

Thailand Banks

การดำเนินงานกำลังปรับตัวดีขึ้น

- เราคาดว่าธนาคารที่เราศึกษา (BUC) จะรายงานกำไรสุทธิ 3Q22 รวมอยู่ในเกณฑ์ที่ดีที่ 43.2 พัน ลบ. (+24% y-y, -1% q-q) โดยได้ปัจจัยหนุนจาก 1) รายได้ดอกเบี้ยสุทธิที่สูงขึ้นจากผลตอบแทนสินเชื่อบริษัทและสินเชื่อระหว่างธนาคาร; และ 2) ต้นทุนความเสี่ยงในการปล่อยสินเชื่อที่ลดลงจากคุณภาพสินทรัพย์ที่อยู่ในระดับที่ควบคุมได้
- คงให้น้ำหนักกลุ่มธนาคารมากกว่าตลาดโดยมี KTB และ BBL เป็นหุ้นเด่น

รายได้ดอกเบี้ยสุทธิที่ดีขึ้นและต้นทุนความเสี่ยงในการปล่อยสินเชื่อที่ลดลงน่าจะช่วยผลักดันกำไรสุทธิ 3Q22

เราคาดว่า BUC จะรายงานกำไรสุทธิ 3Q22 รวมที่ 43.2 พัน ลบ. (+24% y-y, -1% q-q) กำไรนี้จะโต y-y จาก 1) สินเชื่อที่ขยายตัว 3.9% y-y จากความต้องการสินเชื่อบริษัทที่อยู่ในเกณฑ์ดีและความต้องการรับความเสี่ยงที่สูงขึ้นในกลุ่มสินเชื่อรายย่อยของธนาคารบางแห่ง; และ 2) ต้นทุนความเสี่ยงในการปล่อยสินเชื่อที่ลดลงจาก 160 ใน 3Q21 เป็น 120 ใน 3Q22 ในขณะที่กำไรสุทธิที่คาดว่าจะลดลง q-q สะท้อน 1) รายได้ที่ไม่ใช่ดอกเบี้ยสุทธิที่ลดลงจากภาวะตลาดหุ้นที่ไม่เอื้ออำนวย; และ 2) ค่าใช้จ่ายในการดำเนินงาน (OPEX) ที่ปรับขึ้นตามการเติบโตของรายได้ดอกเบี้ยสุทธิ เราคาดว่าทุกธนาคารน่าจะรายงานกำไรสุทธิโต y-y ใน 3Q22 โดย KTB น่าจะมีอัตราการเติบโตสูงสุด ในขณะที่เราคาดว่า BBL จะรายงานกำไรสุทธิโตสูงที่สุด q-q

คาดส่วนต่างดอกเบี้ยจะโตเล็กน้อยต่อเนื่อง

หลังส่วนต่างดอกเบี้ยของ BUC เพิ่มขึ้น 2Q22 เราคาดว่าตัวเลขดังกล่าวจะเพิ่มเล็กน้อยต่อเนื่องเป็น 2.83% ใน 3Q22 แม้ว่าทุกธนาคารจะคงอัตราดอกเบี้ยเงินฝากและเงินกู้ในประเทศใน 3Q22 เราเชื่อว่าธนาคารเริ่มได้ประโยชน์จากผลตอบแทนสินเชื่อบริษัทที่สูงขึ้นจากอำนาจในการต่อรองที่สูงขึ้นของธนาคารและผลตอบแทนสินเชื่อระหว่างธนาคารและตลาดเงินที่ปรับขึ้นจากการขึ้นอัตราดอกเบี้ยนโยบาย 25 bps ในเดือน ส.ค. 2022 BUC ทั้งหมดมีสัดส่วนสินเชื่อระหว่างธนาคารและตลาดเงินสุทธิเป็นบวก เพราะฉะนั้นเราจึงเชื่อว่าผลตอบแทนสินเชื่อระหว่างธนาคารของ BUC จะเพิ่ม q-q

คุณภาพสินทรัพย์อยู่ในระดับที่จัดการได้

ใน 3Q22 เราคาดว่าหนี้ต่อคุณภาพรวมของ BUC จะทรงตัว q-q จาก 1) โครงการปรับโครงสร้างหนี้แบบเบ็ดเสร็จ (CDR) ซึ่งน่าจะช่วยเกื้อหนุนลูกค้าที่ได้รับผลกระทบจากโควิดและสถานะเงินเฟ้อที่อยู่ในระดับสูง; และ 2) การขายหนี้ต่อคุณภาพจำนวนมากจากพอร์ตสินเชื่อบริษัทอันเป็นลูกค้าของ SCB แห่งหนึ่ง FSSIA คาดสัดส่วน NPL รวมของ BUC ที่ 3.97% ใน 3Q22 SCB น่าจะรายงานหนี้ต่อคุณภาพลดลง q-q สูงสุดที่ 6% q-q จากการขายหนี้ต่อคุณภาพของ Pace Development Corporation (PACE TB, not rated) ในส่วน BUC ที่เหลือเราคาดว่าหนี้ต่อคุณภาพน่าจะเพิ่มเล็กน้อย สถานะเงินเฟ้อที่อยู่ในระดับสูงน่าจะกระทบความสามารถในการชำระหนี้ของลูกค้าของธนาคารเล็กน้อย อย่างไรก็ตามเราคาดว่าธนาคารจะเสนอ CDR ให้แก่ลูกค้าของตน ปัจจัยดังกล่าวน่าจะช่วยลดการเสื่อมสภาพของสินทรัพย์ ในด้านสำรองเราคาดว่าธนาคารจะลดค่าใช้จ่ายสำรองลงเนื่องจากได้จัดสรรสำรองพิเศษเชิงรุกเพื่อเป็นกันชนจากความไม่แน่นอนไปแล้วในไตรมาสก่อนหน้า

คงให้น้ำหนักกลุ่มธนาคารมากกว่าตลาดโดยมี KTB และ BBL เป็นหุ้นเด่น

เราเชื่อว่าราคาหุ้นของธนาคารได้สะท้อนความกังวลเกี่ยวกับสถานะเงินเฟ้อที่อยู่ในระดับสูงและการเสื่อมสภาพของสินทรัพย์ที่อาจเกิดขึ้นไปแล้ว ปัจจุบัน SETBANK มีการซื้อขายในระดับการประเมินมูลค่าที่ต่ำเพียง 0.6x ของค่า 2022E P/BV ทั้งๆที่ผลตอบแทนต่อส่วนผู้ถือหุ้นจะฟื้นตัวและธนาคารอาจได้ประโยชน์จากแนวโน้มอัตราดอกเบี้ยขาขึ้น เราคงให้น้ำหนักกลุ่มธนาคารมากกว่าตลาดสำหรับการลงทุนในระยะยาวและยังเลือก KTB และ BBL เป็นหุ้นเด่น เราเชื่อว่าธนาคารทั้งสองแห่งน่าจะได้ประโยชน์สูงสุดจากการปรับขึ้นอัตราดอกเบี้ยในอนาคตและมีความเสี่ยงน้อยที่สุดจากการเสื่อมของคุณภาพสินทรัพย์



Rawisara Suwanumchai

rawisara.suw@fssia.com

+66 2611 3554

PREPARED BY FSS INTERNATIONAL INVESTMENT ADVISORY SECURITIES CO LTD (FSSIA). ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES CAN BE FOUND AT THE END OF THIS REPORT

บทวิเคราะห์ฉบับนี้แปลมาจากบทวิเคราะห์ของ FSSIA ฉบับวันที่ 3 ตุลาคม 2022

Improving NII and lower credit cost should drive 3Q22 net profit

We expect the BUC to deliver a 3Q22 aggregate net profit of THB43.2b (+24% y-y, -1% q-q). We see two positives in 3Q.

First, we expect banks to smooth out their provisioning expenses as they have already proactively set aside special provisions to provide a cushion from uncertainties in the previous quarters. Regarding non-performing loans (NPLs), we expect that they will be stable q-q in 3Q22 due to 1) the CDR program – which should support clients affected by Covid and high inflation; and 2) the sale of a large corporate lot of NPLs of one of SCB's clients. This could account for an aggregate NPL ratio (calculated by FSSIA) of 3.97% in 3Q22.

Second, we believe the aggregate NII will be in an improving trend, backed up by an increase in both NIM and loan volume. Although in 3Q22 all banks retained their Thai lending and deposit rates, we believe they started to benefit from the increase in corporate loan yields and interbank and money market yields. We expect the BUC's overall loan portfolio to slightly increase by 0.4% q-q (+3.9% y-y), driven by an increase in both working capital and long-term loan demand from the corporate segment, along with a rise in the retail client volume due to the higher risk appetites of some banks.

We project that all banks should deliver y-y net profit growth in 3Q22, with KTB enjoying the highest growth. Meanwhile, we expect BBL to post the strongest q-q net profit growth.

Exhibit 1: Thai banks under coverage, 3Q22 earnings preview

	BBG	----- Net profit -----				----- Pre-provision profit -----			----- Expected credit loss -----		
		(THB m)	(y-y%)	(q-q%)	(%22E)	(THB m)	(y-y%)	(q-q%)	(THB m)	(y-y%)	(q-q%)
Bangkok Bank	BBL TB	7,734	11.9	11.1	25.3	16,739	(9.8)	(0.1)	7,016	(28.9)	(16.0)
Kasikornbank	KBANK TB	10,660	23.5	(1.2)	25.3	24,152	5.1	3.0	9,847	(12.8)	(0.1)
Kiatnakin Bank	KKP TB	1,931	30.7	(5.0)	25.5	3,441	20.7	3.3	1,024	1.7	26.1
Krung Thai Bank	KTB TB	7,792	54.1	(6.8)	25.1	16,572	8.7	(2.2)	5,679	(30.2)	0.2
SCB X	SCB TB	10,041	13.9	(0.1)	25.7	20,526	(2.7)	(9.8)	8,005	(20.2)	(21.9)
Tisco Financial	TISCO TB	1,803	15.6	(2.5)	24.6	2,383	7.9	(2.3)	129	(49.3)	(7.8)
TMBThanachart Bank	TTB TB	3,285	39.3	(4.5)	26.1	8,767	4.4	1.6	4,712	(14.7)	7.5
Coverage		43,246	24.2	(0.5)	25.4	92,580	1.4	(1.8)	36,412	(21.1)	(7.7)

Source: FSSIA estimates

Exhibit 2: Summary of 3Q22 earnings preview

BBG	----- Norm profit -----			---- 3Q22E ----		Expected results date	FSSIA's views
	3Q21 (THB m)	2Q22 (THB m)	3Q22E (THB m)	--- Change --- (y-y %) (q-q %)			
BBL	6,909	6,961	7,734	11.9	11.1	19-21 Oct	We expect BBL to report a solid 3Q22 net profit of THB7,734m (+12% y-y, +11% q-q). We believe BBL will smooth out its ECL as the bank has proactively set aside a special provision to weather the uncertainty in the previous quarters and the bank should still be able to control its asset quality. Its NPLs could increase by 1% q-q, in our view. As for its revenue side, we think BBL's loan volume should rise 1.5% q-q, driven by corporate and international demand. Its NIM should also inch up to 2.21% in 3Q22 from 2.18% in 2Q22 due to a rise in the floating rate for its international loan portfolio following global rate hikes and an increase in interbank yields from the policy rate hike in Thailand. Hence, we expect a rise y-y and q-q in its NII. However, its non-NII – fee income and gains from investments in particular – might drop y-y and q-q due to the unfavourable capital market conditions.
KBANK	8,631	10,794	10,660	23.5	(1.2)	21 Oct	We expect KBANK to report a 3Q22 net profit of THB10,660m (+24% y-y, -1% q-q). We think KBANK's NPL formation will remain at a high level as we expect it to continue its qualitative downgrade of stage 2 loans to NPLs following its plan after partnering with JMT Network Services (JMT TB, BUY) to solve its asset quality problem. Thus, we forecast its NPLs to increase 2% q-q, with an expected stable credit cost of 160 bps. As for the revenue side, we think KBANK should deliver 0.5% q-q loan growth, with a stable q-q NIM at 3.21% in 3Q22. Its fee income should face continued pressure from the unfavourable capital market conditions and low consumer confidence, in our view.
KKP	1,478	2,033	1,931	30.7	(5.0)	19-20 Oct	We expect KKP to post a 3Q22 net profit of THB1,931m (+31% y-y, -5% q-q). We see two positives: 1) continued outstanding loan growth of 21% y-y and 3% q-q following the bank's strategy to tap into the new low-risk auto lending segment; and 2) an increase y-y and q-q in its fee income, better than other banks, due to IB fees. Regarding losses on repossessed cars, we think they should increase q-q due to a rise in the number of seized cars. Meanwhile, we believe the loss ratio per car should be at a good level of 20-30%. Accordingly, our concern on this point is limited.
KTB	5,055	8,358	7,792	54.1	(6.8)	20-21 Oct	We expect KTB to report a 3Q22 net profit of THB7,792m (+54% y-y, -7% q-q). We expect two positives from its 3Q22 results. First, we still hold a positive view of KTB's asset quality and expect NPLs to be stable q-q due to its low-risk portfolio profile compared with its peers. Thus, we expect its credit cost to be stable q-q at 86 bps. Second, we believe its NIM should widen to 2.51% from 2.50% in 2Q22 from an increase in interbank yields after the Thai policy rate hikes.
SCB	8,818	10,051	10,041	13.9	(0.1)	21 Oct	We expect SCB to report a 3Q22 net profit of THB10,041m (+14% y-y, flat q-q). We think the key highlight for SCB in this quarter is an expected decline in its NPLs by 6% q-q due to the sale of PACE's loans and the bank's continuing offer of CDR to its clients. We expect its ECL to drop 20% y-y and 22% q-q due to better asset quality and its proactive setting aside of provisions in 2Q22. However, we think its net profit will be dragged down by a rise in its OPEX from its transformation into a holding company. SCB bought shares in nine subsidiaries of SCB Bank and SCB10X Co., Ltd. In this quarter.
TISCO	1,560	1,848	1,803	15.6	(2.5)	12 Oct	We expect TISCO to report a 3Q22 net profit of THB1,803m (+16% y-y, -3% q-q). We expect to see three positives from its results. First, we expect TISCO to benefit from a low credit cost level of only 25 bps in 3Q22 due to its excess provisions and effective asset quality control. Its NPL ratio should be relatively stable q-q at 2.2%, with a continued high coverage ratio of 249%. Second, we expect an uptick in its NIM to 5.1% from 5.0% in 2Q22 following a rise in its high-yield portfolios. Lastly, we expect strong loan growth of 3% q-q from auto cash, used cars, SMEs and the corporate segment. On the negative side, we expect its non-NII to fall q-q, due to the unfavourable capital market conditions.
TTB	2,359	3,438	3,285	39.3	(4.5)	20 Oct	We expect TTB to report a 3Q22 net profit of THB3,285m (+39% y-y, -5% q-q). The substantial increase y-y in its 3Q22 net profit would come from 1) a lower ECL from its improving asset quality and sufficient provision; and 2) a rise in its fee income from the low base. Meanwhile, we expect a drop q-q in its net profit. Although we expect an improvement in its NIM to 2.84% in 3Q22 vs 2.81% in 2Q22 from a minimal rise in its retail loans, this should be dragged down by higher q-q OPEX. TTB is expanding its retail business unit, called TTB Consumer. Also, it is in a digital investment phase.
Coverage	34,810	43,484	43,246	24.2	(0.5)		

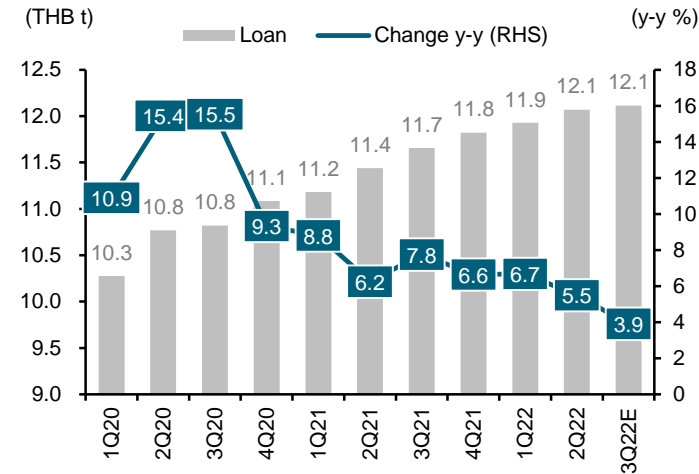
Sources: Company data; FSSIA estimates

3Q22E key highlights

1) Corporates and retail clients should drive higher loan demand

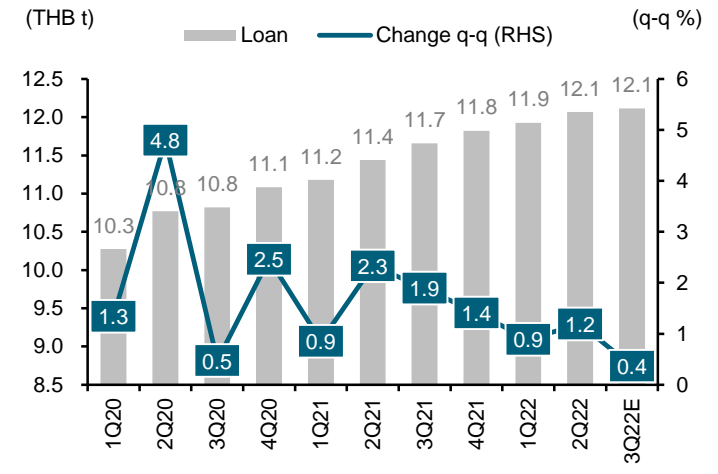
We expect the BUC's overall loan portfolio to slightly increase by 0.4% q-q (+3.9% y-y), driven by an increase in both working capital and long-term loan demand from the corporate segment, along with a rise in retail client volume due to the higher risk appetites of some banks seeking to more aggressively engage in small ticket size retail lending. Meanwhile, we think SME loans should stay flat q-q, as banks have continued to selectively lend to this segment.

Exhibit 3: Sector loan growth (y-y basis)



Sources: Company data; FSSIA estimates

Exhibit 4: Sector loan growth (q-q basis)



Sources: Company data; FSSIA estimates

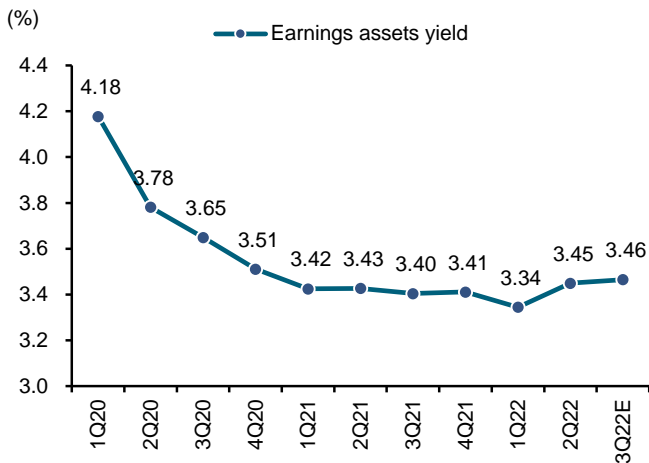
2) NIM should slightly increase

We expect the BUC's 3Q22 aggregate NIM to increase continuously to 2.83% from 2.82% in 2Q22, backed up by the increase in earnings asset yields and the stable cost of funds. The Monetary Policy Committee raised the policy rate by 25 bps to 0.75% in August 2022. Although in 3Q22 all banks retained their Thai lending and deposit rates, we believe they will start to benefit from the increase in corporate loan yields and interbank and money market yields.

We believe higher bond yields should lead to higher demand for commercial bank loans. Thus, banks will likely have higher bargaining power. This implies that BBL should benefit the most from its highest exposure to corporate lending.

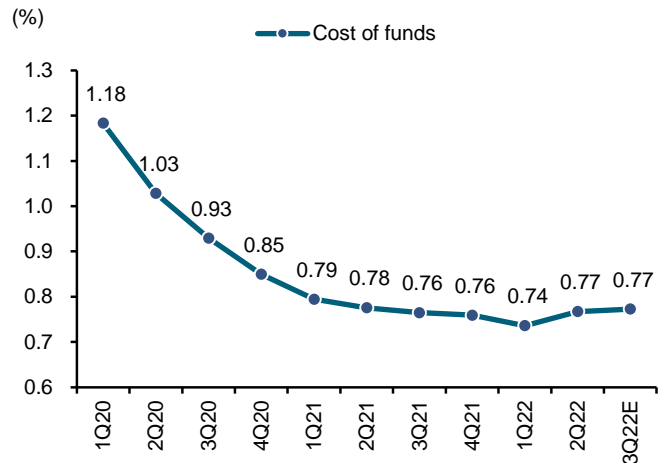
As for the interbank side, we think interbank returns should benefit from the 25 bps rate hike in August 2022. All of the BUC have net positive interbank and money market exposure (interbank and money market assets minus interbank and money market liabilities). Therefore, we believe the BUC's interbank yields will increase q-q in 3Q22.

Exhibit 5: BUC's quarterly earnings asset yields



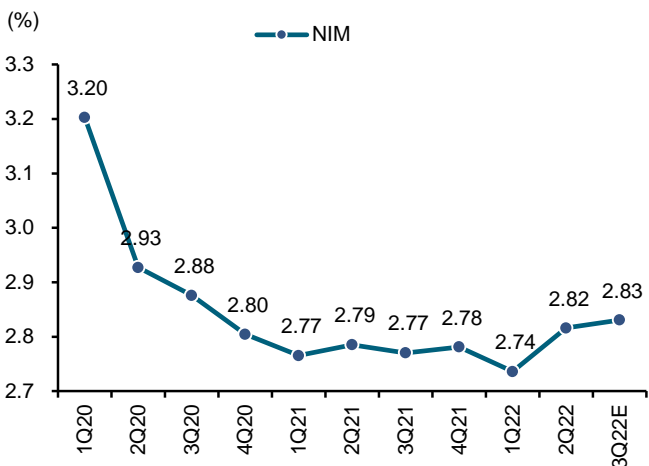
Sources: Company data; FSSIA estimates

Exhibit 6: BUC's cost of funds



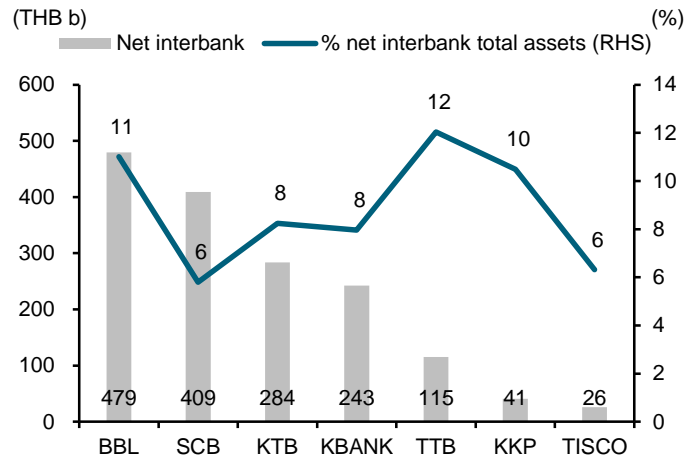
Sources: Company data; FSSIA estimates

Exhibit 7: BUC's quarterly NIM



Sources: Company data; FSSIA estimates

Exhibit 8: BUC's net interbank as of 2Q22

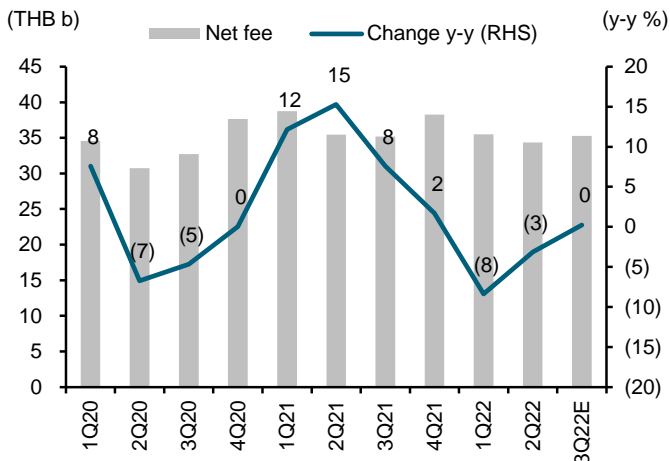


Sources: Company data; FSSIA estimates

3) Expect fee income to remain in weak territory

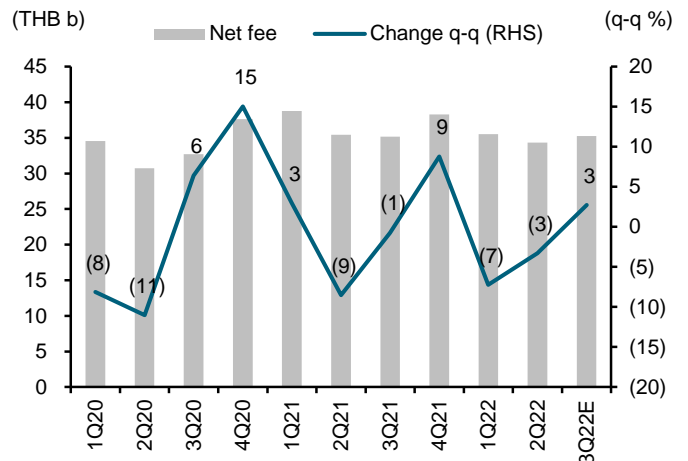
We expect the BUC to post only a 0.2% y-y and 3% q-q rise in fee income in 3Q22 due largely to weak brokerage and asset management fees due to the unfavourable capital market. Also, Non-NII should drop y-y and q-q in 3Q22, dragged down by lower fee income and a contraction in investment gains.

Exhibit 9: Sector's fee income growth (y-y basis)



Sources: Company data; FSSIA estimates

Exhibit 10: Sector's fee income growth (q-q basis)



Sources: Company data; FSSIA estimates

4) Good cost control

OPEX should increase by 4% y-y and 1% q-q in 3Q22. Although we think banks will resume their marketing and promotional campaigns following the opening of business activities, we believe that most banks should still be able to control their operating expenses effectively, as Covid-19 forced their clients to use digital platforms, leading to a faster network rationalisation pace and frozen headcounts.

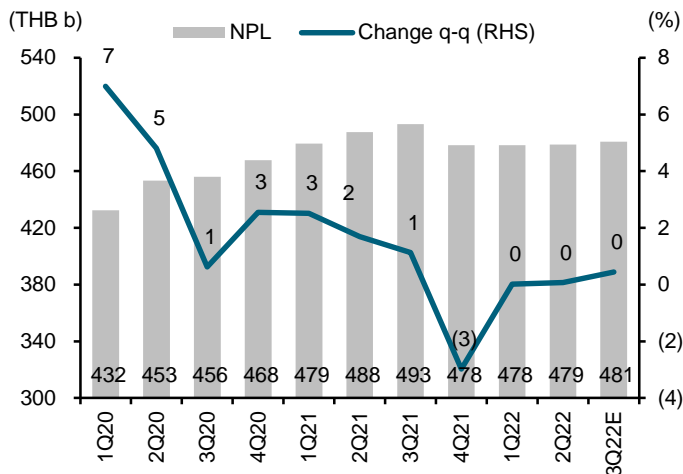
5) Stable NPLs and lower provisions

We expect the aggregate NPLs of BUC to be stable q-q in 3Q22, due to 1) the CDR program - which should support clients affected by Covid and high inflation; and 2) the sale of a large corporate lot of NPLs of one of SCB's clients. This could account for an NPL ratio (calculated by FSSIA) of 3.97% in 3Q22.

SCB should deliver the highest drop (q-q basis) in its NPLs by 6% q-q due to the sale of PACE's loans to Aster Capital on 5 August 2022. We think PACE's outstanding loans amounted to THB10b. As for the rest of the BUC, we expect a slight increase in NPLs. High inflation should slightly hurt the debt repayment ability of banks' clients. However, we expect banks to provide long-term debt restructuring programs to their clients. This should help with the asset deterioration.

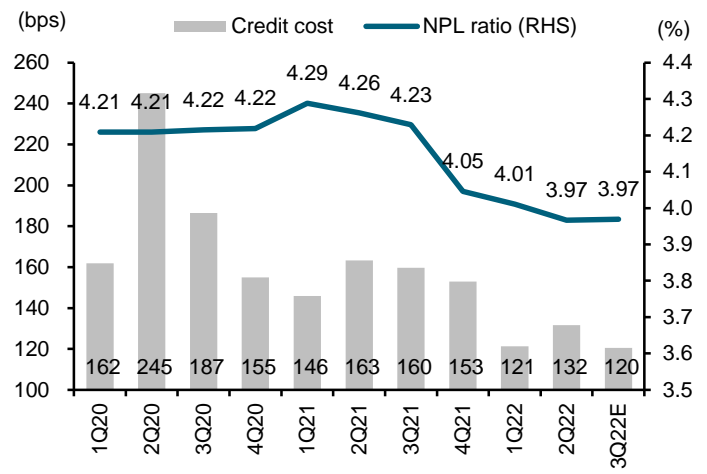
Regarding provisions, we expect banks to smooth out their provisioning expenses as they have already proactively set aside special provisions to provide a cushion from uncertainties in the previous quarters. As a result, we project a sector credit cost average of 120 bps in 3Q22 vs 132 bps in 2Q22.

Exhibit 11: Sector's NPL growth (q-q basis)



Sources: Company data; FSSIA estimates

Exhibit 12: Sector's NPL ratio and credit cost



Sources: Company data; FSSIA estimates

Exhibit 13: Breakdown of 3Q22 earnings preview

3Q22E	BBL	KBANK	KKP	KTB	SCB	TISCO	TTB	Coverage
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)
Net Interest Income	24,165	32,208	4,678	21,833	26,319	3,142	12,584	124,929
Change (y-y %)	16.7	4.8	22.3	3.3	11.8	1.6	0.1	8.1
Change (q-q %)	2.7	0.6	4.5	0.1	1.0	1.2	1.4	1.2
Non-interest Income	9,022	10,112	1,865	7,363	11,517	1,334	3,663	44,877
Change (y-y %)	(34.3)	9.9	(5.7)	2.4	(13.9)	23.0	18.7	(9.6)
Change (q-q %)	(15.4)	6.5	11.6	(3.7)	(8.8)	(8.5)	5.4	(4.6)
Net fee income	6,813	8,378	1,520	4,947	9,628	1,214	2,778	35,277
Change (y-y %)	(7.6)	(2.1)	4.4	4.1	(0.4)	7.7	23.1	0.2
Change (q-q %)	1.3	2.8	8.9	0.7	3.0	3.9	5.0	2.7
Operating income	33,187	42,320	6,543	29,196	37,836	4,476	16,248	169,806
Change (y-y %)	(3.6)	6.0	12.8	3.0	2.5	7.1	3.7	2.8
Change (q-q %)	(2.9)	2.0	6.4	(0.9)	(2.2)	(1.9)	2.3	(0.4)
Operating expenses	16,449	18,169	3,102	12,624	17,309	2,093	7,480	77,226
Change (y-y %)	3.6	7.1	5.1	(3.6)	9.5	6.4	2.9	4.4
Change (q-q %)	(5.7)	0.5	10.1	0.9	8.6	(1.5)	3.0	1.4
Pre-provision profit	16,739	24,152	3,441	16,572	20,526	2,383	8,767	92,580
Change (y-y %)	(9.8)	5.1	20.7	8.7	(2.7)	7.9	4.4	1.4
Change (q-q %)	(0.1)	3.0	3.3	(2.2)	(9.8)	(2.3)	1.6	(1.8)
Expected credit loss	7,016	9,847	1,024	5,679	8,005	129	4,712	36,412
Change (y-y %)	(28.9)	(12.8)	1.7	(30.2)	(20.2)	(49.3)	(14.7)	(21.1)
Change (q-q %)	(16.0)	(0.1)	26.1	0.2	(21.9)	(7.8)	7.5	(7.7)
Income tax	1,847	2,718	483	2,124	2,567	451	771	10,961
Normalised profit	7,734	10,660	1,931	7,792	10,041	1,803	3,285	43,246
Change (y-y %)	11.9	23.5	30.7	54.1	13.9	15.6	39.3	24.2
Change (q-q %)	11.1	(1.2)	(5.0)	(6.8)	(0.1)	(2.5)	(4.5)	(0.5)
% of 2022E	25.3	25.3	25.5	25.1	25.7	24.6	26.1	25.4
Net profit	7,734	10,660	1,931	7,792	10,041	1,803	3,285	43,246
Change (y-y %)	11.9	23.5	30.7	54.1	13.9	15.6	39.3	24.2
Change (q-q %)	11.1	(1.2)	(5.0)	(6.8)	(0.1)	(2.5)	(4.5)	(0.5)
% of 2022E	25.3	25.3	25.5	25.1	25.7	24.6	26.1	25.4
Loan (q-q %)	1.5	0.5	3.0	0.5	1.0	3.0	0.5	0.4
Loan (y-y %)	6.7	(0.4)	20.6	3.4	4.6	2.5	3.0	3.9
Deposit (q-q %)	1.0	(1.9)	4.8	0.3	(0.2)	(0.7)	(2.1)	(0.2)
Deposit (y-y %)	1.8	3.5	29.0	1.1	4.5	(0.7)	3.1	3.2
Loan/ Deposits (LDR %)	84.7	92.9	103.0	101.4	94.7	124.9	102.5	94.6
Loan/Deposits & Borrowing (%)	80.1	89.9	89.6	96.5	91.9	113.4	97.5	90.3
Key ratios	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)
Net interest margin	2.21	3.21	4.03	2.51	3.18	5.10	2.84	2.83
Credit cost (bp/total loans)	1.05	1.60	1.20	0.86	1.35	0.25	1.35	1.20
Cost to income	49.56	42.93	47.41	43.24	45.75	46.76	46.04	45.48
Loan-loss-coverage (FSSIA)	227	130	151	161	154	249	128	165
Absolute NPL (THB m)	106,412	112,171	11,499	107,253	96,386	4,553	42,571	480,844
Change (y-y %)	(5.4)	5.9	7.1	0.8	(10.0)	(25.3)	(4.1)	(2.5)
Change (q-q %)	1.3	2.0	5.0	2.7	(6.0)	2.0	3.0	0.4
NPL ratio (FSSIA)	3.95	4.61	3.32	4.05	4.04	2.17	3.04	3.97
Reported NPL ratio	3.40	4.06	3.30	3.49	3.32	2.17	2.63	

Source: FSSIA estimates

Recommendations and top picks

We think that over the next month the market's attention will stay with the theme of interest rate hikes amid high inflation. Hence, we believe that the banks with lower asset deterioration downside risks and a higher exposure to rate hike benefits should outperform their peers.

We reiterate KTB as one of our top picks, with an unchanged 2023 TP of THB20. During this time of economic uncertainty, we see KTB as a safe place to invest. We see lower asset deterioration downside risks compared with its peers due to its concentrated low-risk government and corporate portfolio. In our view, KTB should ride the economic upturn with the monetisation of its Pao Tang app and as one of the banks best positioned to reap the highest benefits from a rising interest rate environment. Moreover, its valuation looks attractive at 0.6x 2023E P/BV vs an 8.5% 2023E ROE.

BBL remains another top Buy, with the same 2023 TP of THB170. Amid the rise in the inflation rate, we have limited concerns about BBL's asset quality vs other big banks, as most of its clients are corporate and medium-sized companies which are more resilient than the retail segment due to their ability to pass on increases in production costs to clients. Also, we think BBL should be one of the banks that benefits the most from the interest rate uptrend.

We maintain our BUY call for KKP with an unchanged 2023 TP of THB82. We think its bottom line is well-cushioned by solid fee income, strong loan growth, and a lower ECL. We also expect KKP to provide a 2022 dividend yield of 6%.

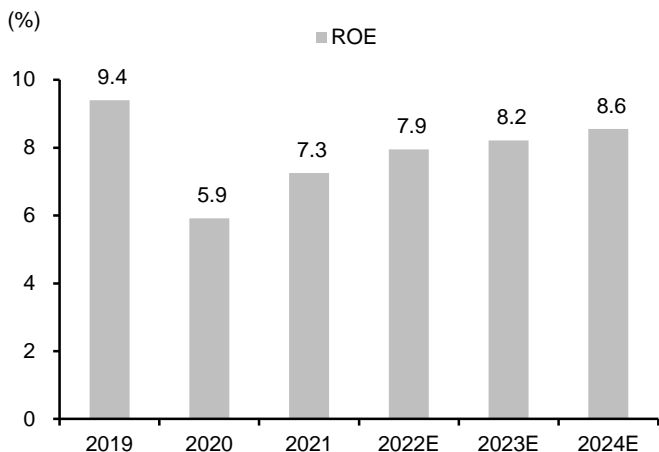
We maintain our BUY call and 2023 TP of THB192 for KBANK as we believe KBANK's net profit and ROE should increase continuously. KBANK's transformation is now in full swing and should unlock its value and increase shareholder returns, in our view.

We reiterate our BUY call on SCB with an unchanged 2023 SoTP-based TP of THB134 due to its demanding valuation. Its share price has slumped significantly, with a -18% YTD return vs a -10% YTD return for SETBANK. It currently trades at 0.7x 2023E P/BV, with an expected 2023 ROE of 8.5%. We expect SCB to officially announce its subsidiaries' financial targets after the 3Q22 results. Thus, SCB's share price might gain investors' attention again.

We have a less bullish view on TTB due to the slow revenue synergy benefits and the potential increase in OPEX in the next couple of quarters from its IT investment and new business expansion. But due to its undemanding valuation (0.5x 2023E P/BV and 6.3% 2023E ROE) and impressive 2022-24E net profit growth at a 14% CAGR, we maintain our BUY call, with an unchanged 2023 TP of THB1.4.

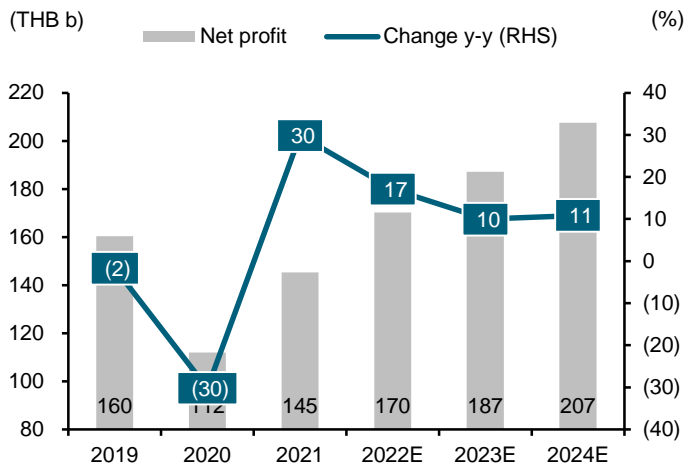
We maintain HOLD for TISCO, with an unchanged 2023 TP of THB94. We think TISCO's bottom line could be hurt slightly by an interest rate upturn. Additionally, we think it is less attractive than KKP as its lazy balance sheet strategy over the past several years will likely hinder its growth once the economy recovers. However, we recommend HOLD for its potentially superior dividend yield at 9-10% p.a. in 2022-24 and low asset quality risk.

Exhibit 14: Banking sector's ROE



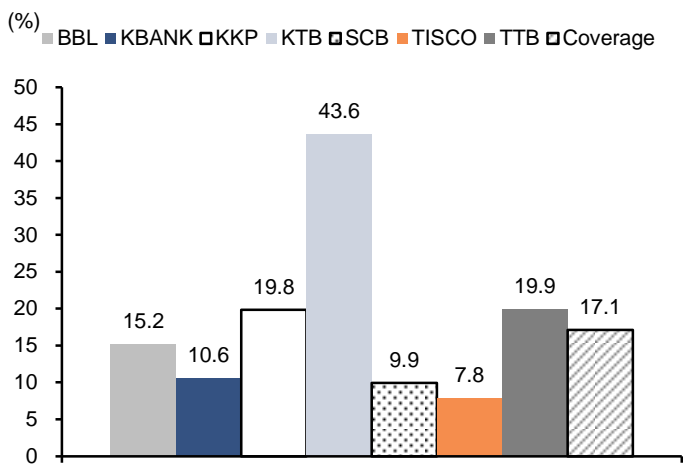
Sources: Company data; FSSIA estimates

Exhibit 15: Banking sector's net profit growth



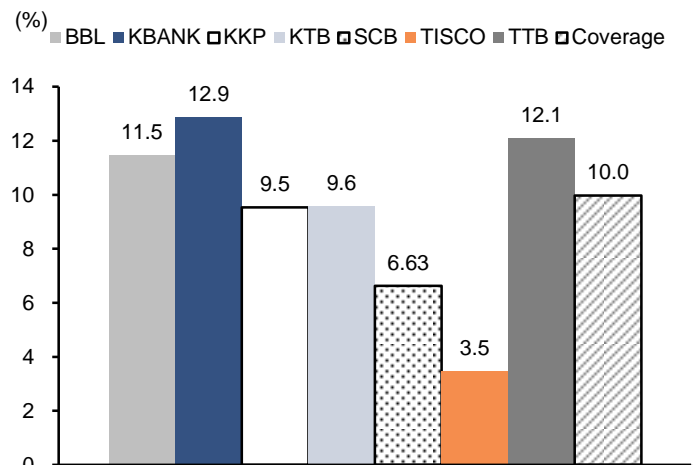
Sources: Company data; FSSIA estimates

Exhibit 16: BUC's 2022E net profit growth



Source: FSSIA estimates

Exhibit 17: BUC's 2023E net profit growth



Source: FSSIA estimates

Exhibit 18: Peers comparison

	BBG code	Rec	-- Share price --			Up side	Market Cap	EPS growth		--- P/E ---		-- DivYld --		--- ROE ---		--- PBV ---	
			Current	Target				22E	23E	22E	23E	22E	23E	22E	23E	22E	23E
			(THB)	(THB)	(%)			(%)	(%)	(x)	(x)	(%)	(%)	(%)	(%)	(x)	(x)
Coverage						36,865	17.7	9.9	8.3	7.6	4.5	5.2	8.5	8.7	0.7	0.7	
Bangkok Bank	BBL TB	BUY	132.50	170.00	28	6,638	15.2	11.5	8.3	7.4	3.8	4.9	6.0	6.4	0.5	0.5	
Kasikornbank	KBANK TB	BUY	140.50	192.00	37	8,736	10.6	12.9	7.9	7.0	3.2	3.6	8.5	9.0	0.7	0.6	
Kiatnakin Bank	KKP TB	BUY	66.75	82.00	23	1,483	19.8	9.5	7.5	6.8	6.0	6.7	14.2	14.3	1.0	0.9	
Krung Thai Bank	KTB TB	BUY	16.50	20.00	21	6,052	43.6	9.6	7.4	6.8	4.7	5.2	8.3	8.5	0.6	0.6	
SCB X	SCB TB	BUY	102.00	134.00	31	9,013	9.8	6.6	8.9	8.3	4.9	5.9	8.6	8.5	0.7	0.7	
Tisco Financial	TISCO TB	HOLD	91.50	94.00	3	1,923	7.8	3.5	10.0	9.7	8.5	9.0	17.4	17.4	1.7	1.7	
TMBThanachart Bank	TTB TB	BUY	1.19	1.40	18	3,020	20.3	12.1	9.1	8.1	4.9	5.5	5.8	6.3	0.5	0.5	

Share prices as of 3 Oct 2022

Source: FSSIA estimates

Corporate Governance report of Thai listed companies 2021

EXCELLENT LEVEL – Score range 90-100										
AAV	BCPG	CPALL	GCAP	K	MSC	PLANET	SAMART	SPI	THRE	TVD
ADVANC	BDMS	CPF	GFPT	KBANK	MST	PLAT	SAMTEL	SPRC	THREL	TVI
AF	BEM	CPI	GGC	KCE	MTC	PORT	SAT	SPVI	TIPCO	TVO
AH	BGC	CPN	GLAND	KKP	MVP	PPS	SC	SSSC	TISCO	TWPC
AIRA	BGRIM	CRC	GLOBAL	KSL	NCL	PR9	SCB	SST	TK	U
AKP	BIZ	CSS	GPI	KTB	NEP	PREB	SCC	STA	TKT	UAC
AKR	BKI	DDD	GPSC	KTC	NER	PRG	SCCC	STEC	TMT	UBIS
ALT	BOL	DELTA	GRAMMY	LALIN	NKI	PRM	SCG	STI	TNDT	UV
AMA	BPP	DEMCO	GULF	LANNA	NOBLE	PROUD	SCGP	SUN	TNITY	VGI
AMATA	BRR	DRT	GUNKUL	LH	NSI	DRS	SCM	SUSCO	TOA	VIH
AMATAV	BTS	DTAC	HANA	LHFG	NVD	PSL	SDC	SUTHA	TOP	WACOAL
ANAN	BTW	DUSIT	HARN	LIT	NWR	PTG	SEAFCO	SVI	TPBI	WAVE
AOT	BWG	EA	HMPRO	LPN	NYT	PTT	SEAOL	SYMC	TQM	WHA
AP	CENTEL	EASTW	ICC	MACO	OISHI	PTTEP	SE-ED	SYNTEC	TRC	WHAUP
ARIP	CFRESH	ECF	ICHI	MAJOR	OR	PTTGC	SELIC	TACC	TRU	WICE
ARROW	CHEWA	ECL	III	MAKRO	ORI	PYLON	SENA	TASCO	TRUE	WINNER
ASP	CHO	EE	ILINK	MALEE	OSP	Q-CON	SHR	TCAP	TSC	ZEN
AUCT	CIMBT	EGCO	ILM	MBK	OTO	QH	SIRI	TEAMG	TSR	
AWC	CK	EPG	INTUCH	MC	PAP	QTC	SIS	TFMAMA	TSTE	
AYUD	CKP	ETC	IP	MCOT	PCSGH	RATCH	SITHAI	TGH	TSTH	
BAFS	CM	FPI	IRPC	METCO	PDG	RS	SMK	THANA	TTA	
BANPU	CNT	FPT	ITEL	MFEC	PDJ	S	SMPC	THANI	TTB	
BAY	COM7	FSMART	IVL	MINT	PG	S & J	SNC	THCOM	TTCL	
BBL	COMAN	GBX	JSP	MONO	PHOL	SAAM	SONIC	THG	TTW	
BCP	COTTO	GC	JWD	MOONG	PLANB	SABINA	SPALI	THIP	TU	
VERY GOOD LEVEL – Score range 80-89										
2S	ASIMAR	CHOW	FLOYD	IT	LOXLEY	OCC	RPC	SKY	TCC	TVT
7UP	ASK	CI	FN	ITD	LRH	OGC	RT	SLP	TCMC	TWP
ABICO	ASN	CIG	FNS	J	LST	PATO	RWI	SMIT	TEAM	UEC
ABM	ATP30	CMC	FORTH	JAS	M	PB	S11	SMT	TFG	UMI
ACE	B	COLOR	FSS	JCK	MATCH	PICO	SA	SNP	TFI	UOBKH
ACG	BA	CPL	FTE	JCKH	MBAX	PIMO	SAK	SO	TIGER	UP
ADB	BAM	CPW	FVC	JMART	MEGA	PJW	SALEE	SORKON	TITLE	UPF
AEONTS	BC	CRD	GEL	JMT	META	PL	SAMCO	SPA	TKN	UPOIC
AGE	BCH	CSC	GENCO	KBS	MFC	PM	SANKO	SPC	TKS	UTP
AHC	BEC	CSP	GJS	KCAR	MGT	PMTA	SAPPE	SPCG	TM	VCOM
AIT	BEYOND	CWT	GYT	KEX	MICRO	PPP	SAWAD	SR	TMC	VL
ALL	BFIT	DCC	HEMP	KGI	MILL	PPPM	SCI	SRICHA	TMD	VPO
ALLA	BJC	DCON	HPT	KIAT	MITSIB	PRIME	SCN	SSC	TMI	VRANDA
ALUCON	BJCHI	DHOUSE	HTC	KISS	MK	PRIN	SCP	SSF	TMILL	WGE
AMANAH	BLA	DOD	HYDRO	KOOL	MODERN	PRINC	SE	STANLY	TNL	WIJK
AMARIN	BR	DOHOME	ICN	KTIS	MTI	PSG	SFLEX	STGT	TNP	WP
APCO	BROOK	DV8	IFS	KUMWEL	NBC	PSTC	SFP	STOWER	TOG	XO
APCS	CBG	EASON	IMH	KUN	NCAP	PT	SFT	STPI	TPA	XPG
APURE	CEN	EFORL	IND	KWC	NCH	QLT	SGF	SUC	TPAC	YUASA
AQUA	CGH	ERW	INET	KWM	NETBAY	RBF	SIAM	SWC	TPCS	
ASAP	CHARAN	ESSO	INSET	L&E	NEX	RCL	SINGER	SYNEX	TPS	
ASEFA	CHAYO	ESTAR	INSURE	LDC	NINE	RICHY	SKE	TAE	TRITN	
ASIA	CHG	ETE	IRC	LEO	NRF	RML	SKN	TAKUNI	TRT	
ASIAN	CHOTI	FE	IRCP	LHK	NTV	ROJNA	SKR	TBSP	TSE	
GOOD LEVEL – Score range 70-79										
A	BGT	CITY	GIFT	JTS	MDX	PK	SGP	SUPER	TQR	YGG
AI	BH	CMAN	GLOCON	JUBILE	MJD	PLE	SICT	SVOA	TTI	ZIGA
AIE	BIG	CMO	GREEN	KASET	MORE	PPM	SIMAT	TC	TYCN	
AJ	BLAND	CMR	GSC	KCM	MUD	PRAKIT	SISB	TCCC	UKEM	
ALPHAX	BM	CPT	GTB	KK	NC	PRAPAT	SK	THMUI	UMS	
AMC	BROCK	CRANE	HTECH	KKC	NDR	PRECHA	SMART	TNH	UNIQ	
APP	BSBM	CSR	HUMAN	KWI	NFC	PTL	SOLAR	TNR	UPA	
AQ	BSM	D	IHL	KYE	NNCL	RJH	SPACK	TOPP	UREKA	
ARIN	BTNC	EKH	IIG	LEE	NOVA	RP	SPG	TPCH	VIBHA	
AS	BYD	EMC	INGRS	LPH	NPK	RPH	SQ	TPIPL	W	
AU	CAZ	EP	INOX	MATI	NUSA	RSP	SSP	TIPIP	WIN	
B52	CCP	F&D	JAK	M-CHAI	PAF	SABUY	STARK	TPLAS	WORK	
BEAUTY	CGD	FMT	JR	MCS	PF	SF	STC	TPOLY	WPH	

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* CGR scoring should be considered with news regarding wrong doing of the company or director or executive of the company such unfair practice on securities trading, fraud, and corruption SEC imposed a civil sanction against insider trading of director and executive

Sources: Thai Institute of Directors Association (IOD); FSSIA's compilation; data as of 26 October 2021

Anti-corruption Progress Indicator

CERTIFIED										
2S	BCH	CPALL	GC	K	MFC	PE	QLT	SNP	THCOM	TU
7UP	BCP	CPF	GCAP	KASET	MFEC	PG	QTC	SORKON	THIP	TVD
ADVANC	BCPG	CPI	GEL	KBANK	MILL	PHOL	RATCH	SPACK	THRE	TVI
AF	BE8	CPN	GFPT	KBS	MINT	PK	RML	SPALI	THREL	TVO
AI	BEYOND	CSC	GGC	KCAR	MONO	PL	RWI	SPC	TIDLOR	TWPC
AIE	BGC	DCC	GJS	KCE	MOONG	PLANB	S & J	SPI	TIPCO	U
AIRA	BGRIM	DELTA	GPI	KGI	MSC	PLANET	SAAM	SPRC	TISCO	UBE
AKP	BJCHI	DEMCO	GPSC	KKP	MST	PLAT	SABINA	SRICHA	TKS	UBIS
ALPHAX	BKI	DIMET	GSTEEL	KSL	MTC	PM	SAPPE	SSF	TKT	UEC
AMA	BLA	DRT	GUNKUL	KTB	MTI	PPP	SAT	SSP	TMD	UKEM
AMANAHA	BPP	DTAC	HANA	KTC	NBC	PPPM	SC	SSSC	TMILL	UOBKH
AMATA	BROOK	DUSIT	HARN	KWC	NEP	PPS	SCB	SST	TMT	UPF
AMATAV	BRR	EA	HEMP	KWI	NINE	PR9	SCC	STA	TNITY	UV
AP	BSBM	EASTW	HENG	L&E	NKI	PREB	SCCC	STOWER	TNL	VGI
APCS	BTS	ECL	HMPRO	LANNA	NMG	PRG	SCG	SUSCO	TNP	VIH
AQUA	BWG	EGCO	HTC	LH	NNCL	PRINC	SCN	SVI	TNR	WACOAL
ARROW	CEN	EP	ICC	LHFG	NOBLE	PRM	SEAOIL	SYMC	TOG	WHA
AS	CENTEL	EPG	ICHI	LHK	NOK	PROS	SE-ED	SYNTEC	TOP	WHAUP
ASIAN	CFRESH	ERW	IFEC	LPN	NSI	PSH	SELIC	TAE	TOPP	WICE
ASK	CGH	ESTAR	IFS	LRH	NWR	PSL	SENA	TAKUNI	TPA	WIJK
ASP	CHEWA	ETE	ILINK	M	OCC	PSTC	SGP	TASCO	TPP	XO
AWC	CHOTI	FE	INET	MAKRO	OGC	PT	SINGER	TBSP	TRU	ZEN
AYUD	CHOW	FNS	INSURE	MALEE	ORI	PTG	SIRI	TCAP	TRUE	
B	CIG	FPI	INTUCH	MATCH	PAP	PTT	SITHAI	TCMC	TSC	
BAFS	CIMBT	FPT	IRC	MBAX	PATO	PTTEP	SKR	TFG	TSTE	
BAM	CM	FSMART	IRPC	MBK	PB	PTTGC	SMIT	TFI	TSTH	
BANPU	CMC	FSS	ITEL	MC	PCSGH	PYLON	SMK	TFMAMA	TTA	
BAY	COM7	FTE	IVL	MCOT	PDG	Q-CON	SMPC	TGH	TTB	
BBL	COTTO	GBX	JKN	META	PDJ	QH	SNC	THANI	TTCL	
DECLARED										
AJ	CHG	DDD	ETC	JR	MAJOR	NUSA	RS	SSS	TQM	YUASA
ALT	CPL	DHOUSE	FLOYD	JTS	NCAP	NYT	SAK	STECH	TSI	ZIGA
APCO	CPR	DOHOME	GULF	KEX	NCL	OR	SCGP	STGT	VARO	
B52	CPW	ECF	III	KUMWEL	NOVA	PIMO	SCM	TKN	VCOM	
BEC	CRC	EKH	INOX	LDC	NRF	PLE	SIS	TMI	VIBHA	

Level	
Certified	This level indicates practical participation with thoroughly examination in relation to the recommended procedures from the audit committee or the SEC's certified auditor, being a certified member of Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) or already passed examination to ensure independence from external parties.
Declared	This level indicates determination to participate in the Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC)

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Sources: The Securities and Exchange Commission, Thailand; * FSSIA's compilation

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Rawisara Suwanumchai FSS International Investment Advisory Securities Co., Ltd

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Company	Ticker	Price	Rating	Valuation & Risks
Bangkok Bank	BBL TB	THB 132.50	BUY	Downside risks to our GGM-based TP are 1) prolonged economic sluggishness affecting loan growth and asset quality; and 2) the impact of new regulations from the Bank of Thailand.
Kasikornbank	KBANK TB	THB 140.50	BUY	Downside risks to our GGM-based TP are 1) prolonged economic sluggishness affecting loan growth and asset quality; and 2) the impact of new regulations from the Bank of Thailand.
Kiatnakin Bank	KKP TB	THB 66.75	BUY	Downside risks to our GGM-based target price include weakening asset quality and lower fee income.
Krung Thai Bank	KTB TB	THB 16.50	BUY	Downside risks to our GGM-based TP are 1) prolonged economic sluggishness affecting loan growth and asset quality; and 2) the impact of new regulations from the Bank of Thailand.
SCB X	SCB TB	THB 102.00	BUY	Downside risks to our GGM-based TP are 1) prolonged economic sluggishness affecting loan growth and asset quality; and 2) the impact of new regulations from the Bank of Thailand.
Tisco Financial	TISCO TB	THB 91.50	HOLD	Downside risks to our GGM-based TP are 1) prolonged economic sluggishness affecting loan growth and asset quality; and 2) the impact of new regulations from the Bank of Thailand. An upside risk to our GGM-based TP would be lower-than-expected policy rate hikes.
TMBThanachart Bank	TTB TB	THB 1.19	BUY	Downside risks to our GGM-based TP are 1) prolonged economic sluggishness affecting loan growth and asset quality; and 2) the impact of new regulations from the Bank of Thailand.
JMT Network Services	JMT TB	THB 64.25	BUY	Downside risks to our GGM-based TP include 1) lower cash collection from its fully amortised portfolio; and 2) the lower-than-expected acquisition of new bad debt.

Source: FSSIA estimates

Additional Disclosures

Target price history, stock price charts, valuation and risk details, and equity rating histories applicable to each company rated in this report is available in our most recently published reports. You can contact the analyst named on the front of this note or your representative at Finansia Syrus Securities Public Company Limited

FSSIA may incorporate the recommendations and target prices of companies currently covered by FSS Research into equity research reports, denoted by an 'FSS' before the recommendation. FSS Research is part of Finansia Syrus Securities Public Company Limited, which is the parent company of FSSIA.

All share prices are as at market close on 3-Oct-2022 unless otherwise stated.

RECOMMENDATION STRUCTURE

Stock ratings

Stock ratings are based on absolute upside or downside, which we define as $(\text{target price}^* - \text{current price}) / \text{current price}$.

BUY (B). The upside is 10% or more.

HOLD (H). The upside or downside is less than 10%.

REDUCE (R). The downside is 10% or more.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause a temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.

* In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

Industry Recommendations

Overweight. The analyst expects the fundamental conditions of the sector to be positive over the next 12 months.

Neutral. The analyst expects the fundamental conditions of the sector to be maintained over the next 12 months.

Underweight. The analyst expects the fundamental conditions of the sector to be negative over the next 12 months.

Country (Strategy) Recommendations

Overweight (O). Over the next 12 months, the analyst expects the market to score positively on two or more of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Neutral (N). Over the next 12 months, the analyst expects the market to score positively on one of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Underweight (U). Over the next 12 months, the analyst does not expect the market to score positively on any of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.