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ING FINANCIAL MARKETS

Thailand

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BankThai

BT TB

Lean and clean

Bt11.80 16/8/02

BankThai's (BT) balance sheet has been cleaned up, and its capital base is now one of the strongest in the sector. A steady stream of 'risk-free' income as well as loan growth can be expected to provide further earnings upside.

Strongest capital base among Thai banks. BT has a very low net non-performing loan (NPL) level. Even under our worst-case scenario, which factors in almost total loss for all NPLs, the maximum impact would amount to less than 20% of BT's current equity.

Augmented by 'risk-free' income. Around 71% of BT's risk assets are insured under the government's Covered Asset Pool (CAP) scheme, under which a yield amounting to the cost of deposits plus 1% is paid. This provides a ROE of around 11%.

DCF fair value range of Bt11.90-15.50. Our calculation is based on a cost-of-equity range of 12.3-14.5% and an asset compounded growth rate of 17% for the first five years and 9.4% for the next five years. This would put BT on a 1.4-1.8x forecast FY03 book value.

Forecasts and ratings

Yr to Dec	00	01	02F	03F	04F
Net interest income (Bt m)	(1,743.8)	(748.0)	3,524.1	3,251.5	3,704.3
Underlying profit (Bt m)	(4,686.4)	936.0	1,354.5	1,528.9	2,177.3
Net profit (Bt m)	(4,781.6)	1,071.0	1,255.5	1,487.3	2,116.9
EPS (Bt)	(0.968)	0.776	0.841	0.996	1.417
Ch to previous EPS (%)	-	-	N/A	N/A	N/A
Consensus EPS (Bt)	-	-	0.737	0.68	N/A
EPS growth (%)	N/A	N/A	8.4	18.5	42.3
PER (x)	N/M	15.2	14.0	11.8	8.3
PUP (x)	N/M	18.8	13.0	11.5	8.1
Yield (%)	N/A	N/A	N/A	2.5	3.6

Source: Company data, ING estimates

DCF fair value:
Bt11.90-15.50

Financial data

	FY01	FY02F
ROE (%)	9.5	10.9
ROA (%)	0.4	0.5
Cost to income (%)	86.5	76.5
Book value/sh (Bt)	7.71	7.68
Price/book (x)	1.3	1.3
Interest cover (x)	2.5	0.6
Net interest margin (%)	-0.3	1.9

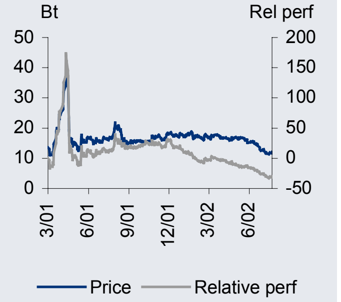
Share data

Market cap (US$m)	421.6
No of shares (m)	1,493
Daily turnover (US$m)	2.1
Free float (%)	3.0
52-week hi/lo (Bt)	23.0-11.3

Price performance (%)

	Absolute	Relative to SET
1m	-18.6	-13.6
3m	-33.3	-32.2
12m	-28.5	-45.9

Price chart



Source: SET

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Executive summary

Clean balance sheet.

BankThai's (BT) net NPLs are about 2.8% of its total loans, the lowest level among the major Thai banks. This is largely due to BT's high reserves and government insurance, which we estimate will cover 80% of its maximum expected losses under a very stringent set of worst-case assumptions.

Strong capital base.

BT has one of the highest capital adequacy levels among Thai banks. We stress-tested BT's capital base to the extreme, applying aggressive loss ratios to not only BT's own assets but also to its assets covered under the Cover Asset Pool (CAP) programme. The result is that even if recovery were set to zero, BT's capital base should be sufficient to absorb its losses without resorting to new capital.

Stable 'risk-free' income stream.

Despite having one of the highest capital adequacy ratios, BT has been able to generate an ROE of around 12%, due largely to the yield maintenance scheme paid by the FIDF on all assets under CAP. Effectively, what this means is that on around 64% of its assets (which are zero risk-weighted for capital adequacy purposes), BT will get a yield equivalent to its cost of deposits plus 1%.

Substantial earnings upside from loan growth.

BT has enough capital to support loan growth of up to 160% from its current base. Due to the bank's low loan-to-deposit ratio, its sensitivity to loan growth is quite high. Calculated off its non-CAP asset base, we estimate that every 1% growth in net loans (or Bt0.5bn) will boost BT's ROE by 0.16%. We view BT as a good proxy to leverage on Thailand's economic growth – particularly in the key middle-market segment –without taking exposure to legacy asset quality problems.

Clear corporate objective and business strategy.

BT does not plan to be 'all things to all people' and is, instead, focusing on the sector where its strength can provide a competitive advantage: wholesale banking to mid-sized corporates and SMEs. Given its small and mainly Bangkok-based branch network, a soon to be fully integrated IT system, broader product range and nimble corporate structure, BT is well positioned to be the bank of choice for more sophisticated Thai middle-market companies.

BT has high operational efficiency.

BT's decision not to focus on retail lending has helped to reduce its overall cost base, giving the bank one of the lowest cost-to-asset ratios in the sector and enabling BT to be extremely cost competitive in the wholesale sector. The reduced cost base has come about due to aggressive branch and staff reductions since the merger of the bank and 13 finance companies.

Fair value range of Bt11.90-15.50.

Based on a cost-of-equity range of 12.3-14.5% and an asset compounded growth rate of 17% for the first five years and 9.4% for the next five years, we estimate BT's DCF fair value range to be Bt11.90–15.50/sh, which would put BT on 1.4-1.8x forecast FY03 book value.

Investment highlights

To better understand BT's financial position, we need to look at two aspects of the bank:

1) The limited downside risk to its book; and

2) Its earnings upside potential (drivers of ROE).

Summary

Asset quality

BT has a low-quality asset book on its balance sheet, but very little actual risk as 71% of its gross loan assets are almost fully-covered by government insurance (BT's expected risk under our very severe assumptions is 1% of its total portfolio losses), while a further 6% are 80% covered. The bank's insured assets are covered by either or both the CAP and Thai Asset Management Corporation (TAMC).

Fig 1 Gross loan assets by risk portfolio

	Covered by CAP insurance	Not covered by CAP insurance
Covered by TAMC	**98% government risk** **29%**	**20% shareholders' risk** **6%**
Not Covered by TAMC	**98% government risk** **42%**	**100% shareholders' risk** **23%**

Source: ING estimates

As the scheme is quite complicated, we stress-tested BT's capital base by applying a very stringent baseline loss scenario.

Using this more stringent loss methodology, we estimate that BT and its shareholders are liable for a maximum of Bt11.6bn in losses, against which possibility the company is already 83% reserved. The difference amounts to around 17% of its current equity, which is not material in our view.

Fig 2 Summary of BankThai's expected loss, by portfolio

(Bt m)	Gross amount	Expected loss	Non-CAP reserves	Net loss	TAMC* loss-sharing	Net loss after TAMC	CAP insurance	Expected loss to shareholders
CAP portfolio				134,734		120,777	119,507	1,270
TAMC assets	75,585	73,696		73,696	13,957	59,738		-
Non-TAMC assets	107,227	61,039		61,039	-	61,039		-
Bank portfolio				3,290		727	-	727
TAMC assets	15,174	14,795	11,748	3,047	2,563	484	-	484
Non-TAMC assets	59,730	9,832	9,589	243	-	243	-	243
Total	257,716	159,361	21,337	138,024	16,520	121,504	-	**1,997**
% of capital								**16.68**

* Includes present value adjustments

Source: Company data, ING estimates

Profitability and growth outlook

BT has an excellent base to leverage off, given that the yield maintenance scheme that pays almost 64% of its total assets is proffering a yield amounting to BT's cost of deposits plus 1%. Given that the assets generating this yield are considered to have zero weighting for risk asset calculations, they effectively boost BT's overall net interest margin rather than reduce the capacity for higher yields.

With BT's competitive cost structure, we expect its loan growth potential to be above the sector's average, especially given the current low level of non-CAP loan assets. For every 1% growth in loans, or Bt0.5bn of net loan growth, we estimate that BT's ROE would improve by 0.16% due to the bank's high operating leverage.

BT's efforts to enhance fee income have been yielding good results, with fee income now accounting for around 10% of its total income. As the bank's expertise in dealing with more exotic products gets better recognition, BT could well enjoy a higher level of fee income in the future.

Asset quality

A high-risk appearance …

On the face of it, BT's asset quality paints an unenticing picture for investors. Gross non-performing assets amounted to Bt88bn in 1Q02, including substantial excess accrued interest receivables. What appears most alarming is that 73% of these assets were in the loss category, indicating that they have been delinquent for at least one year, with most of them potentially far longer. Under our standard reserve adequacy calculation, these assets would require 100% provisioning against the balance.

On this basis, actual reserves equal only 60% of our required amount, with the shortfall equivalent to 2.3x total equity. While this is far from uncommon for Thai banks, it does seem as if BT is no better off than any other Thai bank. Why, then, are we taking a second look?

… but effective risk of the bank is much lower

The answer is that the effective risk that BT and its shareholders assume on the institution's asset book is far lower than the raw numbers indicate. This is due to the CAP scheme, effectively an insurance programme put in place by the government when it merged BT with the Union Bank of Bangkok and 13 finance companies (see Background section for more details). The CAP programme (no relation to the Capital Augmented Preferred Shares or CAPs issued by BBL) obligates the government (through the FIDF) to pick up the final loss on the majority of BT's assets up to Bt107bn. The programme also requires the government to make yield maintenance payments (based on BT's average cost of deposits plus 1%) on all CAP assets in the interim.

On this basis, we believe that BT has the lowest risk of any of the Thai banks in our universe, although it is important to note that the cost of legacy bad debts would continue to impact the bank.

The CAP programme in detail

In September 2000, BT entered into a CAP agreement with the FIDF to compensate the bank for the overhang of bad debts contracted by the bank's predecessor entities. While we believe that there remains some risk, the combination of CAP (which became effective on 1 January 2001 and terminates on 31 December 2005) and TAMC (see below) substantially alleviates BT's asset quality problems.

Under the scheme, the bank's assets (primarily loans, but also include certain components of securities, accrued interest, foreclosed property and other assets) were divided into two pools. The first pool represents normal banking risk assets, for which the bank and its shareholders remain fully responsible (non-CAP assets).

Fig 3 CAP and non-CAP assets – 1Q02

CAP and non-CAP assets (Bt m)	1Q02 book	Covered by CAP*	1Q02 adjusted
Assets			
Cash	609		609
Interbank and money market items, plus repos	30,120	4,346	25,774
Investment securities	34,796	21,143	13,653
Gross	37,086	21,143	15,943
Plus (less): mark-to-market	(1,228)		(1,228)
Less: reserves	(1,062)		(1,062)
Investment in subsidiary & affiliates company (net)	573		573
Net loans and accrued interest receivables	125,611	77,426	48,185
Gross loans	151,688	93,917	57,771
Total loans	143,429	87,093	56,336
Accrued interest receivables	8,259	6,824	1,435
Total reserves for loan loss	(26,077)	(16,491)	(9,586)
Properties foreclosed - net	10,876	6,345	4,531
Leasing assets - net	271		271
Customers' liability ender acceptances	252		252
Fixed assets	3,585		3,585
FIDF suspenses to TAMC	56,340	56,340	-
Yield maintenance receivables	6,991	6,991	-
Other assets - net	3,611	1,717	1,894
Total assets	273,636	174,308	99,328

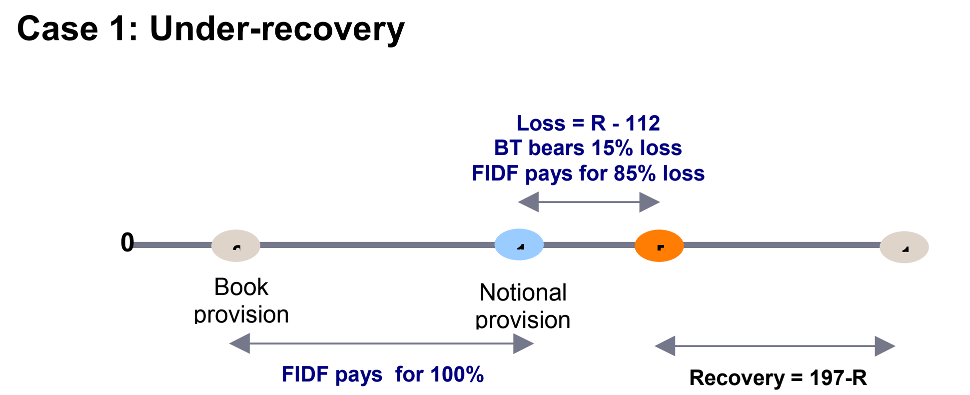
*Based on 6/30/02 CAP statement

Source: Company data, ING estimates

The second pool comprises CAP assets and are underwritten by the FIDF as follows:

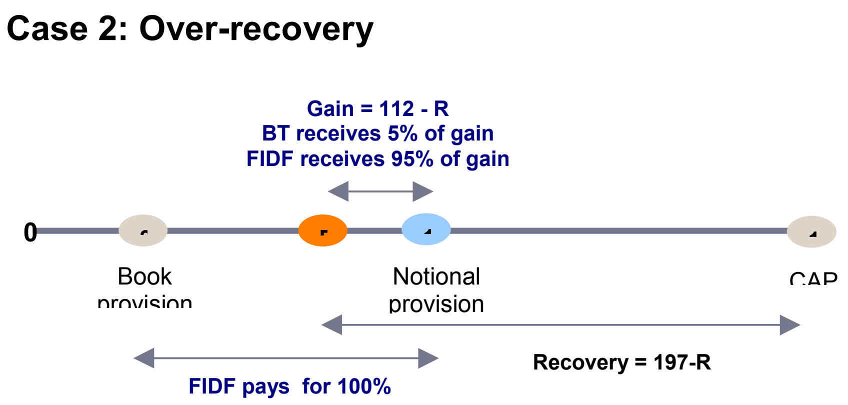
Gross CAP loans and accrued interest receivables of Bt94bn at 1Q02 are supported by actual associated specific reserves of Bt16bn. In addition, the government has agreed to a special 'notional provision' on CAP assets amounting to Bt95.8bn, bringing total reserves to Bt112bn. In addition, the FIDF committed to cover 85% of any loss on CAP assets over and above these reserves.

Fig 4 Example of loss calculation on CAP assets



Source: Company data

Fig 5 Example of gain calculation on CAP assets



Source: Company data

The notional reserves are effectively off-balance sheet provisions by the FIDF against assets on BT's balance sheet. They represent the cash amount due from FIDF in five years' time adjusted for the recovery level. As loans are restructured or charged off and losses are incurred, BT will create an asset on its balance sheet to reflect the loss and will keep the cash or other assets received as a result of the restructure. In five years' time, when the FIDF pays BT, the bank can net off the cash paid against the other asset amount created.

Until the end of the agreement, FIDF has agreed to pay a minimum yield on the CAP portfolio equivalent to the bank's cost of deposits plus 1%. In a restructuring where assets other than cash are received, the assets are eligible to receive the yield maintenance payment. At the end of 2005, the value of all the remaining CAP assets plus losses incurred since the beginning of the agreement will be matched against the notional provision, with profit or loss calculated according to the figures above.

Fig 6 Reserves against CAP and non-Cap assets

1Q02 (Bt m)	CAP assets	Non-CAP assets	Total assets
Book reserves	16,491	9,586	26,077
Notional reserves	95,818	-	95,818
Total reserves	112,309	9,586	121,895

Source: ING estimates

Expected loss on the CAP book

The CAP book itself now has two components: one covered only by the original agreement and one covered both by the original CAP plan and by the TAMC. We estimate the losses on these books separately due to their different jurisdictions, but both would fall under the overall Bt112bn notional provision.

CAP-only portfolio

We use a considerably more severe methodology to assess expected losses – and, hence, reserve adequacy – at banks across the region than do the Thai authorities. On this basis (see 'Reserve Adequacy' below for a full explanation), we estimate that the CAP-only portfolio will sustain an eventual loss of Bt61bn, representing 83% of criticised assets (primarily NPLs) and 57% of total assets in the pool.

Fig 7 Expected loss – CAP-only portfolio

CAP only portfolio (Bt m)	Gross amount	Expected loss (%)	Expected loss
Pass	33,858	1	339
Special mention	886	5	44
Substandard	959	20	192
Doubtful	1,376	50	688
Loss	57,183	100	57,183
ORE	6,499	20	1,300
Excess accrued interest rec	6,466	20	1,293
Total	107,227		61,039

Source: ING estimates

This amount is fully covered by the Bt112bn notional provision level, so that we expect no P&L or capital impact on BT.

CAP + TAMC portfolio

All Thai banks were required by law to transfer certain low-quality loans to the TAMC during 4Q01. Even though BT's portfolio was already largely guaranteed by the FIDF, the bank was not exempt from the TAMC's transfer regulations; however, the bank can benefit from the extra assistance.

For the portfolio of loans moved to the TAMC, BT is effectively doubly insured. The CAP loss-sharing formula kicks in first, with any residual charge to the bank counting as a loss under the CAP plan. It is a key point that the TAMC does not supersede the CAP but, rather, augments it.

TAMC transfer

During 4Q01, BT transferred loans with a gross value of Bt91bn to the TAMC, along with associated notional reserves of Bt69bn, for a net of Bt22bn. The bulk was CAP-covered assets, totalling Bt76bn on a gross basis and Bt18bn net of associated reserves.

The TAMC's loss-sharing agreement calls for banks to absorb 30% of the first 40% of losses over and above the transfer discount, with the TAMC picking up all additional losses. We assume that BT (and all the other Thai banks) will sustain the maximum 30% loss on these assets, and have factored this into our calculations.

Fig 8 TAMC transfers and reserves

(Bt m)	
Loans Transferred to TAMC	
Gross	90,759
Associated reserve/loss rate	68,881
Transfer price	21,878

Source: Company data, ING estimates

Expected loss on the TAMC book

Fig 9 Expected loss – TAMC assets

(Bt m)	Total		CAP	Non-CAP
Loans transferred to TAMC				
Gross	90,759		75,585	15,174
Associated reserves	68,881		57,133	11,748
Actual			-	11,748
Notional (under CAP)			57,133	-
Net	21,878		18,452	3,426
Classification assumptions:		**% total**		
Doubtful	4,538	5	3,779	759
Loss	86,221	95	71,806	14,415
Expected loss		**% gross**		
Doubtful	2,269	50	1,890	379
Loss	86,221	100	71,806	14,415
Total	88,490	98	73,696	14,795
Less: reserves	(68,881)	76	(57,133)	(11,748)
Net loss on TAMC assets	19,609		16,563	3,047

Source: Company data, ING estimates

Note that while this is a very aggressive loss assumption, the TAMC agreement alone would limit BT's liability to 30% of the loss amount, or only Bt5.4bn. The loss-sharing amount will be charged back to the bank at the five- and 10-year anniversaries of the TAMC (in 2006 and 2011).

Fig 10 Effective risk – TAMC assets

TAMC charge-back liability	Total	CAP	Non-CAP
Expected net loss on TAMC assets	19,609	16,563	3,047
% of original transfer value	89.6	89.8	88.9
BT loss-sharing (%)	30.0	30.0	30.0
Total BT liability at TAMC termination	6,563	5,536	1,028
Present value of BT liability	3,089	2,605	484

Source: Company data, ING estimates

As the CAP assets would have been marked down a year earlier, the TAMC scheme would be applied to the new market price of the assets, which is pretty close to zero under our stress test. This means that the TAMC is unlikely to have a material impact for the CAP assets.

For purposes of the CAP plan, this charge-back amount is added to the losses on the CAP-only book to determine the overall amount of loss covered by insurance.

BT's total risk from its CAP portfolio

To determine the loss for the combined CAP assets portion, we need to aggregate the losses from the TAMC CAP assets with the non-TAMC CAP assets. This comes to Bt74bn (Figure 5), bringing gross expected losses for all CAP assets to Bt135bn. Against this, we offset actual reserves of Bt16bn, notional provisions under the CAP agreement of Bt96bn (for a total CAP insured amount of Bt112bn) and TAMC loss-sharing of Bt11bn, for a remaining loss of Bt11bn.

Against this Bt11bn loss, we apply the 85% CAP insurance provision, which covers losses above the Bt112bn base insured amount. This would leave BT with expected losses on all its CAP assets (after adjusting for the present value of TAMC's charge-backs) of only Bt1.3bn.

Fig 11 Total expected loss – CAP portfolio

Insured portfolio (CAP + TAMC)	
CAP-only portfolio expected loss	61,039
Less: actual reserves	…(16,491)
Net expected loss on CAP-only	44,548
TAMC expected chargeback on CAP assets	5,536
Plus: notional reserves on TAMC transfer	…..57,133
Total expected loss on CAP-TAMC	62,669
Total expected loss on CAP portfolio	**107,216**
Less: CAP fully-insured amount	…(95,818)
Remaining loss	11,398
Less: CAP 85% loss-sharing	(9,689)
Net loss to bank	1,710
Less: PV impact of TAMC charge-back	……(440)
Cost to BankThai on expected losses	**1,270**

Source: Company data, ING estimates

BT's risk from its non-CAP portfolio

Despite the comprehensive CAP plan, the bank does retain a substantial amount of credit risk on its existing non-CAP book, and is fully liable for all new loans made. Given our assessment that the CAP portfolio will not result in any future loss to the bank, our attention naturally turns to the quality of these assets.

Fig 12 Criticised assets – non-CAP portfolio

(Bt m)	1Q02
Gross loans + foreclosed properties*	58,670
Criticised loans + foreclosed properties**	15,649
% of total loans	26.7

* Includes loans and foreclosed properties on non-CAP assets
** Includes excess accrued interest receivables on non-CAP assets
Source: Company data, ING estimates

BT's portfolio is similar to those of its competitor Thai banks (that is, poor) in terms of percentage of criticised assets, with the major difference being that BT's reserves are much higher than the average level of its peers, while the severity of bad assets is not as great. Based on our analysis, we see minimal earnings risk to BT based on its existing non-CAP portfolio given that its expected losses are well covered by its reserves.

Expected loss on the non-CAP TAMC book

Recall that a small portion of the loans transferred to the TAMC did not fall under the CAP plan, although they are subject to the 30% maximum loss-sharing rule. Our estimated loss on these assets is Bt1.0bn, which we expect would be incurred as a charge-back to the bank in 2006 and 2011. On a present value basis, this liability amounts to a maximum of Bt0.5bn.

Reserve adequacy

We calculate the required reserves and shortfall for BT and other Thai banks as follows:

We divide the banks' loan portfolios into the international standard categories of Pass (performing), Special Mention, Substandard, Doubtful, and Loss – with Loss comprising both the BOT's Doubtful of Loss classification and loans classified as Uncollectable. Note that this analysis accepts each bank's internal classification of their own loans, which we believe would be more lenient than the standards applied outside of Thailand. Also, note that unmarketable equity is not included in these classification figures.

We apply reserve weightings as follows to determine the appropriate minimum level of required reserves: 1% on Pass; 5% on Special Mention; 20% on Substandard; 50% on Doubtful; and 100% on Loss loans. In addition, where not included in the banks' internal classifications, we classify all excess (above 1.25%) accrued interest receivables and Other Real Estate (ORE, or foreclosed property) as Substandard. All assets are classified on a gross-of-collateral basis.

In the case of BT, we only apply these weightings to its non-CAP portfolio as we have already accounted for the expected losses on its CAP assets separately.

Our methodology is more stringent than that of the BOT (which is one of the most lenient in the world), but is directly in line with the standards applied by the BIS and major regulators in the US and the UK.

Fig 13 Reserve adequacy: Effective risk basis – 1Q02

1Q02	Gross amount	Reserve percentage (%)	Required reserve
Pass	44,081	1	441
Special mention	511	5	26
Substandard	946	20	189
Doubtful	1,330	50	665
Loss	7,425	100	7,425
ORE	4,377	20	875
Excess AIR	1,059	20	212
Total	59,730		9,832
Actual reserves			9,589
Shortfall			243
Actual/required (%)			98
Shortfall/capital (%)			2

Source: Company data, ING estimates

Although it is more contingent than the risks already on the balance sheet as shown above, we also have adjusted our reserve adequacy forecasts for potential TAMC charge-backs. Keep in mind that our expected loss on TAMC assets as presented above overstates economic loss as this charge-back amount cannot be accessed before the end of 2006 (and a portion not until 2011). Thus, its present value is minimal. We have made adjustments for this effect in Figure 8.

Fig 14 Reserve adequacy: Effective risk basis including TAMC – 1Q02

1Q02	Gross amount	Reserve percentage (%)	Required reserve
Pass	44,081	1%	441
Special mention	511	5%	26
Substandard	946	20%	189
Doubtful	1,330	50%	665
Loss	7,425	100%	7,425
ORE	4,377	20%	875
Excess AIR	1,059	20%	212
Net Loss on CAP assets			1,270
Non-CAP TAMC chargebacks			484
Total	59,730		11,586
Actual reserves			9,589
Shortfall			1,997
Actual/required (%)			83
Shortfall/capital (%)			17

Source: Company data, ING estimates

Note that on this, the most conservative of our measures, BT continues to be very well reserved. Only 17% of its 1Q02 equity base is at risk. This is by far the lowest in the sector and measures up creditably to regional standards as well.

Potential gain-sharing

Having looked at the downside, we should also point out that BT retains some upside on both the CAP and TAMC plans. For the CAP assets, 5% of any collection over the notional provision amount of Bt112bn will revert to the bank. For TAMC assets, the bank can claim 10% of the first 20% of recoveries over the transfer price and all of the next 20%, with all additional recoveries going to the TAMC. We think that both of these provisions are at best theoretical and, hence, have factored no gains into our forecasts.

Timing differences

The CAP programme is scheduled to end in 2005. However, CAP assets under the TAMC scheme will potentially not be reviewed (and gains and losses totted-up) until 2006, at the earliest. The bank and the FIDF have agreed to value any remaining assets held by the TAMC in 2005 and assess the amount of insured loss or gain at that time. While this will no doubt be a subjective process, the two sides will have access to an independent valuation if they cannot agree. For our purposes, we assume that most of these assets would be worthless (or very nearly so), so the issue does not affect our valuation.

The collateral issue

The major difference between our calculation and the BOT standard is that our calculation does not take into account collateral when looking at reserve adequacy (although we do think it is proper to consider collateral when classifying an exposure). This is because valuation is subject to management's discretion, many of the properties are single-purpose or unfinished sites with no value, and because the banks' ability to actually seize collateral has been limited. Even under new expedited procedures, bankers report that an average foreclosure will still take them three to five years to accomplish.

In BT's case, we note that only 34% of collateral has been appraised since the start of 2001, and that 42% has not been reviewed since 1999. Any values shown for these assets are likely to be inaccurate – a further validation of our view.

Fig 15 Collateral appraisal ageing

	Year of last appraisal			
	2001-02	2000	1999	Pre-1999
% of collateral value	34.0	12.3	11.8	41.9

Source: Company reports

Comparative asset quality

We consider the Thai banking sector to be still unacceptably distressed by regional and global standards, with many of the large commercial banks insolvent if our reserve methodology is applied. Because of this, our view on BT is dependent mainly on our opinion of absolute – not relative – asset quality. However, it is nevertheless instructive to look at the asset quality of BT's major competitors for comparison.

Fig 16 NPLs and reserve coverage – Major Thai banks

1Q02	BT*	BBL	TFB	SCB	KTB	TMB	BAY	Avg**
Criticised loans + ORE/gross loans + ORE (%)	26.7	28.4	26.0	32.6	19.3	29.8	28.0	27.3
Reserve coverage of impaired assets (%)	65.7	27.5	47.9	38.7	45.3	19.2	23.5	33.7

* Includes loans and ORE not subject to the CAP only
** Average ex-BT
Source: Company data, ING estimates

Fig 17 Impaired assets breakdown – Major Thai banks (%)

1Q02	BT*	BBL	TFB	SCB	KTB	TMB	BAY	Avg**
Impaired assets								
Loans	65.3	84.5	88.3	92.6	88.6	81.9	84.5	86.7
Special mention	3.3	14.8	7.9	10.9	13.7	15.3	9.5	12.0
Substandard	6.0	11.0	7.8	13.0	4.6	12.9	11.5	10.1
Doubtful	8.5	8.2	8.5	11.6	6.3	17.0	6.1	9.6
Loss	47.4	50.4	64.2	57.1	63.9	36.7	57.4	55.0
ORE	28.0	15.5	11.7	7.4	10.0	16.1	15.1	12.6
Excess accrued interest	6.8	0.0	0.0	0.0	1.4	2.0	0.4	0.6
Weighted classification ratio	5.79	17.10	19.02	22.18	13.90	15.85	18.80	17.81

* Includes loans and ORE not subject to the CAP only
** Average ex-BT
Source: Company data, ING estimates

As stated previously, BT's competitive advantage lies not so much in its lower proportionate gross NPLs, but in the bank's superior reserve coverage. At 65.7% of impaired assets, BT is well above BBL's 27.5% as well as the six-bank average of 33.7%. While some banks will claim a superior portfolio or better collateral positions, which means that they need not provide as much as BT, we think it more likely that the Thai banks are in general poorly reserved, based on our analysis.

This advantage will keep write-offs and restructuring losses at BT from impairing earnings or capital going forward, while we still expect significant provisions to have to be made at the other banks in the future.

Investors should also remember that the potential for TAMC charge-backs at the five- and 10-year marks is still present, although the impact would remain safely in the long term. We estimate that banks will sustain the maximum 30% charge from loss-sharing, that the top seven commercial banks have an unrecorded future liability of Bt19.0bn, or an average of 11% of current equity (9% for BT).

Fig 18 Potential TAMC loss-sharing

Bt bn	BT*	BBL	TFB	SCB	KTB	TMB	BAY	Avg**
TAMC transfers	21.9	27.0	8.5	7.6	3.2	8.0	8.9	
Potential loss sharing	1.0	8.1	2.6	2.3	1.0	2.4	2.7	
% of total equity	9	19	9	4	1	17	18	11

* Includes loans and ORE not subject to the CAP only
** Average ex-BT
Source: Company data, ING estimates

Taking all these factors into account, we find that BT looks much better than any of its competitors in terms of asset quality. It has a reserve of 98% at our very stringent required level of 83% (including all TAMC charge-backs and uncovered losses on the CAP portfolio) versus a competitor average of 48%. A low actual-to-required reserve ratio is a warning sign, but does not necessarily mean that the bank is in danger; Hang Seng Bank in Hong Kong meets only 52% of our requirements. To gauge the solvency impact, we compared the shortfall with total equity to see how much trouble the bank would have in coming up to our required level.

This measure shows that Hang Seng's relatively low risk is on a reserve shortfall amounting to only 7% of total equity. However, the Thai banks look much worse. At four of the six banks, the reserve shortfall exceeds total equity; in some cases, by a multiple.

Fig 19 Reserve adequacy – Major Thai banks

1Q02	BT*	BBL	TFB	SCB	KTB	TMB	BAY	Avg**
Actual reserves to Required reserves	98	44	63	56	60	35	34	48
Reserve shortfall to equity	2	173	124	78	70	234	325	167

* Includes loans and ORE not subject to the CAP only
** Average ex-BT
Source: Company data, ING estimates

We have also provided investors with a sensitivity analysis of BT's book value to different NPL levels at varying loss rates. As can be seen from sensitivity table, despite NPLs potentially doubling or loss rates going to almost zero on those NPLs, we estimate that the impact will still not be sufficient for BT to require additional capital.

Fig 20 BankThai's book value sensitivity to loss rate and NPL levels

2001 adjusted book value at various NPL and recovery levels (Bt/sh)					
	NPLs (% of total loans)				
NPL recovery rate (%)	**10**	**15**	**19**	**25**	**30**
15	9.6	8.1	7.0	5.1	3.7
20	9.8	8.4	7.3	5.6	4.2
30	10.1	8.9	8.0	6.4	5.2
40	10.5	9.4	8.6	7.3	6.3
50	10.8	9.9	9.3	8.2	7.3
60	11.1	10.5	9.9	9.1	8.4

Additional capital to maintain minimum Tier 1 capital adequacy (Bt bn)					
	NPLs (% of total loans)				
NPL recovery rate (%)	**10**	**15**	**19**	**25**	**30**
15	-	-	-	-	-
20	-	-	-	-	-
30	-	-	-	-	-
40	-	-	-	-	-
50	-	-	-	-	-
60	-	-	-	-	-

Source: ING estimates

Profitability

ROE

The main driver for BT's price performance is likely to be ROE over the next 12 months. Consequently, we have broken down ROE into its components to get a better understanding of the upside (or downside) potential for BT's returns.

Drivers of ROE

UP/avg assets – BDD/avg assets = PBT/avg assets x tax retention ratio

= PAT/avg assets – min.int/avg assets x leverage = ROE

Key driver of ROE will be underlying profit

The key driver of ROE to focus on will be BT's underlying profit, as we see little additional provisioning needs for BT while its tax retention ratio is almost 100% and it has little minority interest. Leverage will be largely dependent on its loan growth potential.

Drivers of underlying profit (UP)

Net interest margins

There are several components of net interest margins, comprising net spreads (determined by yield on earning assets, less funding costs) and free funds benefits (mainly non-interest bearing deposits as well as equity).

Cost of funds for BT has more room to fall

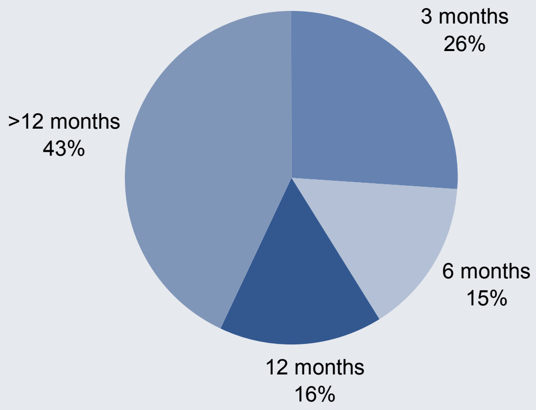
Although further falls in the cost of funds for the industry look limited, we believe that BT has more room to cut its funding cost than the sector due to the structure of its deposits. It has less savings and current accounts to total deposits (which pay less than fixed deposits) and it has more long-term deposits to better match its CAP assets (which are, again, more expensive). Over the next few years, the maturity of its deposits are likely to shorten, resulting in cheaper funding costs.

Fig 1 Structural breakdown of deposits

	Current and savings	Fixed
FY00	5.2	94.8
FY01	7.8	92.2
4/02	10.5	89.5
FY02 (F)	12.0	88.0

Source: Company data

Fig 2 Term structure of deposits



Source: Company data

Little downside left for deposit rates

The key factors to determine the outlook for net interest margins are outlined below. Given that restructured debt levels are expected to exceed relapsed NPLs, the net impact should be positive. Hence,, whether yields should rise or go down will hinge much more on loan growth.

Positive factors:

1) Yield contribution from its restructured debts (previously low-yield assets)

2) Asset shift from lower-yielding interbank market to loan assets (ie, an increase in the loan-to-deposit ratio due to faster loan than deposit growth)

3) Increase in the Thai repo market rates

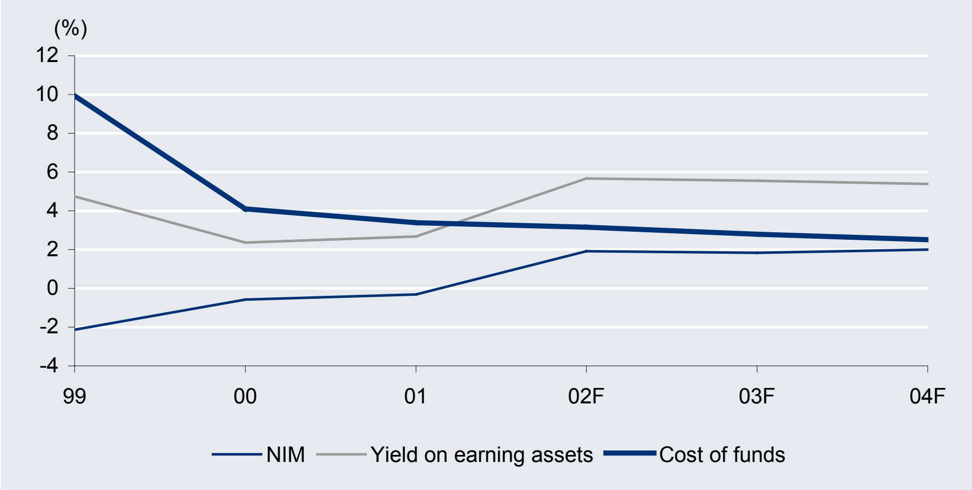
4) Further room of 25-50bp for deposit rates to fall over the next 12 months

Negative factors:

1) Competitive pressure on lending rates (especially from KTB and SCIB)

2) Increasing NPLs, from new or restructured debt (lower yields)

Fig 3 NIM, yield on earning assets and cost of funds



Source: ING estimates

Competition and liquidity will cap spreads over the next one to two years

The key downside factor for net interest margins remains the competitive pressure from other banks, especially state banks such as KTB and SCIB, which have been slow to implement any new risk management systems and, consequently, have been lending much more readily than the other banks in the system. This has caused competitive refinancing in the sector, which can cause serious harm if practised over the longer term. However, there are mitigating factors that we believe will render this current strategy unsustainable and, consequently, normalise competition:

1) As NPL problems increase from indiscriminate lending, the profitability at KTB and SCIB will fall due to lower yields and higher provisions, and the ability of these banks to continue to lend freely is likely to be curtailed.

2) The privatisation of KTB is likely to put more pressure on the bank to lend more prudently.

Although these banks have a strong capital base, lending at this rate is likely to utilise their capital quickly. The ability of the government to inject additional capital is limited given its finances, and the ability of the bank to access private capital is likely to be unsuccessful if the bank's credit practises have yielded unprofitable returns so far.

Loan growth

Loan growth will be key for margin expansion

Loan growth is key for margins to expand, as well as for absolute incomes to grow. Given BT's low loan-to-deposit ratio, BT would earn a negative margin without the yield maintenance scheme. However, on the flip side, operating leverage to loan growth is extremely high given the low levels of its loan-to-deposit ratio.

Fig 4 Sensitivity of profit to loan growth

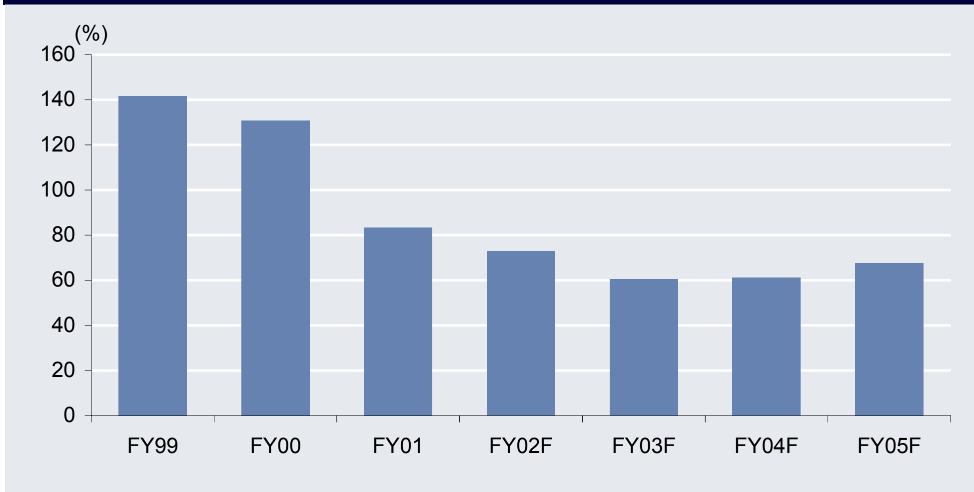
Loan growth (%)	Loan growth (Bt bn)	Net profit (Bt m)	EPS (Bt/sh)	ROE (%)
+1	+0.5	16.3	0.11	0.16
+3	+1.7	51.5	0.34	0.50
+5	+2.9	85.8	0.57	0.84
+10	+5.7	171.6	1.15	1.68

Note: The non-CAP loan portfolio was used to calculate percentage growth on loans
Source: ING estimates

LD ratio is at historical lows

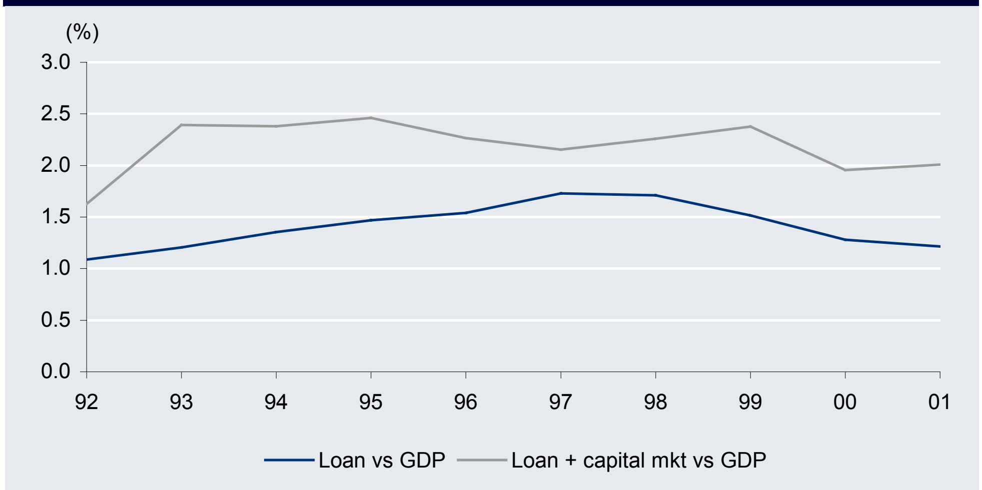
The loan-to-assets and loan-to-deposits ratios are at historical lows, as can be seen from the table below. This can be further corroborated from looking at loan asset levels against GDP, even after factoring in capital market assets (such as the bond market, which has grown substantially since the crisis but is still well below past levels).

Fig 5 BT's loan-to-deposit ratio



Source: Company data, ING estimates

Fig 6 Loan vs GDP and loan + capital market vs GDP

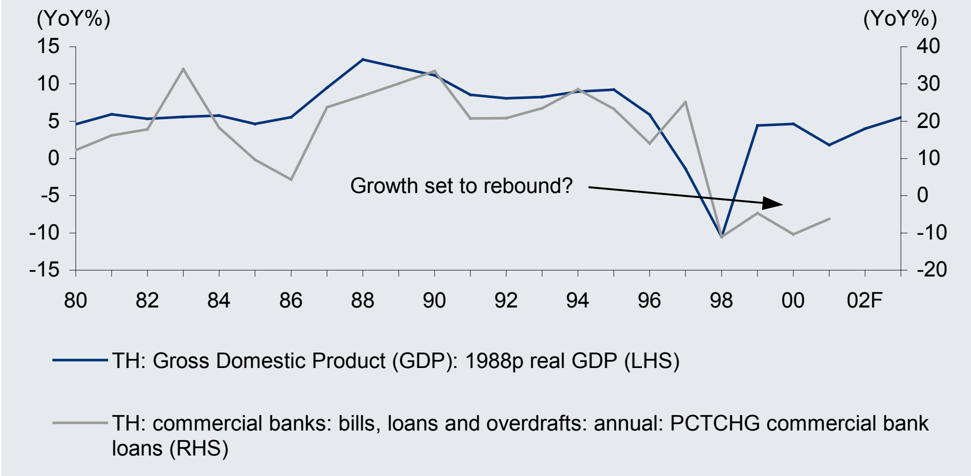


Source: Bank of Thailand

Loan growth has been correlated to GDP growth

Due to the strong reliance of Thai corporates on bank financing in the past, loan growth has been quite highly correlated to GDP growth, as can be seen from the chart below. However, despite the increasing significance of the bond market, it remains inaccessible to all but the larger listed and non-listed companies. Consequently, although we seem to have seen a de-coupling in GDP and loan growth rates since the crisis, as the economy continues to improve, loan growth is likely to become more correlated to GDP growth rates again.

Fig 7 Correlation of loan growth to GDP growth



Source: CEIC, ING estimates

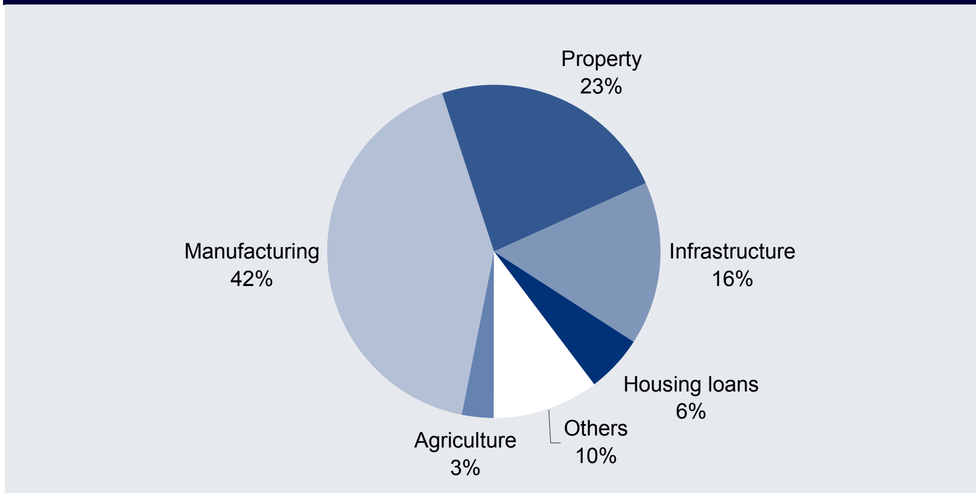
For BT, which is positioned mainly at the Thai small- to middle-market corporates, this could result in stronger-than-expected loan growth over the next few years as the economy continues to improve.

Fig 8 Facility size

Facility size (Bt m)	No of clients
Large (>500)	14
Medium (50-500)	54
Small (<50)	342

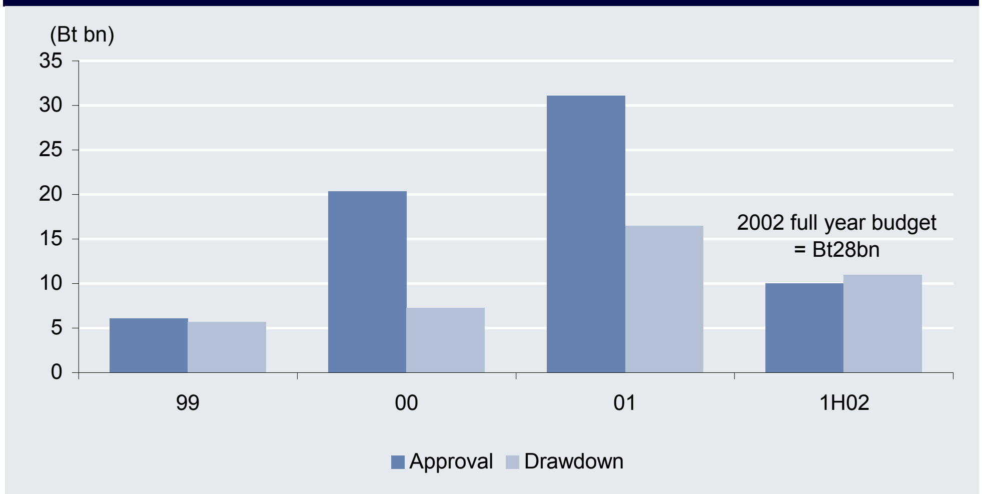
Source: Company data

Fig 9 Loan portfolio breakdown (FY01)



Source: Company data

Fig 10 Loan approval and drawdown



Source: Company data

Non-interest income

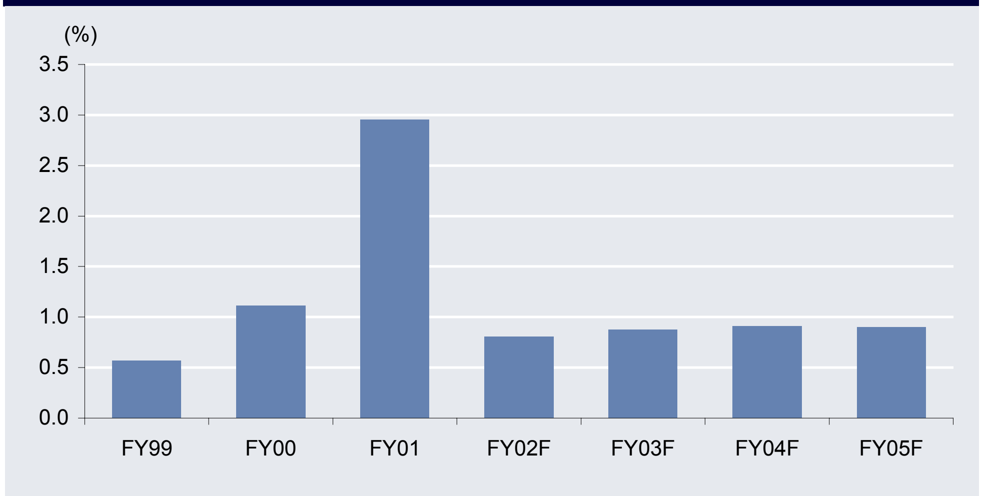
Fee income level is still low, compared to the past

There remains significant potential for non-interest income to grow, given the proportion of fee income relative to the size of the asset base. Fee income comprises various types of fees, including transaction fees, credit card fees, foreign exchange and debt trading and underwriting fees.

CRM should help improve fee income levels

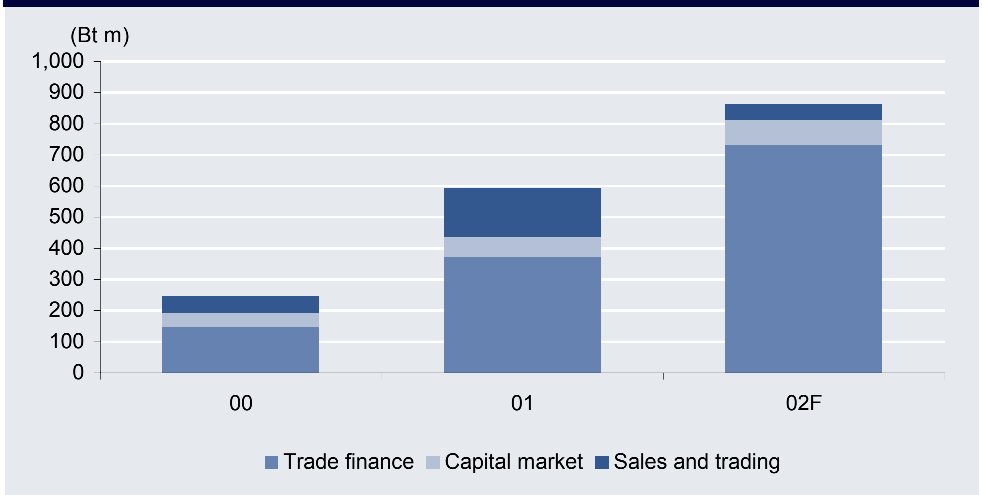
The installation of customer relationship management (CRM) systems should also help improve prospects for non-interest income through increased revenues via the charging for financial advice and the cross-selling of other group products (such as mutual fund, insurance and other loan products).

Fig 11 Non interest income as percentage of total assets



Source: Company data, ING estimates

Fig 12 Fee income improvement in trade finance and other activities



Source: Company data, ING estimates

Non-interest expense

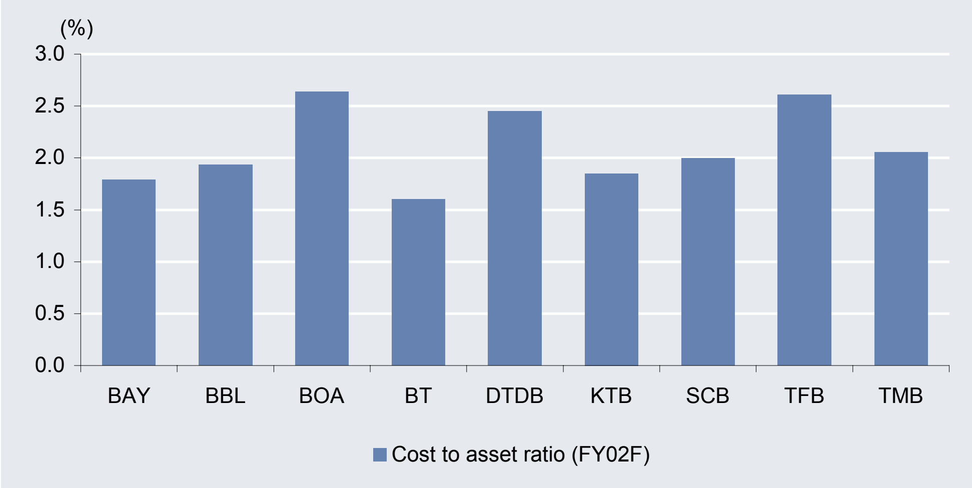
Further cost savings can be expensive to implement

Thai banks have been undergoing various stages of restructuring and, consequently, have incurred various levels of restructuring costs. This has resulted in varying levels of costs. However, even with significant restructuring, no other bank comes close to BT on cost-to-asset ratio as significant bank closures and staff reduction over the past two years have pushed BT's cost levels to being one of the most competitive in the sector.

Aggressive rationalisation is responsible for the lower costs

Over the past two years, BT has closed down 39 unprofitable branches since its merger and has rationalised staffing levels radically (by 54% from 4,408 staff to 2,367 staff as at 30 June 2002). 56 of the 72 branches are based in the Bangkok Metropolitan area.

Fig 13 Comparative cost to asset ratio of Thai banks



Source: ING estimates

IT expenditure of around Bt1.2bn over the next four years

BT's future costs comprise mainly IT expenditure, budgeted at almost Bt1.2bn over the next four years and branch remodelling. By the end of FY03, BT hopes to have in place a fully integrated core banking system that links all areas of operations with online access to all 72 branches. However, even with the additional spending, we do not see BT's cost base rising higher than other banks'.

Fig 14 Cost efficiency ratios

	Income per employee (Bt m) 2001	Loan per employee (Bt m) 2001	Deposit per employee (Bt m) 2001
BT	2,667	**55,586**	66,617
TFB	2,459	**45,501**	63,458
SCB	2,362	**44,175**	58,200
DTDB	1,625	**42,440**	43,527
BOA	1,914	**41,137**	52,869
BBL	1,931	**38,695**	57,718
TMB	1,150	**37,979**	42,513
BAY	857	**37,541**	40,889
KTB	1,757	**27,133**	56,893

Source: Company data, ING estimates

FIDF contribution is a large part of its cost base

A large part of BT's cost base is the contribution to the Financial Institutions Development Fund (FIDF), amounting to 0.4% of total deposits and foreign borrowings of the bank. This effectively adds 35-40bp to the cost-to-asset ratios of all Thai banks. Once the deposit insurance scheme is finalised and contributions are maintained over the next two to three years, the costs of contributing to the FIDF should drop to a more reasonable level, perhaps 0-15% to 0.2% of total deposits (not including foreign borrowings).

Strategy and positioning

Focus will be on wholesale and not retail

BT, as with most of its commercial bank competitors, is looking to the corporate market for loan and fee growth. Although the company derives over half of its funding base from retail depositors, management has no ambition to run a retail lending operation in the near term because of its heavy cost requirements – a large branch and ATM network, marketing expenses and the processing of many small transactions.

Fig 15 Positioning

Target area	Strategy	Competition	BT advantages	Competitor advantages
Corporate lending	Target mid-sized and SME corporates with emphasis on manufacturing and domestic distribution	Hybrid banks	Lower cost base, stronger capital and 'being Thai' enables BT to meet customer needs more easily	New products
		Troubled banks	Management focus on business development rather than NPL management Stability of BT	Potentially-insolvent banks willing to take greater risks and accept lower spreads
		Large domestic banks	Distinct client focus Lower cost base Clear wholesale banking focus	Large corporate access Lower cost of funds Large network Larger capital base
Fee income	Offer derivatives and structured products to Thai corporates	Foreign banks	Stable Baht funding book is unmatched by most global banks BT is seen as an effective partner of foreign banks rather than a competitor Superior market knowledge and network	Greater product expertise; better ability to hedge with international counterparties
		Large domestic banks	SME Orientation Clean balance sheet Not family controlled	Better name brands Large corporate access
	Trade Finance and F/X for SME customers	All banks	Low cost wholesale operator Better credit ratings Responsive staff	More established, existing customer base

Source: ING estimates

BT management is acutely focused on maintaining the bank's differentiation in key business lines. The major points of the bank's strategy are as follows:

BT's smaller size and greater focus on customers should provide the edge in service

Wholesale SME focus: BT does not plan to be 'all things to all people' nor does management want to run a universal bank. BT's strategy continues to be that of a wholesale bank for mid-sized Thai corporates and sophisticated SMEs. This is the key sector in which we expect to see loan growth, given the improving Thai economy.

Wholesale focus will take full advantage of BT's strength

Although we generally prefer sound consumer franchises to corporate ones in regional banks, we believe that BT is too small and not well known enough in the broad market to make an impact in retail lending. Hence, we agree with management's plan to optimise its product line and service offerings for wholesale clients only, and see potential opportunities given the current landscape for BT to make an impact.

Cost competitiveness due to aggressive rationalisation

Low-cost producer: BT has an enviable low cost-to-asset ratio of 1.6%, well below the 2.2% average for the 'Big Three' banks and that of the sector as a whole. With the bulk of its assets covered by the FIDF yield maintenance agreement, BT closed down 39 unprofitable branches since its merger, and has rationalised staffing levels radically over the past two years. This has allowed BT to make profits on SME relationships, which would be uneconomical for larger banks.

Focus on creating a more sophisticated product

Fee income generation: Even given its low costs, BT would find it difficult to build a sustainable business from corporate lending alone as it is an inherently low-ROE business. Management has an intriguing and, in our view, workable strategy to move towards higher-value products (such as derivatives and structured products) that build on the underlying lending business to produce fee income without much additional balance sheet usage. The bank has already begun to execute this strategy, with good success; capital markets income has increased by 45% in FY01 with a further 25% growth projected for FY02.

Management has been executing this strategy successfully for the past two years

Key to BT's success in this area has been its ability to partner with foreign banks that are unable or unwilling to retain significant unhedged baht or Thai-specific interest rate risk positions on their books. These counter-parties are attracted by BT's strong capital position and foreign-trained management, and have been willing to extend substantial interbank facilities (both short and long-term) to the institution because of its high quality.

Competition – Pick your battles

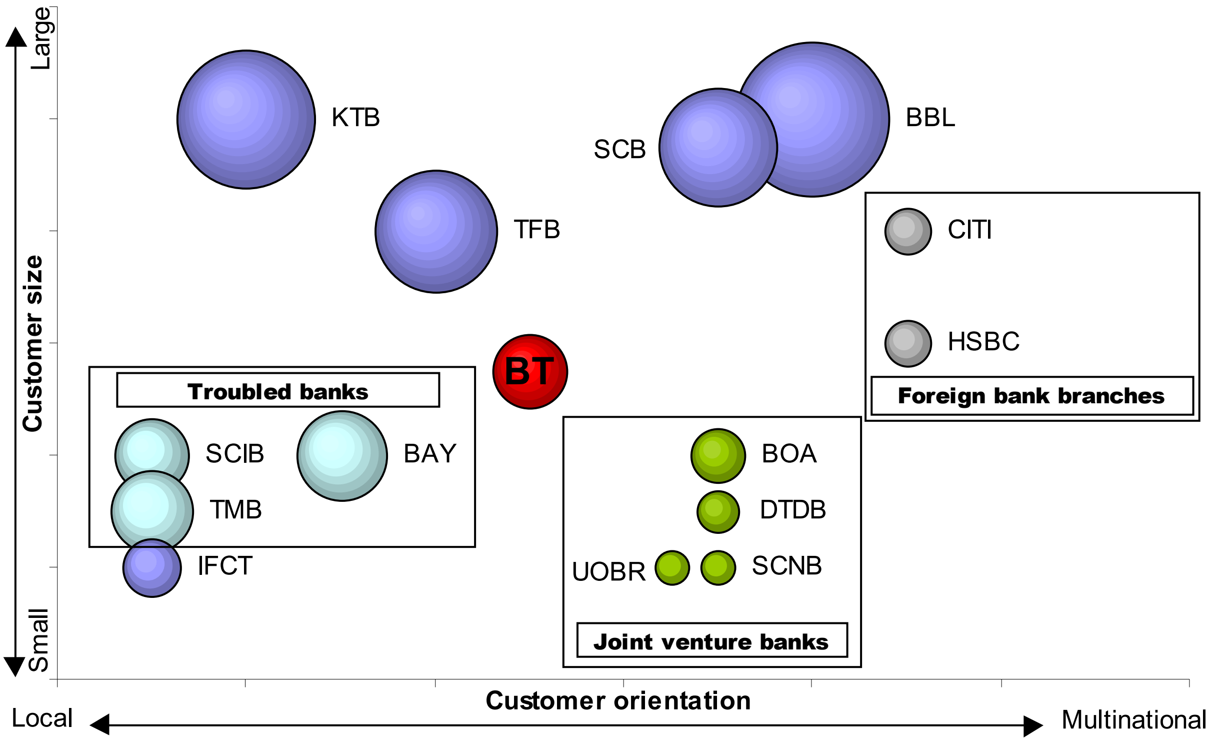
Not really competing with the larger banks …

BT's focused lending strategy leaves the bank in a strong competitive position given what is still an overcrowded market. The Big Three banks and KTB mainly service large corporates, although there is a significant divergence between KTB's state-owned enterprise customers and BBL's top corporate and multinational orientation. We do not expect BT to take significant share from these institutions, as its absolute capital base will not support lending to the larger customers (due to single-customer lending limit restrictions).

… or the fully owned foreign banks

Likewise, HSBC, Citibank and other foreign branches do a very circumscribed corporate business with their multinational customers and a few domestic exporters, focusing more on the consumer/retail sector. While BT cannot offer comparable services, given that it does not have a global network or as full a suite of products, the foreign banks are quite limited in their ability to grow quickly domestically due to the lack of core funding bases in the local currency.

Fig 16



Source: ING estimates

BT's direct competition is weak …

We believe that substantial market share can be taken from BT's more direct competitors such as BAY and TMB, as these banks remain very troubled due to asset quality problems and underprovisioning. Were it not for continued regulatory forbearance, these banks would have to raise significant amounts of additional capital. This will weigh heavily on the minds of customers concerned about the stability and survival of their banks, especially as management focus will not be fully on servicing their clients needs.

… and directionless

The hybrid banks have not gained the momentum that we had expected, partly because asset quality was worse than the buyers thought and partly due to changes in strategic direction. Also, these banks are only a small part of the overall group. Their failure to expand convincingly leaves room for BT to spread out and potentially acquire some of the hybrid banks' corporate relationships.

Strong capital base puts BT in a strong position to acquire cheap assets in the future

In addition, should we ever see consolidation in the Thai banking sector, BT will be in a strong position to buy assets or franchises from either the troubled or hybrid banks due to its strong capital base. Management has so far, in our view, proven its ability to consolidate assets from several different types of financial institution.

Minimal influence from government over directed lending

After privatisation, the FIDF will only hold 49% stake in the bank, with the intention to sell it down further to 25% over the next few years. Given this outlook, we believe BT is less prone to government directed lending than the other majority owned state banks like SCIB or KTB. In fact, although BT does participate in some syndicated lending to state enterprises, it divests itself of the exposure by selling any such exposure, preferring instead to focus on its business strategy.

Valuation analysis

We use primarily ROE vs P/BV and DCF to value Thai banks

Our primary method of valuing the Thai banks remains price-to-book versus ROE (measuring the relative value of a bank against its peers based on the current profitability outlook), backed up by our DCF valuation (measuring the longer-term return for shareholders).

Thai banks look expensive in a regional context

On a comparative valuation basis, it is difficult to see why investors would favour Thai banks over other banks in the region – on almost all valuation criteria, the Thai banks do not look cheap. However, due to significant domestic liquidity and historically low deposit rates, domestic investors' risk appetite has risen, potentially pushing down equity premiums.

Fig 1 Comparative valuations of Thai banks versus regional banks

		Bloomberg	Local mkt	P/BV (x)				Price/underlying profit (x)				PER (%)			
	Recom	code	cap (US$m)	00	01	02F	03F	00	01	02F	03F	00	01	02F	03F
Chang Hwa Commercial Bank	HOLD	2801 TT	50,937	0.7	0.7	0.7	0.7	3.8	3.6	3.1	2.9	22.2	23.9	24.8	19.3
Bank Panin	BUY	PNBN IJ	2,705,061	1.0	0.8	0.7	0.6	7.2	3.6	3.1	2.9	94.0	1,233.8	10.5	4.7
Equitable PCI Bank	BUY	EBC PM	19,629	0.7	0.8	0.8	0.7	5.5	51.2	10.9	7.2	30.8	140.0	32.8	17.6
Philippine National Bk	HOLD	PNB PM	11,909	0.6	0.7	0.9	1.0	9.5	N/M	N/M	N/M	-2.0	-2.9	-4.5	-6.3
Bank of Ayudhya	SELL	BAY TB	13,598	0.9	0.9	0.9	0.8	N/M	N/M	6.8	5.9	-1.6	-5.1	14.5	12.5
CITIC Ka Wah Bank	NR	183 HK	6,973	1.0	1.0	0.9	2.7	6.3	5.9	6.0	7.7	11.2	9.9	8.9	17.1
Metropolitan Bank & Trust	BUY	MBT PM	58,811	1.2	1.2	1.1	1.0	11.0	9.7	8.6	7.6	37.3	27.9	19.2	16.0
Bank of East Asia	SELL	23 HK	21,308	1.2	1.2	1.4	1.3	7.3	9.1	3.8	3.7	11.0	13.2	12.9	10.5
Banco de Oro Universal Bank	BUY	BDO PM	15,439	1.2	1.0	1.2	1.1	10.8	11.5	10.6	9.1	14.8	16.1	14.7	13.6
Hana Bank	BUY	0736 KS	2,454,340	1.6	1.4	1.2	1.0	3.9	3.1	3.0	2.8	105.4	7.2	5.8	4.8
Wing Hang Bank	BUY	302 HK	7,938	1.5	1.3	1.2	32.2	5.5	6.0	5.8	93.5	8.8	10.2	7.8	207.8
DBS Group Holdings	HOLD	DBS SP	18,212	1.4	1.1	1.3	1.2	9.1	9.6	9.3	9.0	11.6	16.6	16.5	15.2
RHB Capital	HOLD	RHBC MK	4,285	1.3	1.3	1.3	1.1	3.5	4.0	3.8	3.5	12.2	17.6	21.3	9.4
Shinhan Financial Group	BUY	5555 KS	4,765,468	1.6	1.5	1.3	1.1	4.5	7.5	3.8	3.4	10.9	21.6	6.9	5.7
Koram Bank	BUY	1683 KS	1,977,121	2.2	1.8	1.4	1.2	6.2	3.5	3.5	3.2	-3.2	10.1	7.4	6.1
Siam Commercial Bank[c]	BUY	SCB/f TB	27,581	1.4	1.4	1.4	1.2	8.4	8.6	7.0	5.8	24.3	214.0	426.9	10.7
OCBC	HOLD	OCBC SP	13,805	1.7	1.6	1.5	1.4	10.7	9.2	9.6	8.5	16.5	17.6	18.3	13.7
Bank Central Asia	HOLD	BBCA IJ	13,190,840	3.3	2.0	1.5	1.3	8.3	3.6	3.9	3.8	7.5	4.4	4.1	4.0
BankThai	NR	BT TB	61,363	4.7	1.6	1.6	1.4	N/M	19.3	13.3	11.8	-12.5	16.9	14.4	12.2
Thai Military Bank	SELL	TMB TB	13,214	1.8	1.8	1.6	1.5	N/M	27.1	14.1	17.1	-1.0	36.6	18.5	20.4
Kookmin Bank[a,b]	BUY	6000 KS	17,504,030	4.0	1.9	1.6	1.3	9.8	8.4	4.1	3.6	22.9	23.6	7.8	6.3
UOB Bank	BUY	UOB SP	22,159	2.2	1.8	1.7	1.6	11.6	12.4	11.8	10.8	16.3	18.2	18.0	15.1
Dah Sing Financial	BUY	440 HK	8,803	1.9	1.9	1.8	1.6	7.1	6.4	3.4	3.3	10.8	10.1	9.4	8.1
Bank of the Phil Islands	BUY	BPI PM	85,222	1.8	1.8	1.8	1.7	12.9	9.7	9.3	8.3	28.3	16.5	15.7	13.3
Public Bank	BUY	PBKF MK	12,780	2.7	2.2	2.0	1.8	8.2	8.5	8.2	7.4	16.3	18.6	16.4	13.3
Bangkok Bank	BUY	BBL/f TB	35,312	3.0	2.3	2.1	1.8	6.1	8.7	8.8	7.7	-5.4	15.5	13.8	9.4
Thai Farmers Bank[c]	BUY	TFB/f TB	24,935	3.0	2.8	2.2	1.7	26.6	19.8	8.8	8.0	60.0	75.3	11.0	8.0
AMMB Holdings	BUY	AMM MK	4,874	2.4	2.2	2.3	1.6	3.0	3.8	4.8	4.7	7.7	13.1	23.1	13.2
HSBC Holdings	HOLD	5 HK	865,301	2.4	2.4	2.3	2.2	9.7	11.0	9.4	8.0	15.7	20.4	16.3	12.9
Bank of Asia	SELL	BOA TB	17,077	1.8	2.4	2.5	2.1	27.2	41.2	19.4	14.8	-4.3	-5.4	-6.7	16.6
DBS Thai Danu Bank	SELL	DTDB TB	12,876	2.8	2.6	2.7	2.3	N/M	17.3	13.0	9.4	-0.8	62.9	31.2	16.3
Maybank	HOLD	MAY MK	31,972	3.0	3.2	2.7	2.3	8.6	9.6	8.5	7.7	23.2	37.8	17.1	13.1
Commerce Asset-Holding	BUY	CAHB MK	10,844	3.8	3.7	3.3	3.2	14.8	12.5	9.6	11.1	38.3	55.1	23.1	21.8
Hang Seng Bank	HOLD	11 HK	169,676	3.7	3.8	3.9	3.8	14.3	14.2	13.9	12.9	16.9	16.8	17.1	16.2
Bank Internasional Indonesia	SELL	BNII IJ	742,348	94.4	N/M	11.9	11.0	17.8	N/M	1,124.3	136.9	27.8	-27.9	-89.7	152.1

Pricing date: 20 August 2002

Source: Company data, Bloomberg, ING estimates

But compare well against domestic investment alternatives

To look at the 'absolute' attractiveness of Thai banks against alternative investments, we compared them with risk-free returns (which we estimate at 5.0-5.5%, the equivalent yield for an 18- to 20-year bonds). However, domestic investors are king in the Thai market (accounting for 60-70% of average daily volume) and, given the current deposit rates of 2-3%, their risk appetite may be higher than those of foreign institutional investors. Consequently, the market's equity risk premium could potentially dip below our estimate of 6-8% on a sustained rally.

We used 11% as the simple expected return to calculate our short-term price targets

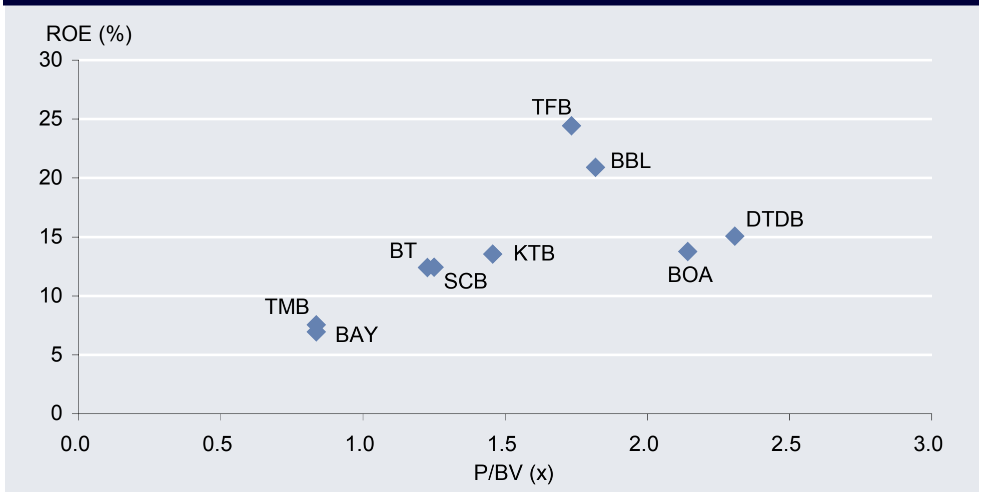
We used 11%, from an expected market return of 11-13%, as a simple breakeven factor to calculate our short-term price targets (12 months), bearing in mind domestic investors' appetite. We did, however, corroborate our short-term price targets with our longer-term DCF calculation, which uses a cost of equity of 16-24%.

This effectively means that for an equity investment returning 11%, we would be willing to pay 1x P/BV, for ROE of 22%, 2x P/BV and so on. We did, however, adjust our price targets with a small multiplier to factor in the level of provisions (impacting book), the earnings disappointment risk, earnings quality and management quality.

Some Thai banks are still attractive, especially for domestic investors – attractive returns for the risk involved

On this basis, we believe that certain Thai banks remain attractive – more so for domestic investors – as the potential short-term returns continue to outweigh the longer-term risks (such as further write-downs of capital or dilution risk). On an absolute basis, some banks (such as TFB[c], BBL and SCB[c]) offer upside potential on both short- and long-term valuation measures against domestic investment alternatives.

Fig 2 ROE/PBV (03F)



Source: ING estimates

DCF valuation

Fig 3 DCF fair value ranges

	Recommendation	Share price (Bt)	Target price (Bt)	Upside/ downside (%)	DCF value (Bt)	Cost of equity (%)	Asset CAGR rate (%)
BAY	SELL	7.30	6.20	-15.1	17-22	12.7-15.1	5.6
BBL (F)	BUY	67.50	85.00	25.9	79-101	14.2-17.2	5.9
BOA	SELL	5.40	3.80	-29.6	4.80-6.40	11.9-14	10.8
BT	N/A	11.80	-	-	11.90-15.50	12.3-14.5	4.6*
DTDB	SELL	6.35	4.20	-33.9	4.80-6.30	12-14.1	9.0
KTB	SELL	10.50	9.20	-12.4	9.8-12.10	12.3-14.5	6.0
SCB[c]	BUY	27.75	33.00	18.9	29.90-39.60	14-16.8	8.7
TFB (F)[c]	BUY	32.25	37.00	14.7	37-47	14.5-17.5	9.4
TMB	SELL	5.95	3.90	-34.5	6-8	12.8-15.2	8.0

* Asset CAGR for BT is inclusive of CAP assets. Stripping out CAP assets, we expect the first five years' CAGR to be 17%, and 9.4% for the next five years

Source: ING estimates

Financial statements

Fig 4 Consolidated profit and loss statement (Bt m)

Yr to Dec	99	00	01	02F	03F	04F
Interest income	7,314	7,078	6,512	10,382	9,814	10,021
Interest expense	(10,606)	(8,822)	(7,260)	(6,858)	(6,562)	(6,316)
Net interest income	(3,292)	(1,744)	(748)	3,524	3,252	3,704
Non-interest income	669	2,619	7,482	2,229	2,610	2,895
Operating income	(2,623)	876	6,734	5,753	5,862	6,600
Loan loss provisions	0	(88)	210	(99)	(42)	(60)
Staff expense	(692)	(1,138)	(1,343)	(1,007)	(1,058)	(1,058)
Other operating expense	(4,779)	(4,055)	(4,480)	(3,391)	(3,276)	(3,365)
Operating profit	**(8,094)**	**(4,406)**	**1,120**	**1,255**	**1,487**	**2,117**
Taxation	0	(7)	(31)	0	0	0
Minorities	0	(0)	(44)	0	0	0
Preference dividends/other	0	(369)	25	0	0	0
Attributable profit	**(8,094)**	**(4,782)**	**1,071**	**1,255**	**1,487**	**2,117**

Source: Company data, ING estimates

Fig 5 Consolidated balance sheet (Bt m)

Yr to Dec	99	00	01	02F	03F	04F
Cash & equivalents	1,281	634	660	1,404	1,563	1,603
Investment	17,904	16,451	38,192	42,754	47,029	51,732
Interbank loans	46,153	41,080	14,480	13,032	39,096	37,141
Customer loans & trade bills	240,982	225,540	140,854	147,676	138,232	140,858
Cumulative provisions	(99,142)	(89,976)	(20,993)	(23,705)	(23,576)	(23,498)
Accrued Interest	18,133	15,746	8,164	7,915	6,503	5,136
Repo purchased	2,300	12,075	10,210	11,742	23,484	23,484
Associates/equities	0	0	0	0	0	0
Fixed assets	5,483	5,282	3,782	3,782	3,945	4,491
Other assets	2,935	8,461	76,503	77,525	77,911	81,253
Total assets	**236,030**	**235,293**	**271,851**	**282,125**	**314,187**	**322,199**
Customer deposits	170,075	172,462	168,808	202,509	228,734	230,571
Certificates of deposit	0	0	0	0	0	0
Interbank deposits	28,663	37,397	36,304	14,522	13,796	12,416
Borrowings	9,823	7,208	5,765	4,901	4,901	9,802
Subordinated debt	0	0	0	0	0	0
Other int. bearing liabilities	7,065	1,412	3,578	48,512	54,010	55,178
Proposed dividend	0	0	0	0	0	0
Other liabilities	3,368	4,552	45,861	208	232	237
Total liabilities	**218,994**	**223,031**	**260,316**	**270,653**	**301,673**	**308,204**
Inner reserves	0	0	0	0	0	0
Minority interests	0	(544)	18	0	0	0
Share capital	49,402	49,402	14,935	14,935	14,935	14,935
Share premium	0	2,131	(1,124)	(1,124)	(1,124)	(1,124)
Property reval'n reserves	859	(867)	(769)	(769)	(769)	(769)
Other reserves	(33,225)	(37,861)	(1,485)	(1,569)	(528)	954
Shareholders' funds	**17,036**	**12,806**	**11,557**	**11,473**	**12,514**	**13,996**
Total liabilities & equity	**236,030**	**235,293**	**271,891**	**282,125**	**314,187**	**322,199**

Source: Company data, ING estimates

Balance sheet showing breakdown between CAP and non CAP assets and liabilities

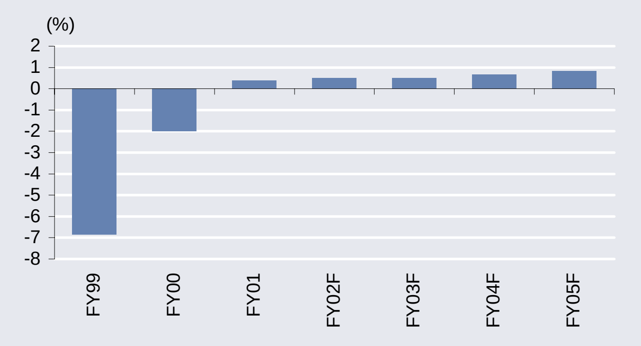
Fig 6 Consolidated balance sheet (Bt m)

	01		02F		03F		04F	
Yr to Dec	**Non CAP**	**CAP**	**Non CAP**	**CAP**	**Non CAP**	**CAP**	**Non CAP**	**CAP**
Cash & equivalents	660		1,404		1,563		1,603	
Investment	17,049	21,143	21,611	21,143	28,000	19,029	34,606	17,126
Interbank loans	10,134	4,346	8,686	4,346	35,619	3,477	34,360	2,781
Customer loans & trade bills	50,854	90,000	60,583	87,093	64,202	74,029	77,933	62,925
Cumulative provisions	(4,502)	(16,491)	(7,214)	(16,491)	(7,085)	(16,491)	(7,007)	(16,491)
Accrued Interest	1,164	7,000	1,091	6,824	1,044	5,459	1,041	4,094
Repo purchased	10,210	0	11,742	0	23,484	0	23,484	0
Associates/equities	0	0	0	0	0	0	0	0
Fixed assets	3,782	0	3,782	0	3,945	0	4,491	0
Other assets	5,758	70,745	5,388	72,137	4,661	73,250	4,683	76,569
Total assets	**95,108**	**176,743**	**282,125**	**175,052**	**314,187**	**158,752**	**322,199**	**147,004**
Customer deposits	168,808		202,509		228,734		230,571	
Certificates of deposit	0		0		0		0	
Interbank deposits	36,304		14,522		13,796		12,416	
Borrowings	2,461	3,304	1,597	3,304	2,425	2,476	5,330	4,472
Subordinated debt	0		0		0		0	
Other int bearing liabilities	3,578		48,512		54,010		55,178	
Proposed dividend	0		0		0		0	
Other liabilities	3,556	42,305	(42,097)	42,305	(39,768)	40,000	(37,097)	37,334
Total liabilities	**214,707**		**270,653**		**301,673**		**308,204**	
Inner reserves	0		0		0		0	
Minority interests	18		0		0		0	
Share capital	14,935		14,935		14,935		14,935	
Share premium	(1,124)		(1,124)		(1,124)		(1,124)	
Property reval'n reserves	(769)		(769)		(769)		(769)	
Other reserves	(1,485)		(1,569)		(528)		954	
Shareholders' funds	**11,557**		**11,473**		**12,514**		**13,996**	
Total liabilities & equity	**271,891**		**282,125**		**314,187**		**322,199**	

Source: Company data, ING estimates

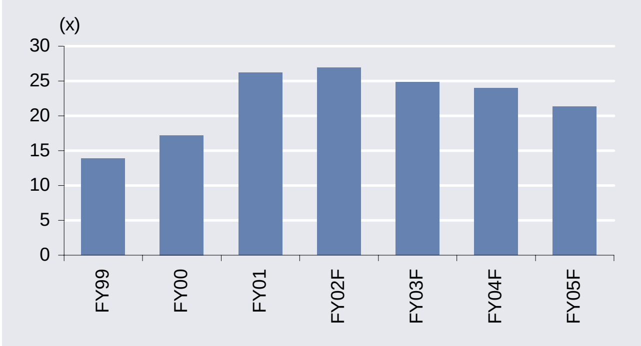
BankThai: EPS drivers

Fig X Underlying profitability



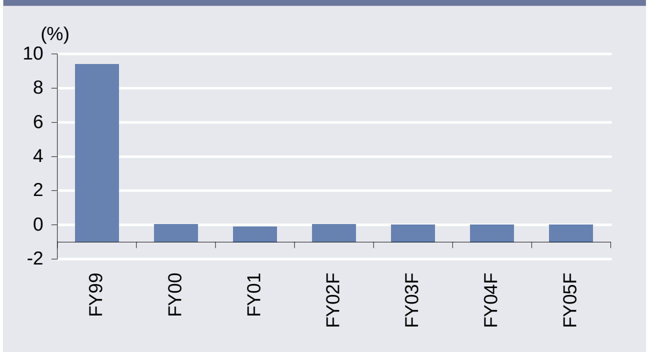
Source: Company data, ING estimates

Fig X Leverage



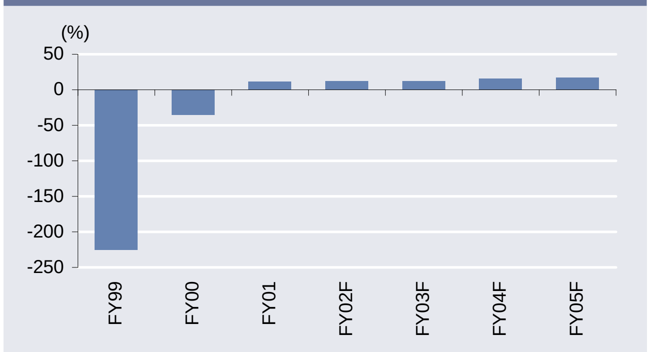
Source: Company data, ING estimates

Fig X B&DD expense



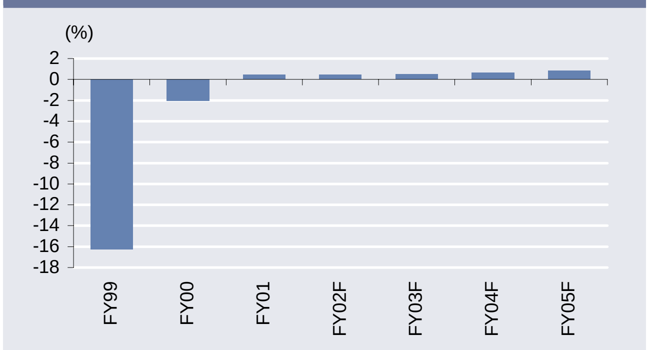
Source: Company data, ING estimates

Fig X ROE



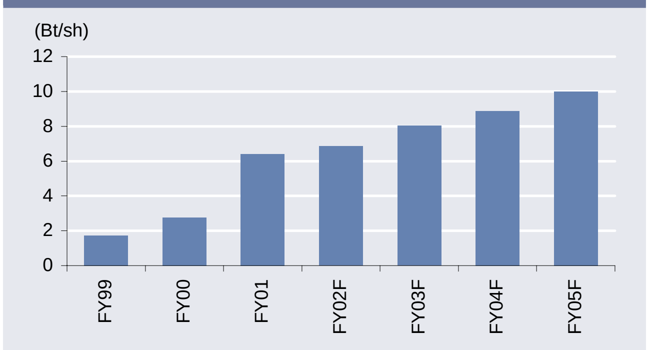
Source: Company data, ING estimates

Fig X Pre-tax ROA



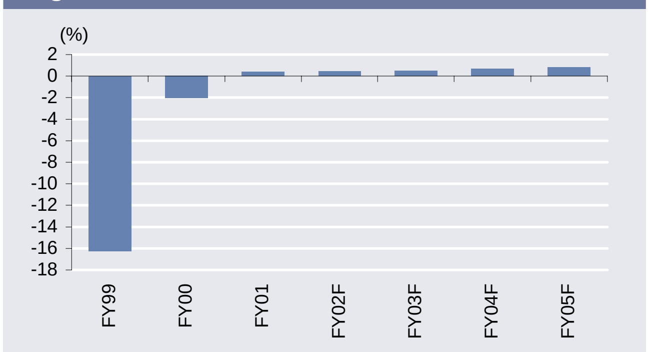
Source: Company data, ING estimates

Fig X NTA



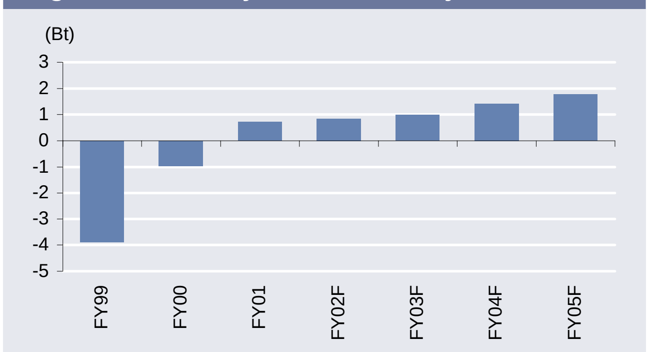
Source: Company data, ING estimates

Fig X Post-tax ROA



Source: Company data, ING estimates

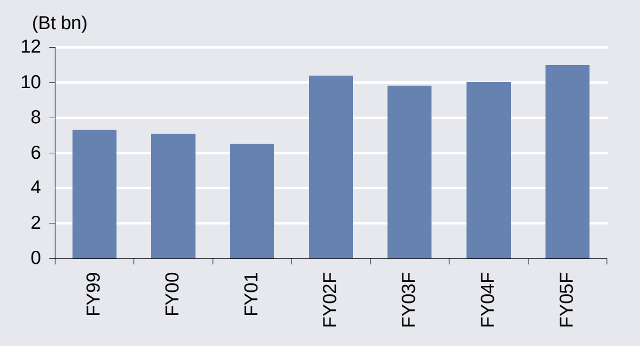
Fig X EPS – Fully diluted and adjusted



Source: Company data, ING estimates

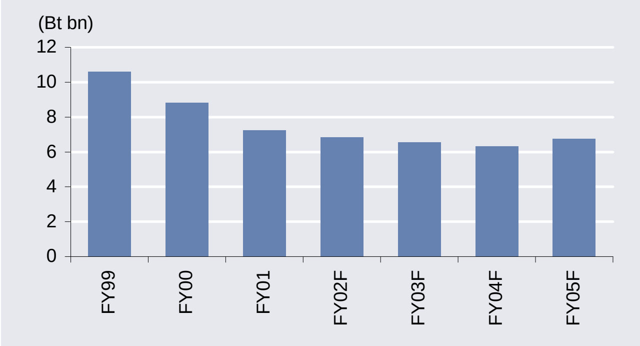
BankThai: Income drivers (I)

Fig X Interest income



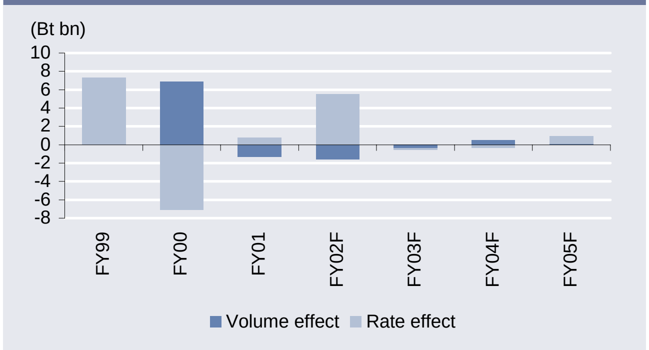
Source: Company data, ING estimates

Fig X Interest expense



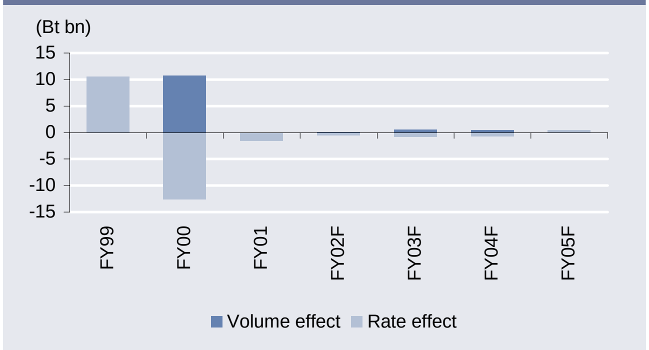
Source: Company data, ING estimates

Fig X Interest income – Volume/rate analysis



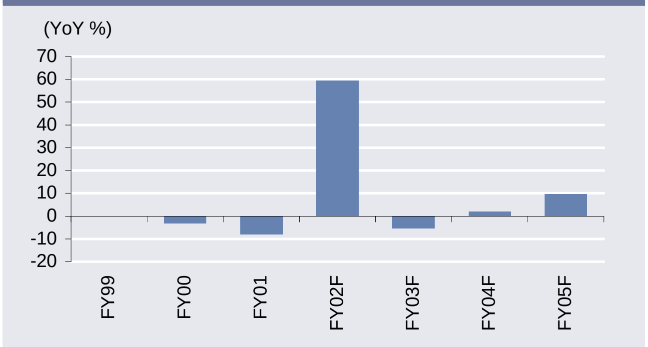
Source: Company data, ING estimates

Fig X Interest expense – Volume/rate analysis



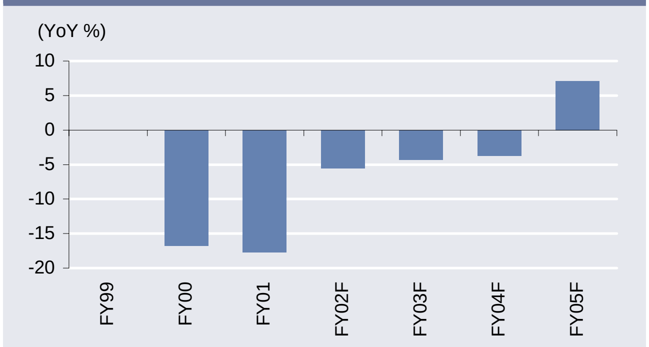
Source: Company data, ING estimates

Fig X Interest income



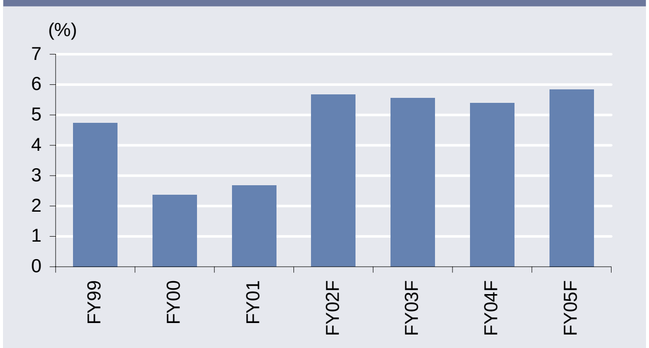
Source: Company data, ING estimates

Fig X Interest expense



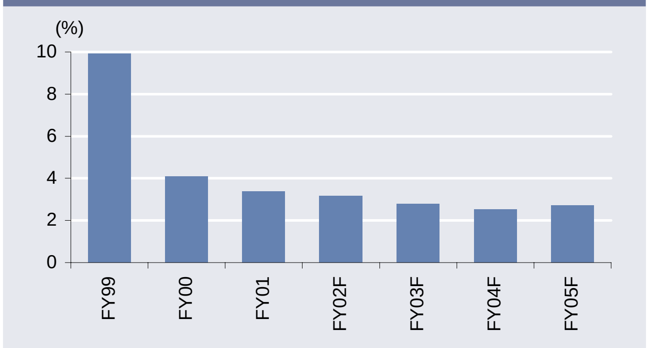
Source: Company data, ING estimates

Fig X Earning rate



Source: Company data, ING estimates

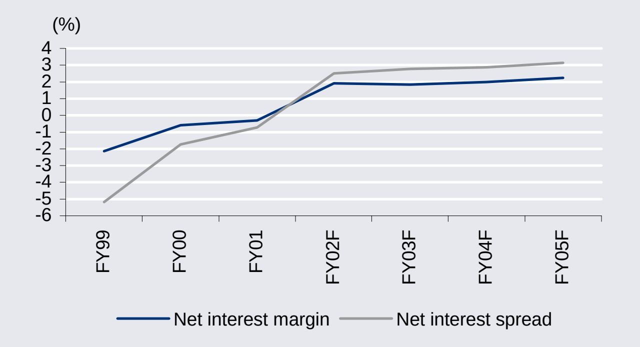
Fig X Paying rate



Source: Company data, ING estimates

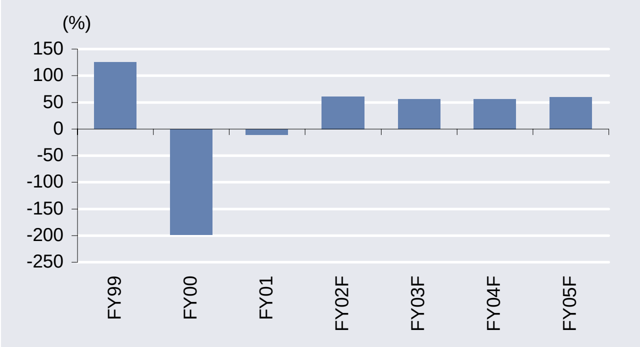
BankThai: Income drivers (II)

Fig X Net interest margin



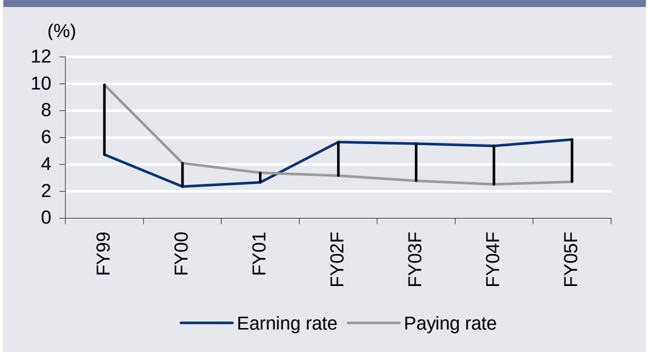
Source: Company data, ING estimates

Fig X Net interest income/total income



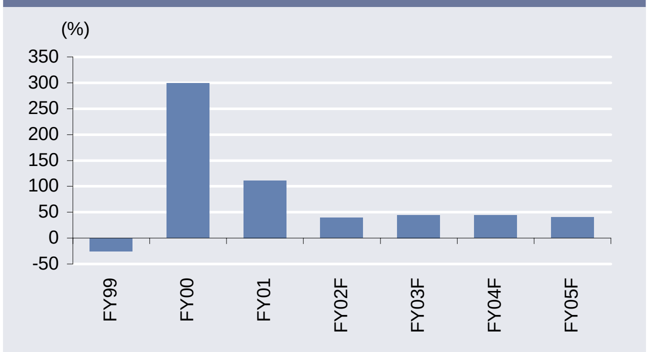
Source: Company data, ING estimates

Fig X Net interest spread analysis



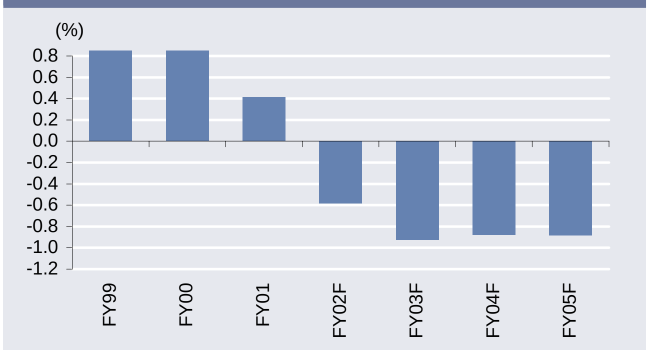
Source: Company data, ING estimates

Fig X Total other income/total income



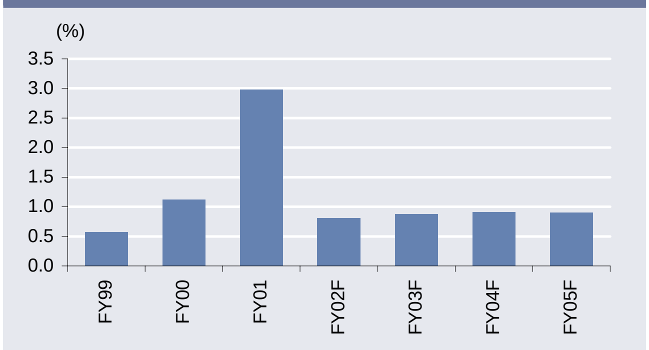
Source: Company data, ING estimates

Fig X Free funds benefit



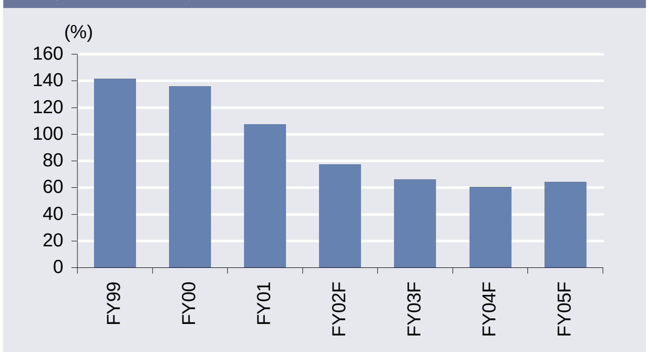
Source: Company data, ING estimates

Fig X Other income/average assets



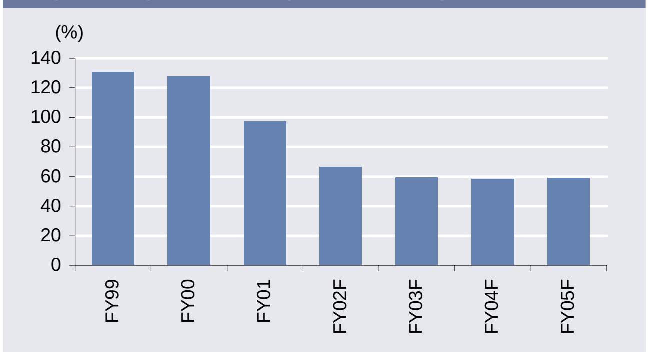
Source: Company data, ING estimates

Fig X Average loan-to-deposit ratio



Source: Company data, ING estimates

Fig X Avg int earnings assets/avg total assets



Source: Company data, ING estimates

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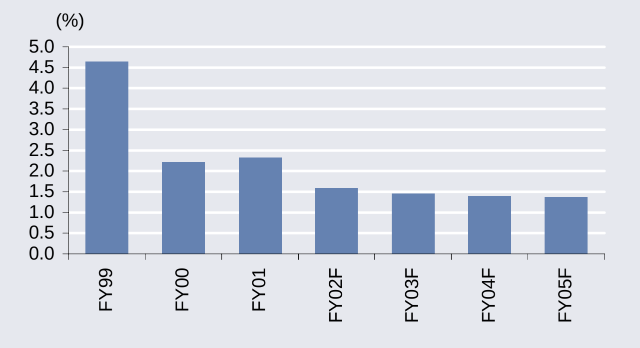
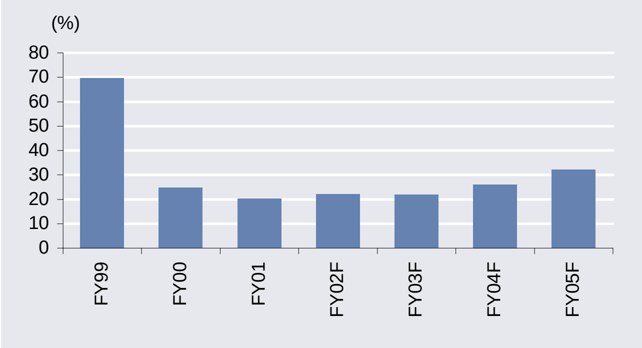
BankThai: Expense and risk management

Fig X Cost/average total assets



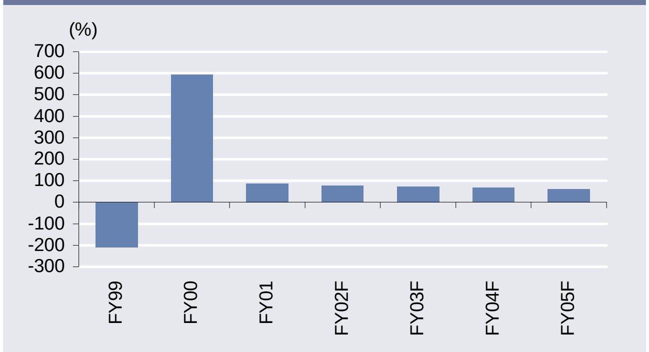
Source: Company data, ING estimates

Fig X RWA/total assets



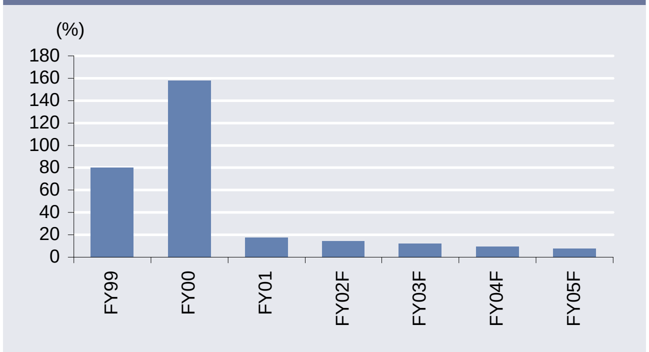
Source: Company data, ING estimates

Fig X Cost/income ratio (including goodwill)



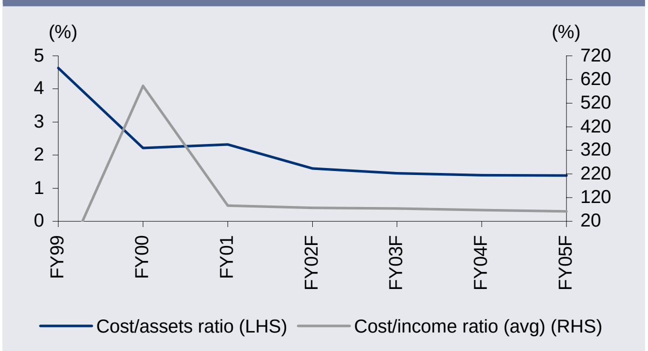
Source: Company data, ING estimates

Fig X Gross impaired assets/RWA



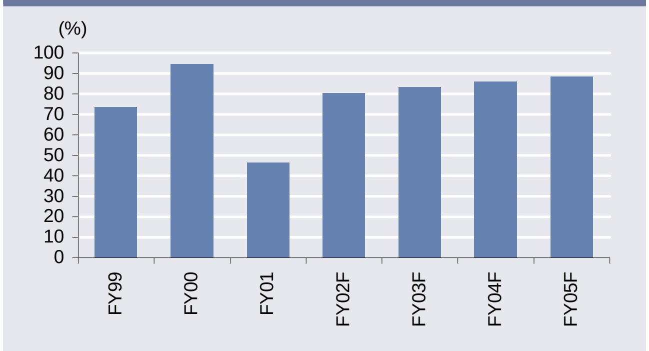
Source: Company data, ING estimates

Fig X Cost ratio comparatives



Source: Company data, ING estimates

Fig X Gross provisioning/gross NPLs



Source: Company data, ING estimates

Background

As part of the Government's 14 August 1998 financial sector restructuring reform, BankThai was formed through a merger of Union Bank of Bangkok Pcl ("UBB"), Krungthai Thanakit Pcl (KTT), and 12 intervened finance companies[1]. The 12 finance companies, together with KTT, were merged into UBB in order to assume UBB's commercial banking license. However, KTT was appointed as the core company to steer the amalgamation process of the bank.

The completion of the merger led to the launch on 21 December 1998 of a new commercial bank by the name of **"BankThai Public Company Limited"**.

Key Milestones

14 August 1998 – BOT intervention & FIDF capital injection

Intervention of UBB by BOT, with details as follows:

- BOT ordered UBB's reduction of par value from Bt10 per share to Bt0.01 per share, resulting in reduction of share capital from Bt1,800m to Bt1.8m. The reduction in capital of Bt1,798m was used to reduce retained losses
- UBB increased registered capital by issuing 1,233,220 new shares at Bt0.01 per share to FIDF, resulting in an increase of capital to Bt12.334bn. The capital injection gave UBB sufficient capital for the merger to become the new bank

21 December 1998 – Name change and commencement of operations

The amalgamation resulted in the new commercial bank with the name change from Union Bank of Bangkok to BankThai Public Company Limited.

30 April 1999 – Additional capital injection by FIDF

BT changed its par value from Bt0.01 to Bt10 through consolidation of existing shares. In addition, FIDF subscribed to 3,706.8m of BT's newly issued preferred shares at Bt 10 per share, increasing BT's paid up capital to Bt49.4bn.

December 1999 – January 2000 – Merger with KTT

BT issued 260.05 shares at Bt10 per share to swap shares of existing KTT shareholders at a ratio of 0.2414478 BT shares per 1 KTT share. Through the transaction, BT's capital was increased to Bt52bn.

Through the share swap and subsequent tender offer process, BT now holds 99.10% of KTT's paid up capital. KTT is now in the process of liquidation and its shares have been delisted from the SET since July 2001.

[1] The 12 intervened finance companies were: (1) Nava Finance Pcl., (2) Union Asia Finance Pcl., (3) Mahathun Finance Co., Ltd., (4) Bangkok Asian Finance Pcl., (5) Ksit Finance and Securities Pcl., (6) Erawan Trust Finance Co., Ltd, (7) Progressive Finance Co., Ltd, (8) Dhana Siam Finance Pcl., (9) First City Investment Pcl., (10) Vajiradhanathun Finance Co., Ltd, (11) Thai Summit Finance and Securities Co., Ltd, and (12) IFCT Finance and Securities Pcl.

4 May 2001 – CAP arrangement

BT entered into a Covered Asset Pool (CAP) arrangement with the FIDF, whereby the FIDF compensates for the substandard assets resulted from the merger. Because of the compensation by the FIDF, the CAP assets no longer require capital. As a result, the 3,706.8m preferred shares held by the FIDF were cancelled and Bt37.068m was returned to the FIDF as payment for the preferred shares.

In exchange for the preferred shares, in order for the FIDF to be able to participate on the upside potential of BT, BT issued 3,706.8m non-transferable warrants to the FIDF. These warrants have a maturity of 10 years, with the maturity date of 8 May 2011. The warrants gives the FIDF the right to purchase BT's preferred shares at Bt10 per share with the exercise ratio of one warrant to one preferred share, exercisable at any time without limitation on the frequency of the exercise.

As a result, BT's capital was reduced to Bt14.935bn, which is the capital level of BT today.

30 March 2001 – Trading on SET

On 30 March 2001, BT received approval to commence trading its shares on the SET.

Late 2001 – Transfer of NPLs to TAMC

Selected substandard assets were transferred to Thai Asset Management Corporation (TAMC) in accordance with requirements corresponding to the Thai Asset Management Corporation Royal Ordinance B.E. 2544.

Major shareholders

As at 30 June 2002, FIDF is the largest shareholder of BT. Details are as follows:

Fig 7 Shareholders

Shareholder	Number of shares	% to total shares
FIDF	1,438,450,194	96.32
Others	54,999,806	3.68
Total	1,493,450,000	100.00

Source: Company data

CAP arrangement

On 1 February 2001, BT signed CAP arrangement with the FIDF in respect of non-performing assets resulting from the amalgamation. Details of such arrangement are as follows:

- Under the arrangement, the FIDF agreed to compensate BT through a period of five years, from 1 January 2001 through 31 December 2005
- Outstanding non-performing assets hereunder called 'Covered Assets Pool' (CAP assets) consisted of assets transferred from the 14 merged financial institutions, which as at 31 December 1999 had a total of Bt197.6bn
- FIDF and BT agreed on a notional provisioning of 57%, or approximately Bt112bn in calculation of gain/loss on the CAP assets.

Compensation by the FIDF will be in two forms:

1. **Yield Maintenance on CAP**: FIDF agreed to compensate for loss of interest income on CAP assets by compensating BT with yield maintenance fee at BT's average deposit rate plus 1% on CAP assets outstanding, less any actual income received from these CAP assets. The fees are payable semi-annually.

2. **Gain/Loss Sharing Scheme**: FIDF provided a protection on the CAP assets portfolio. At the end of the CAP Arrangement, on 31 December 2005, the recovery on the CAP assets are shared between the FIDF and BT as follows:

   - In case the accumulated loss is over the CAP provisions on book but is less than notional provision, FIDF will accept 100% full losses.
   - In case the accumulated loss is over notional provision, FIDF will accept 85% of loss and BT will accept the remaining 15% loss.
   - Any recovery over the outstanding CAP balance net of notional provision will be shared 95% to FIDF and 5% to BT.

Asset transfer to TAMC

In 2001, loans totalling to Bt90.8bn were transferred to TAMC, of which, Bt75.6bn were CAP loans whilst Bt15.1bn were non-CAP loans. Details of arrangement with the TAMC are as follows:

1. The assets are transferred to TAMC at collateral value (appraised in accordance with the BOT standards)

2. TAMC pays for the transferred assets in form of bonds, guaranteed by the FIDF, with a maturity of 10 years. Interest on bond is linked to average deposit rates of five largest banks, and are payable annually.

3. Gain/loss on the assets will be calculated as follows:

   In case of gain:

   - First level of profit: up to 20% of the transfer price will be shared equally between TAMC and BT
   - Second level of profits: profits over first level of profits will be taken entirely by BT, provided that it does not exceed the difference between the book value of assets transferred to the TAMC and the transfer price
   - Third level of profits: the residual gain is taken entirely by TAMC

   In case of losses

   - BT will assume the first 20% of the transfer price
   - Second 20% of the transfer price will be split equally between TAMC and BT
   - The residual loss will be born by TAMC

The CAP loans transferred to TAMC will also have the right to participate in the Gain/Loss Sharing Scheme of the CAP Arrangement in December 2005.

The first settlement of the assets transferred to TAMC will be in 2006 and the final settlement will be in 2011.

Business overview

BT operates commercial banking activities and other related business as follows:

Commercial banking business: BT was granted license from the BOT to render services of commercial banking activities including accepting deposits of money, granting credits, buying discounted bills, accepting bills, giving aval to bills, guarantees, buying and selling of foreign exchange, issuing letters of credit, tele-banking and ATM services. The BT's organisation chart is shown in xxx [file attached]

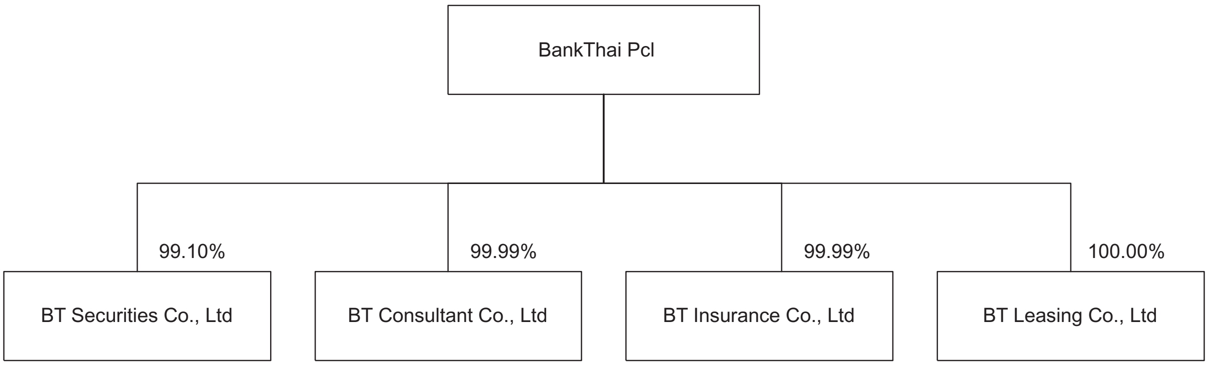
- Bangkok International Facilities (BIBF): licensed by the Ministry of Finance (MOF) on 2 March 1993.
- Financial consulting: approved by the SEC as type one financial consultancy. In addition, BT was granted A-type financial consultant status by the MOF on 10 September 2001.
- Securities and related businesses
- Private fund management: approved by the SEC with the consent of the BOT and MOF to undertake private fund management and provident fund management since 30 March 2001
- Securities registrar: approved by the SEC to undertake the business since 12 May 2000
- Selling agent or repurchase of mutual fund units: approved by the SEC to undertake the business since 1 January 2002

Furthermore, BT also has other investments in companies as a result of the mergers of the 14 financial institutions, some of which overlap such as investment in finance and leasing companies. However, the Bank's policy is to focus on three business sectors, including:

- Securities business through BT Securities Co, Ltd;
- Consulting business through BT Consultant Co, Ltd; and
- Insurance business through BT Insurance Co, Ltd.

BT group structure is as follows:

Fig 8 BT group structure



Notes:

1 The structure only shows BT's core subsidiaries. There are other subsidiaries which are not considered as core companies by BT and are either on sale or under liquidation process

2 BT Leasing is not a main business of BT

Source: XXXXXXXXXXXXXXXXX

Appendix I: Management profile

As at 30 June 2002, the Board of Directors consists of 10 directors:

	Name	Position
1.	Mr. Pramon Sutivong	Chairman
2.	Mr. Viset Choopiban	Vice Chairman
3.	Mr. Phirasilp Subhapholsiri	President
4.	Dr. Piboon Limprapat	Independent Director
5.	Dr. Sarasin Viraphol	Independent Director
6.	Mr. Sawai Yakardkanong	Director
7.	Mr. Dharin Divari	Independent Director
8.	Mr. Pongpanu Svetarundra	Director
9.	Mr. Somboon Chitphentom	Director
10.	Ms. Nopamart Manoleehagul	Director

Mr. Preecha Oungchiti is the adviser to the Board of Directors

Mr. Pramon Sutivong – Chairman

Age: 62
Education: Master of Science, University of Kansas, U.S.A.

Work experience highlights:

Period	Position	Company
Present	Chairman of the Board	Toyota Motor Thailand Co., Ltd.
	Chairman of the Board	Trade Strategy Institute, The Thai Chamber of Commerce
	Chairman	The International Chamber of Commerce Thailand
	Director	The Navakij Insurance Pcl
	Director, The Committee on Foreign Business	Ministry of Commerce
	Director	The Advisory Counsel, Sasin Graduate Institute of Business Administration of Chulalongkorn University
1992-1999	Senior Executive Vice President	The Siam Cement Pcl

Mr. Viset Choopiban – Vice Chairman

Age: 56
Education: Master of Electrical Engineering, Chulalongkorn University

Work experience highlights:

Period	Position	Company
Present	President	PTT Pcl
	Director	PTT Exploration & Production Pcl
	Director	Thai Olefins Co., Ltd.
	Director	Thai Oil Co., Ltd.
	Director	Rayong Refinery Co., Ltd.
	Director	Star Petroleum Refining Co., Ltd.
	Director	Radanakosin Institute and Technology
1999-2001	President	Petroleum Authority of Thailand
1996-1999	President	PTT International Co., Ltd.
1990-1996	President/Executive Vice President	PTT Exploration & Production Pcl

Mr. Phirasilp Subhapholsiri – President

Age: 48
Education: B.A., Business Administration, Yokohama National University, Japan (Under the Japanese Government's Scholarship)

Work experience highlights:

Period	Position	Company
Present	Director	BT Insurance Co., Ltd.
	Director	Krungthai Thanakit Finance Pcl
1993-2000	President	Krungthai Thanakit Pcl

Dr. Piboon Limprapat – Independent Director

Age: 61
Education: Ph.D. (Economics), University of Illinois, U.S.A.

Work experience highlights:

Period	Position	Company
Present	Director	BT Insurance Co., Ltd.
1996-2001	Chairman	President Right Product Co., Ltd.
1998-1999	Director/ Executive Director	First Bangkok City Bank Pcl
1992-1995	Chairman	Erawan Trust Finance Co., Ltd.

Dr. Sarasin Viraphol – Independent Director

Age: 55
Education: Ph.D. (History and East Asian Languages), Harvard University, U.S.A.

Work experience highlights:

Period	Position	Company
Present	Executive Vice President	C.P. Group
1995-1996	Deputy Permanent Secretary	Ministry of Foreign Affairs
1992-1995	Director-General, Department of the Americas & S. Pacific	Ministry of Foreign Affairs

Mr. Sawai Yakardkanong – Director

Age: 64
Education: Bachelor of Commerce and Accounting, Thammasat University

Work experience highlights:

Period	Position	Company
Present	Chairman	BT Insurance Co., Ltd.
	Director	Thai British Securities Printing Pcl
1998- 1999	Director/ Executive Director	First Bangkok City Bank Pcl
1997 - 1998	Senior Executive Vice President	Thai Farmers Bank Pcl
1995- present	Counsel to the President	Association of Chartered Accountants and Auditors of Thailand

Mr. Dharin Divari – Independent Director

Age: 60
Education: Diploma, State School of Trade and Economy (Hamburg)
Diploma, Sasin Senior Executive Programme

Work experience highlights:

Period	Position	Company
Present	Chairman	Multimedia Production Co., Ltd.
	Director	Subsawat Co., Ltd.
1993-2000	Executive Vice President	Thai Farmer Bank Pcl
1984-1993	Senior Manager	Thai Farmer Bank Pcl

Mr. Pongpanu Svetarundra – Director

Age: 42
Education: Bachelor of Commerce (Econ.), University of Auckland New Zealand

Work experience highlights:

Period	Position	Company
Present	Senior Expert for Finance	Fiscal Policy Office
2000	Economist	International Money Fund, Washington, D.C., U.S.A.
1994-1998	Public Finance Specialist	Comptroller General Department

Mr. Somboon Chitphentom – Director

Age: 37
Education: Master of Business, University of Wisconsin Madison, U.S.A.

Work experience highlights:

Period	Position	Company
Present	Senior Executive, Asset Management 1 Dept	Bank of Thailand
1989-2001	Team Executive, Asset Management 1 Dept	Bank of Thailand

Ms. Nopamart Manoleehagul – Director

Age: 56
Education:

Work experience highlights:

Period	Position	Company

Executive officers

Below is the list of 22 Executive Officers (Executive Vice President Level up) as of 30 June 2002.

Name		Position	Department
1.	Mr. Phirasilp Subhapholsiri	Director & President	
2.	Ms. Duangphorn Sucharittanuwat	Senior Executive Vice President	Metropolitan Business Development Group
3.	Mr. Taveeb Chardtumrong	Senior Executive Vice	Institutional Banking & Capital Markets President Group
4.	Mr. Manit Jeeradit	Senior Executive Vice President	Risk Management & Staff Credit Group
5.	Mr. Ekajai Tivutanond	Senior Executive Vice President	Central Administration Group
6.	Mr. Chanindh Homsilpakul	Senior Executive Vice President	Technologies & Operations Group
7.	Mr. Surin Premamornkit	Senior Executive Vice President	Provincial Business Development Group
8.	Mr. Chit Chittivaranon	Executive Vice President	Metropolitan Business Development 1 Division
9.	Ms. Supaluck Tachasinkul	Executive Vice President	Metropolitan Business Development 2 Division
10.	Mr. Songwud Buakhem	Executive Vice President	Provincial Business Development 1 Division
11.	Mr. Grant Wattanatham	Executive Vice President	Provincial Business Development 2 Division
12.	Mr. Pisit Serewiwattana	Executive Vice President	Treasury/Sales and Trading Division
13.	Ms. Duangchai Valaisathien	Executive Vice President	Deposit Mobilisation & Private Banking Division
14.	Mr. Chamnarn Wangtal	Executive Vice President	Risk Management & Staff Credit Division
15.	Mr. Narintr Siripruksanukul	Executive Vice President	Office Management & Assets Management Division
16.	Mr. Noppawong Ramkomut	Executive Vice President	Organisation Affair Division
17.	Mr. Prawit Kijpaisalrattana	Executive Vice President	Credit Administration & Credit Operations Division
18.	Mr. Nuekruk Baingern	Executive Vice President	Operations Divisions
19.	Pol. Capt. Danai Khaophaisarn	Executive Vice President	Technology Division
20.	Mr. Siriyot Srisuksawadi	Executive Vice President	Business Process Division
21.	Mr. Prasert Wangrattanapranee	Executive Vice President	Financial Control Division
22.	Mr. Phongsuree Bunnag	Executive Vice President	Human Resources Management Division

Mr. Phirasilp Subhapholsiri – Director & President

Age: 48
Education: B.A., Business Administration, Yokohama National University, Japan (Under the Japanese Government's Scholarship)

Work experience highlights:

Period	Position	Company
Present	Director	BT Insurance Co., Ltd.
	Director	Krungthai Thanakit Finance Pcl
1993-2000	President	Krungthai Thanakit Pcl

Ms. Duangphorn Sucharittanuwat – SEVP, Metropolitan Business Group

Age: 49
Education: Master of Business Administration, Thammasat University

Work experience highlights:

Period	Position	Company
Present	Director	BT Insurance Co., Ltd
	Chairman	BT Securities Co., Ltd
	Director	Krungthai Thanakit Pcl
1996-1999	Executive Vice President	Krungthai Thanakit Pcl
1995-1999	Director	Interlife John Hancock Assurance Pcl

Mr. Taveeb Chardtumrong – SEVP, Institutional Banking & Capital Markets Group

Age: 53
Education: MBA. in quantitative Methods, St. John's University, New York, U.S.A.

Work experience highlights:

Period	Position	Company
Present	Director	New Imperial Hotel
1995-1998	Managing Director	Finance One Pcl
1992-1995	Consultant/Advisor	Sirivadhanabhakdi's Group of Companies

Mr. Manit Jeeradit – SEVP, Risk Management & Staff Credit Group

Age: 53
Education: B.A. (Summa Cum Laude), Claremont Men's College CA, U.S.A.

Work experience highlights:

Period	Position	Company
1995-1998	Vice Chairman	Pornanan Property Group Co., Ltd.
1993-1995	Managing Director	First Bangkok City Finance & Securities Co., Ltd.

Mr. Ekajai Tivutanond – SEVP, Central Administration Group

Age: 49
Education: Master of Law (LLM), Columbia University, New York, U.S.A.

Work experience highlights:

Period	Position	Company
Present	Chairman	BT Business Consulting Co., Ltd.
	Director	BT Insurance Co., Ltd.
1982-1999	Human Resource Director	The Shell Exploration and Production Co., Ltd.

Mr. Chanindh Homsilpakul – SEVP, Technologies & Operations Group

Age: 50
Education: Master of Business Administration (Finance) , State University of New York at Albany

Work experience highlights:

Period	Position	Company
Present	Director	BT Securities Co., Ltd.
	Director	BT Business Consulting Co., Ltd.
1998-1999	Senior Vice President	Bank of Asia Pcl
1995-1998	Information Systems	The Coca-Cola Company, Southeast & West

Mr. Surin Premamornkit – SEVP, Provincial Business Development Group

Age: 52
Education: B.A. (Economics in Finance and Banking), Thammasat University

Work experience highlights:

Period	Position	Company
Present	Director	BT Insurance Co., Ltd.
1998-2000	Executive Vice President	BankThai Pcl
1998-1999	Executive Vice President (Special Projects)	Krungthai Thanakit Pcl
1995-1998	Senior Vice President	Krungthai Thanakit Pcl

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