

Krung Thai Bank (KTB TB)

FUNDAMENTAL VIEW ¹

As of 18 Jun 2024

- Krung Thai Bank (KTB; Baa1(stb)/ BBB-(pos)/ BBB+(stb)) is the 3rd largest bank by assets in Thailand, with a 55.07% state ownership through the Financial Institutions Development Fund. Strong government support underpins KTB's underlying credit profile.
- The state influence opens up the bank to potentially government-directed lending; it has secured an increasingly meaningful portion of banking business from government agencies and State Owned Enterprises, which underscored its one-notch upgrade by Fitch in Dec-21.
- KTB was faced with asset quality challenges in the past and had the highest NPL ratio and restructured loans among the major Thai banks. It has since de-risked its loan book, and asset quality has proven to be more resilient than its peers with lower COVID-19 restructured loans.

RISKS & CATALYSTS

As of 18 Jun 2024

- High household debt and challenged SMEs remain as longstanding issues in Thailand while growth momentum has remained sluggish. KTB's conservative focus on the government agencies/SOEs segment however is supporting its asset quality well.
- Rising base rates have been good for the NIM, but margins could come under greater pressure than peers as rate cuts come through possibly from 2H24 onwards given the larger corporate/SOE loan book (which tend to be floating rate). Loan growth has also been middling across the Thai banks due to a focus on quality amid the current backdrop.
- We see a two-notch differential between the standalone credit fundamentals of KTB vs. the other top Thai banks at Moody's as wide and there is an upgrade potential for KTB's standalone credit profile in the medium term.

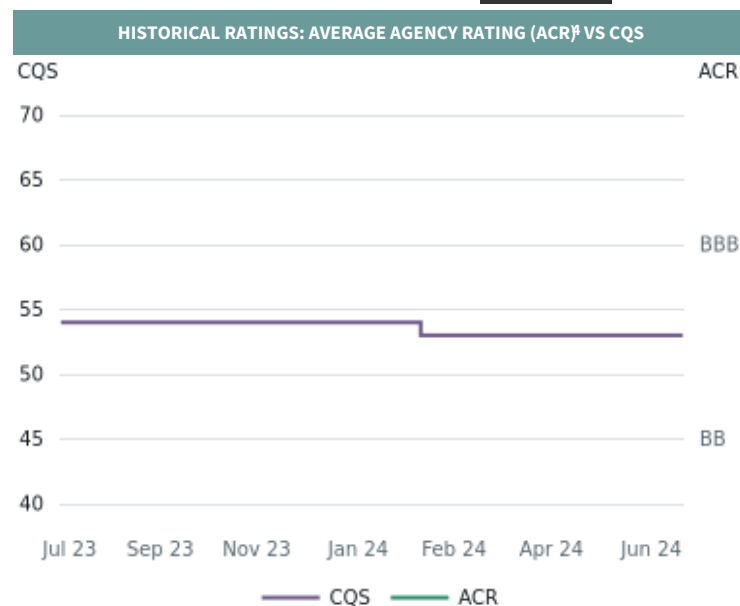
CREDIT QUALITY SCORE (CQS)²

As of 21 Jun 2024

CURRENT CQS

53 NEGATIVE STABLE POSITIVE

CQS OUTLOOK ³



KEY METRICS

As of 18 Jun 2024

THB MN	FY20	FY21	FY22	FY23	1Q24
PPP ROA	2.17%	1.83%	1.98%	2.40%	2.49%
ROA	0.53%	0.63%	0.94%	1.01%	1.20%
ROE	4.9%	6.1%	9.2%	9.4%	10.8%
Equity/Assets	10.7%	10.5%	10.9%	11.4%	11.7%
CET1 Ratio	15.4%	15.6%	15.6%	16.5%	16.4%
Calculated NPL ratio	3.81%	3.50%	3.26%	3.08%	3.14%
Provisions/Loans	2.03%	1.31%	0.93%	1.43%	1.24%
Gross LDR	99%	99%	98%	104%	101%
Liquidity Coverage Ratio	188%	196%	201%	n/m	n/m

BUSINESS DESCRIPTION

As of 18 Jun 2024

- KTB is the 3rd largest bank by assets in Thailand. The Thai Financial Institutions Development Fund owns 55.07% of the bank, and has a free float of 44.93%.
- Being the largest state-owned bank, it secures a meaningful portion of banking business from government agencies and State Owned Enterprises (SOEs) and per the bank, is the preferred bank for the government and SOE employees.
- Though state owned, the bank runs on a commercial basis and is not considered as a policy bank.
- KTB's loan profile comprised 45% retail, 28% private corporates, 11% SME, and 16% Government & SOEs at end-March 2024.

GLOSSARY

¹ The **Fundamental View** is our current assessment of credit quality and our expectation of how credit quality will trend over the next year or longer.

² The **Credit Quality Score (CQS)** is a number between 5 and 100. It is a medium-term credit score for corporates and financial institutions that utilizes a combination of sector fundamental scores and equity market signals. Values of CQS above 50 generally indicate investment grade credit quality.

³ The **Credit Quality Score (CQS) Outlook** is the near-term (3 month) outlook for the CQS, based on its trend, volatility and distance from the adjacent CQS risk bucket.

⁴ The **Agency Composite Rating (ACR)** is the average senior unsecured rating from one or more major rating agencies.

Quantitative scores provided by CreditSights Analytics, LLC. Scores are shown are for the lesser of (1) 2 years and (2) date of CreditSights inception of quantitative coverage.

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