179				
LLR / (NPL vs Stage 2)	50	53	57	59				

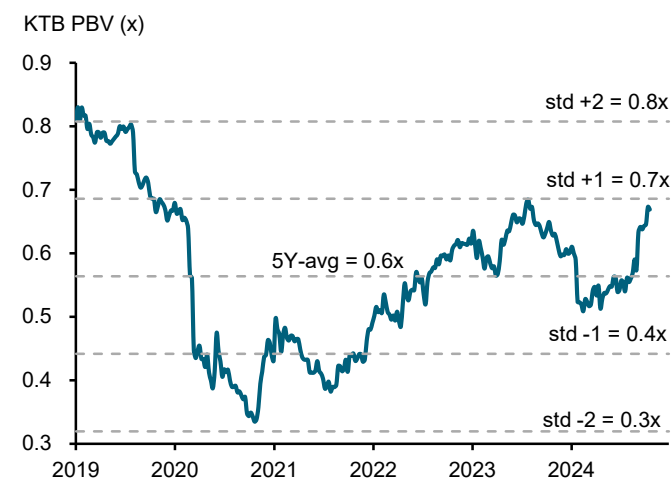
Sources: KTC; FSSIA's compilation

## Exhibit 3: KTB – 2025 GGM-based 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>

Sources: FSSIA estimates

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



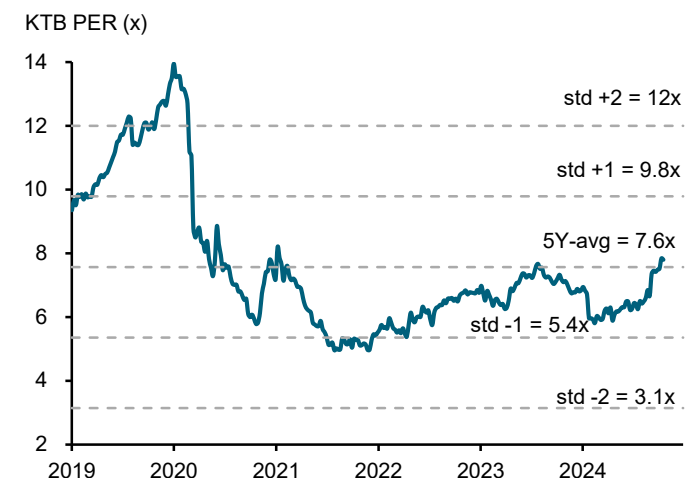
Sources: Bloomberg; FSSIA estimates

## Exhibit 4: Share price performance of banks under coverage, as of 21 October 2024

	Price performance				
	1M (%)	3M (%)	6M (%)	1Y (%)	YTD (%)
BBL TB	(0.6)	15.8	8.1	(8.1)	(1.9)
KBANK TB	(4.8)	17.2	21.0	16.3	11.1
KKP TB	3.9	28.7	0.0	2.4	5.0
<b>KTB TB</b>	<b>4.9</b>	<b>25.1</b>	<b>28.9</b>	<b>11.5</b>	<b>16.3</b>
SCB TB	2.2	12.3	9.1	14.3	7.5
TISCO TB	0.3	4.3	(1.8)	1.3	(2.0)
TTB TB	(4.2)	4.5	4.0	6.4	10.2
<b>SETBANK</b>	<b>(0.4)</b>	<b>14.1</b>	<b>10.3</b>	<b>4.0</b>	<b>4.8</b>
<b>SET</b>	<b>2.6</b>	<b>13.0</b>	<b>10.3</b>	<b>6.4</b>	<b>5.1</b>

Sources: 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
<b>Per share (THB)</b>					
Recurring EPS *	2.41	2.62	2.69	2.77	3.44
Reported EPS	2.41	2.62	2.69	2.77	3.44
DPS	0.68	0.87	0.89	0.92	0.95
<b>Growth</b>					
Net interest income (%)	8.4	25.5	3.6	1.0	1.2
Non interest income (%)	7.9	3.0	4.6	3.6	3.5
Pre provision operating profit (%)	12.0	23.6	0.5	0.6	1.1
Operating profit (%)	51.6	8.5	2.5	2.9	3.6
Reported net profit (%)	56.1	8.7	2.7	3.0	3.8
Recurring EPS (%)	56.1	8.7	2.7	3.0	24.0
Reported EPS (%)	56.1	8.7	2.7	3.0	24.0
<b>Income Breakdown</b>					
Net interest income (%)	72.1	75.9	75.7	75.2	74.8
Net fees & commission (%)	16.2	14.0	13.7	13.6	13.6
Foreign exchange trading income (%)	4.2	3.5	3.9	4.1	4.4
Securities trading income (%)	0.2	0.1	0.1	0.1	0.1
Dividend income (%)	0.3	0.2	0.2	0.2	0.3
Other income (%)	7.1	6.3	6.4	6.6	6.8
<b>Operating performance</b>					
Gross interest yield (%)	3.28	4.34	4.56	4.56	4.55
Cost of funds (%)	0.76	1.28	1.48	1.48	1.48
Net interest spread (%)	2.52	3.06	3.08	3.08	3.07
Net interest margin (%)	2.6	3.2	3.3	3.3	3.3
Cost/income(%)	43.7	41.6	43.4	44.0	44.4
Cost/assets(%)	1.5	1.7	1.8	1.8	1.9
Effective tax rate (%)	19.6	19.7	19.6	19.6	19.6
Dividend payout on recurring profit (%)	28.3	33.1	33.1	33.1	27.7
ROE (%)	9.2	9.4	9.1	8.8	8.6
ROE - COE (%)	(0.8)	(0.5)	(0.9)	(1.2)	(1.4)
ROA (%)	1.0	1.1	1.1	1.1	1.1
RORWA (%)	1.8	1.9	1.9	1.9	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) *	8.9	8.2	8.0	7.7	6.2
Recurring P/E @ target price (x) *	9.7	9.0	8.7	8.5	6.8
Reported P/E (x)	8.9	8.2	8.0	7.7	6.2
Dividend yield (%)	3.2	4.1	4.2	4.3	4.5
Price/book (x)	0.8	0.7	0.7	0.7	0.5
Price/tangible book (x)	0.8	0.7	0.7	0.7	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

★★★★

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
<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+										
NEGL	Low	Medium	High	Severe																		
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
<b>AAA</b>	8.571-10.000	<b>Leader:</b>	leading its industry in managing the most significant ESG risks and opportunities																			
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<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																			
<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 21.40	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 153.50	BUY	Downside risks are 1) prolonged economic sluggishness affecting loan growth and asset quality and 2) an impact of new regulations from the Bank of Thailand.
Kasikornbank	KBANK TB	THB 150.00	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.
Kiatnakin Phatra Bank	KKP TB	THB 52.75	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.
Krung Thai Bank	KTB TB	THB 21.40	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 114.00	HOLD	Downside risks to our GGM-based TP are 1) prolonged economic sluggishness affecting loan growth and asset quality; and 2) the impact of new regulations from the Bank of Thailand. Upside risks comprise 1) the faster-than-expected recovery of EAs operation and financial stability and 2) the reduction in Thailand's household debts.
Tisco Financial	TISCO TB	THB 97.75	HOLD	Downside risks to our GGM-based TP are 1) prolonged economic sluggishness affecting loan growth and asset quality; and 2) the impact of new regulations from the Bank of Thailand. Upside risks are 1) aggressive loan growth; and 2) well-controlled asset quality.
TMBThanachart Bank	TTB TB	THB 1.84	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 21-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.