

Thailand Banks

กำไรสุทธิ 3Q22 ออกมาดีจากส่วนต่างดอกเบี้ย (NIM) และสำรอง

- มองกำไรสุทธิ 3Q22 เป็นบวกเล็กน้อยจาก NIM ที่ดีขึ้น; KTB รายงานผลประกอบการที่ดีที่สุด
- NIM ที่ขยายต่อเนื่องและสำรองที่ลดลงน่าจะเป็นปัจจัยหนุนใน 4Q22
- คงให้น้ำหนักกลุ่มธนาคารมากกว่าตลาดโดยมี KTB และ BBL เป็นหุ้นเด่น

NIM ที่ดีขึ้นและต้นทุนความเสี่ยงในการปล่อยสินเชื่อ (Credit cost) ที่ลดลงช่วยผลักดันกำไรสุทธิ 3Q22

ธนาคารที่เราศึกษา (BUC) รายงานกำไรสุทธิ 3Q22 รวมอยู่ที่ 44.6 พัน ลบ. (+28% y-y, +3% q-q) สูงกว่าที่เราคาด 3% เรามองผลการดำเนินงานรวมของกลุ่ม เป็นบวกเล็กน้อย ผลประกอบการของ BUC มีทั้งบวกและลบ เราเห็นด้านบวก 2 ประการ ข้อแรกซึ่งเป็นข้อสำคัญที่สุด NIM เพิ่มขึ้นในระดับปานกลางที่ 17 bps มาอยู่ที่ 2.99% จากผลตอบแทนสินเชื่อที่สูงขึ้น รวมถึงผลตอบแทนการลงทุนและ interbank ที่สูงขึ้นจากแนวโน้มอัตราดอกเบี้ยขาขึ้น ข้อสองหนี้ด้อยคุณภาพ (NPL) รวมของ BUC ลดลงในระดับปานกลางที่ 6% q-q ใน 3Q22 ส่วนมากจากการบริหาร NPL เชิงรุกของ KBANK และ SCB ในขณะที่ BUC ที่เหลือรายงาน NPL เพิ่มขึ้นเล็กน้อย ซึ่งทำให้ BUC สามารถลดการจัดสรรสำรองลง ในด้านลบรายได้ที่ไม่ใช่ดอกเบี้ยสุทธิ (Non-NII) ลดลงจากรายได้ค่าธรรมเนียมที่ลดลงและกำไรจากการปรับมูลค่าการลงทุนให้เป็นราคาตลาดที่น้อยลงจากสภาวะตลาดหุ้นที่ไม่เป็นใจ เราคิดว่าผลประกอบการของ KTB ดีที่สุดใน 3Q22

มุมมองเป็นกลางจากที่ประชุมนักวิเคราะห์หลังผลประกอบการ

ความรู้สึจากที่ประชุมนักวิเคราะห์หลังผลประกอบการเป็นกลาง BUC เห็นการเสื่อมสภาพของสินทรัพย์เล็กน้อยจากสภาวะเงินเฟ้อที่อยู่ในระดับสูง อย่างไรก็ตามการสำรองที่มากพอและเศรษฐกิจที่คาดว่าจะค่อย ๆฟื้นตัว BUC เชื่อว่าสามารถลดการจัดสรรสำรองของตัวเองได้ ในด้านรายได้ BUC เห็นโอกาสที่ NIM จะปรับขึ้นใน 4Q22 จากการขึ้นอัตราดอกเบี้ย ในส่วนของเงินนำส่งกองทุนพัฒนาระบบสถาบันการเงินที่จะกลับมาอยู่ที่ 46 bps เราคิดว่า BUC อาจค่อย ๆ ส่งผ่านต้นทุนดังกล่าวให้แก่ลูกค้ามากกว่าจะทำในครั้งเดียว เพราะฉะนั้นธนาคารทั้งหมดจึงจำเป็นต้องบริหารสินทรัพย์และหนี้สินของตนให้ดีเพื่อรักษาอัตรากำไรในปี 2023

กำไรสุทธิ 4Q22 น่าจะเพิ่มอย่างมีนัยสำคัญ y-y แต่ลดลงเล็กน้อย q-q

เราคาดว่ากำไรสุทธิ 4Q22 รวมของ BUC จะเพิ่ม y-y เนื่องจากเราคาดว่า การจัดสรรสำรองของธนาคารจะลดลง y-y จากสำรองส่วนเกินที่ธนาคารได้จัดสรรไว้ในปี 2020-21 ประกอบกับเราเชื่อว่า NIM น่าจะปรับขึ้นอย่างต่อเนื่อง การเพิ่มของ earning assets yields มีผลบวกมากกว่าผลเสียจากการเพิ่มของต้นทุนในการระดมเงิน เรายังไม่เห็นการแข่งขันอย่างรุนแรงในด้านเงินฝาก อย่างไรก็ตามกำไรสุทธิรวมของ BUC ใน 4Q22 อาจลดลง q-q จากค่าใช้จ่ายในการดำเนินงาน (OPEX) ที่สูงขึ้นจากปัจจัยด้านฤดูกาลและแผนการตลาดที่เป็นเชิงรุกมากยิ่งขึ้น

คงให้น้ำหนักกลุ่มธนาคารมากกว่าตลาด; KTB และ BBL เป็นหุ้นเด่น

เราเชื่อว่าราคาหุ้นธนาคารได้สะท้อนความกังวลเกี่ยวกับสภาวะเงินเฟ้อที่อยู่ในระดับสูงและการเสื่อมของสินทรัพย์ที่อาจเกิดขึ้นไปแล้ว ปัจจุบัน SETBANK มีการซื้อขายในระดับต่ำที่ 0.6x ของค่า 2022E P/BV แม้ว่าผลตอบแทนต่อส่วนผู้ถือหุ้น (ROE) จะฟื้นตัวและธนาคารอาจได้ประโยชน์จากแนวโน้มอัตราดอกเบี้ยขาขึ้น เราคงให้น้ำหนักกลุ่มธนาคารมากกว่าตลาดและคงเลือก KTB และ BBL เป็นหุ้นเด่น เราเชื่อว่าหุ้นทั้งสองน่าจะได้ประโยชน์สูงสุดจากการขึ้นอัตราดอกเบี้ยในอนาคตและมีความเสี่ยงจากการเสื่อมของสินทรัพย์น้อยที่สุด



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Improving NIM and lower credit cost drove 3Q22 net profit

The BUC delivered a 3Q22 aggregate net profit of THB44.6b (+28% y-y, +3% q-q), which was slightly higher than our estimate by 3%. We read the sector's overall operating performance as slightly positive due to the positive surprise on NIM and asset quality, with the BUC's performance being a mixed bag. We see two positives.

First and most importantly, there was a significant increase in the BUC's NIM by 17 bps to 2.99%, driven by 1) a rise in loan yields along with higher investment and interbank yields from the rate uptrend environment; and 2) higher growth in the high-yield retail segment's loan volume. Second, the aggregate NPLs of BUC dropped moderately by 6% q-q in 3Q22 due mainly to the aggressive NPL management of KBANK and SCB. As for the rest of the BUC, their NPLs rose minimally. While high inflation slightly hurt the debt repayment ability of bank clients, we think this was alleviated by long-term debt restructuring programs offered by the banks to their clients. As a result, the BUC were able to smooth out their provisioning setups. There was one negative – a drop in non-NII from lower fee income and lower mark-to-market gains from investments due to the unfavourable capital market conditions.

In our view, KTB delivered the best performance in 3Q22. Its 3Q22 results were strong in most items, including 1) healthy asset quality, leading to lower provisions; 2) a recovery in fee income; and 3) a stronger NIM.

TTB and KKP's 3Q22 net profits also surprised on lower provisions for TTB and higher loan growth for KKP. KBANK, SCB, BBL, and TISCO reported in-line results.

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

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	7,657	10.8	10.0	25.1	19,701	6.2	17.6	9,889	0.2	18.4
Kasikornbank	KBANK TB	10,574	22.5	(2.0)	25.1	23,484	2.2	0.2	9,948	(11.9)	1.0
Kiatnakin Bank	KKP TB	2,083	41.0	2.5	25.4	3,696	29.6	11.0	1,089	8.2	34.1
Krung Thai Bank	KTB TB	8,450	67.2	1.1	27.3	17,276	13.3	1.9	5,667	(30.4)	(0.0)
SCB X	SCB TB	10,309	16.9	2.6	26.3	22,813	8.1	0.2	7,750	(22.8)	(24.4)
Tisco Financial	TISCO TB	1,771	13.5	(4.2)	24.2	2,323	5.1	(4.8)	119	(53.4)	(15.2)
TMBThanachart Bank	TTB TB	3,715	57.5	8.0	27.4	8,903	6.1	3.2	4,361	(21.1)	(0.5)
Coverage		44,559	28.0	2.5	25.9	98,195	7.5	4.1	38,822	(15.8)	(1.6)

Source: FSSIA estimates

Exhibit 2: Recap of 3Q22 results of Thai banks under coverage

----- Norm profit -----			----- 3Q22 -----		FSSIA	FSSIA's views	
BBG	3Q21	2Q22	3Q22	---- Change ---		3Q22E	
	(THB m)	(THB m)	(THB m)	(y-y %)	(q-q %)	(THB m)	
BBL	6,909	6,961	7,657	10.8	10.0	7,734	BBL reported in-line 3Q22 net profit of THB7,657m (+11% y-y, +10% q-q). Its 9M22 net profit accounts for 71% of our 2022 forecast. BBL's performance was a mixed bag with two positives. First and most importantly, its NIM rose by 27 bps q-q to 2.45% due to a rise in the floating rate for its international loan portfolio following global rate hikes and the higher returns from interbank and money market items amid the domestic policy rate uptrend. We think its NIM should continue at a high level in the coming quarters. Second, there was solid loan growth of 5.4% q-q from corporate and international demand. On the other hand, we see two negatives. First, its fee income went down y-y from lower bancassurance, mutual fund, and brokerage fees due to the unfavourable capital market conditions. Second, despite good asset quality control leading to a mere 2% q-q rise in its NPLs, BBL set a conservatively high credit cost of 145 bps, up from 128 bps in 2Q22, to cushion macro uncertainty. Its coverage ratio, therefore, continued to increase to 240%.
KBANK	8,631	10,794	10,574	22.5	(2.0)	10,660	KBANK reported an in-line 3Q22 net profit of THB10,574m (+23% y-y, -2% q-q). There was mixed performance in this quarter, in our view, with two improvements. First, its NIM increased by 12 bps q-q to 3.33% from a higher loan yield and higher returns from interbank and investment assets following the policy rate uptrend. Second, its NPLs significantly dropped by 20% q-q – implying an NPL ratio (based on our calculation) of 3.6% vs 4.4% in 2Q22 – from the substantial increase in its write-offs to THB29.7b vs THB14.3b in 2Q22, and a high level of NPL sales to its JV of THB25b. As of 9M22, KBANK wrote-off and sold NPLs worth THB55b and THB51b. Also, its stage 2 loans were reduced by 2% q-q, while its NPL formation (based on our calculation) improved q-q. We think KBANK preventively solved its asset quality problem. There are two negatives, in our view. First, the bank reported a higher loss on its net insurance premium. Second, its fee income still dropped y-y and q-q due to lower mutual fund and brokerage fees from the unfavourable capital market.
KKP	1,478	2,033	2,083	41.0	2.5	1,931	KKP's 3Q22 operations were solid, driven by 1) a 7.0% q-q and a 17.3% YTD rise in loan volume due largely to the growth in hire purchase and corporate loans; 2) a rise in its NIM to 4.15% from 4.08% in 2Q22; and 3) higher fee income, supported by IB fees, banking fees, and wealth management related fees. These positives were able to offset a 50% q-q surge in losses on repossessed cars following an increase in the number of seized vehicles. However, our concern on this point is limited as the loss ratio per car was still manageable, in our view. As for asset quality, its non-performing loans (NPLs) rose by 9% q-q, implying an NPL ratio of 3.0%. Its coverage ratio remained high at 160%.
KTB	5,055	8,358	8,450	67.2	1.1	7,792	Once again, KTB reported an outperforming quarterly net profit, coming in at THB8,450m (+67% y-y, +1% q-q) in 3Q22 – higher than the BBG consensus estimate and our forecast by 9% thanks mainly to a higher NIM and fee income. We see three positives. First, KTB's NIM increased by 13 bps to 2.63% from a rise in loan yield due to the higher growth of its retail portfolio along with an increase in interbank and investment returns following policy rate hikes. Second, its fee income rose 13% y-y and 9% q-q from bancassurance and loan-related fees. Lastly, its credit cost plummeted y-y (stable q-q) to only 86 bps. KTB was able to control its asset quality effectively as its portfolio is comprised of 27% corporates, 19% government entities, and c25% government officials. These segments have been the least impacted by the Covid-19 pandemic and high inflation. The bank's non-performing loans (NPLs) were stable q-q, implying a stable q-q NPL ratio of 3.32%. As for OPEX, it has started to increase at a higher rate of 9% y-y and 14% q-q compared with past quarters due to a rise in IT expenses. However, as KTB did a good job on its revenue side, its cost to income ratio at 45% was still on target.
SCB	8,816	10,051	10,309	16.9	2.6	10,041	SCB posted an in-line 3Q22 net profit of THB10,309m (+17% y-y, +3% q-q). We see a slightly improvement in its core operations, including NIM and asset quality. First, its NIM increased by 20 bps to 3.37% from 1) a rise in loan yield due to a lower comprehensive debt restructuring (CDR) volume as well as pricing discipline on new bookings, and 2) an increase in interbank and investment returns following policy rate hikes. Second, its NPLs dropped by 10% q-q, implying an NPL ratio of 3.3%, due to the sale of Pace Development Corporation (PACE TB, not rated)'s NPLs and the bank's continuing offer of CDR to its clients. Regarding Non-NII, it was in weak territory mainly from lower gains on investments in startup companies, while there was a slight improvement in fee income q-q. In this quarter, SCB booked two items related to its transformation, including OPEX and tax. According to SCB, there was cTHB2.5b-3b in one-off OPEX in 2022, which was mostly booked in 9M22. Its effective tax rate went to an abnormally high rate of 31% in 3Q22 due to the gains from transferring nine subsidiaries of SCB Bank and SCB10X Co., Ltd to SCB. SCB said there should be a cTHB1.6b special tax charge booked in 4Q22.
TISCO	1,560	1,848	1,771	13.5	(4.2)	1,803	TISCO reported an in-line 3Q22 net profit of THB1,771m (+14% y-y, -4% q-q). We see three positives from its results. First, TISCO benefitted from a low credit cost level of 23 bps in 3Q22 due to the excess provisions it had set aside to survive uncertainties and its effective asset quality control. Its NPLs were relatively stable q-q, with a high coverage level of 248%. Second, there was an uptick in its NIM to 5.13%, from 2Q22's 5.04% due to a rise in its high-yield portfolios. Third, for the first time its loan volume rose strongly by 4.8% q-q from auto cash, used cars, SMEs and the corporate segment. On the negative side, its non-NII fell q-q. Although its fee income increased y-y and q-q, its non-NII was dragged by a lower gain on investments from the unfavourable capital market.
TTB	2,359	3,438	3,715	57.5	8.0	3,285	TTB reported a solid 3Q22 net profit of THB3,715m (+57% y-y, +8% q-q), driven by two main factors. First, its credit cost dropped y-y and q-q due to a sufficient provision cushion and efficient asset quality control, with NPLs stable q-q. Its coverage ratio was relatively stable at 135%. Second, its NIM increased substantially to 2.93% from 2.81% in 2Q22 thanks to a rise in returns on interbank assets following the policy rate uptrend and an increase in its high-yield loan portfolio, including hire-purchase, housing loans, and unsecured loans. Although its SME and corporate portfolio shrank, overall loan volume was relatively stable q-q. OPEX remains on a rising trend, in line with the bank's plans to expand its retail business unit. The only negative in 3Q22 was the drop in fee income q-q from lower mutual fund fees due to the gloomy capital market.
Coverage	34,807	43,484	44,559	28.0	2.5	43,246	

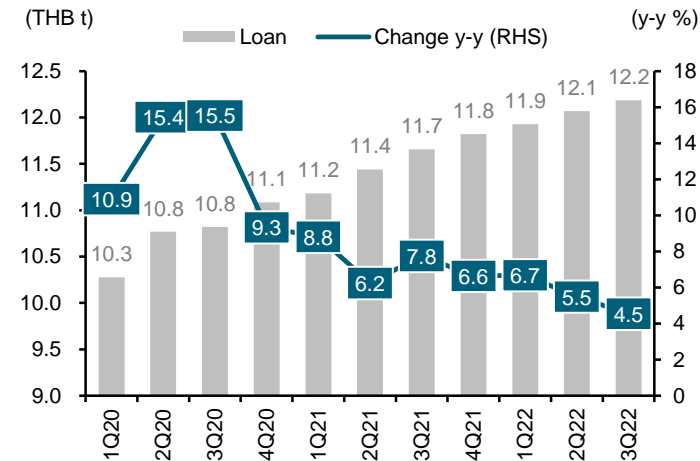
Sources: Company data; FSSIA estimates

3Q22 key highlights

1) Corporates and retail clients drove higher loan demand

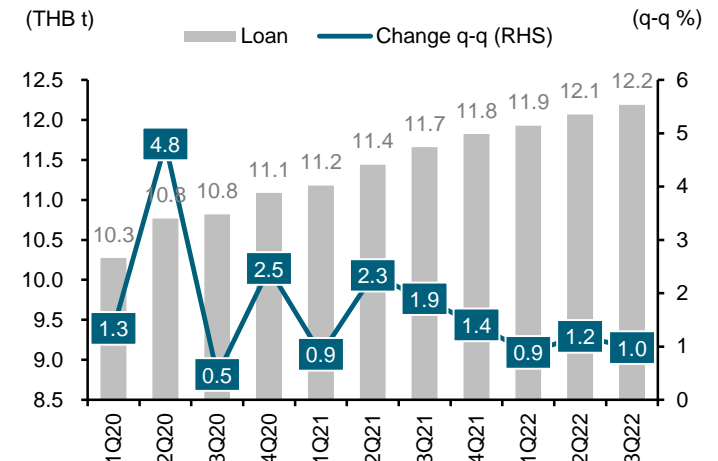
The BUC's overall loan portfolio slightly increased by 1.0% q-q (+4.5% y-y), driven by an increase in both working capital and long-term loan demand from the corporate segment, along with a rise in retail client volume due to the higher risk appetites of some banks seeking to more aggressively engage in small ticket size retail lending. Loan volume in 3Q22 rose at a slower pace than 2Q22 as KBANK and SCB managed their NPL outflows aggressively. KBANK sold and wrote off NPLs worth cTHB55b (2.3% of total loan volume). Meanwhile, SCB sold NPLs valued at cTHB10b – based on our calculation (0.4% of total loan volume).

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



Sources: Company data; FSSIA estimates

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

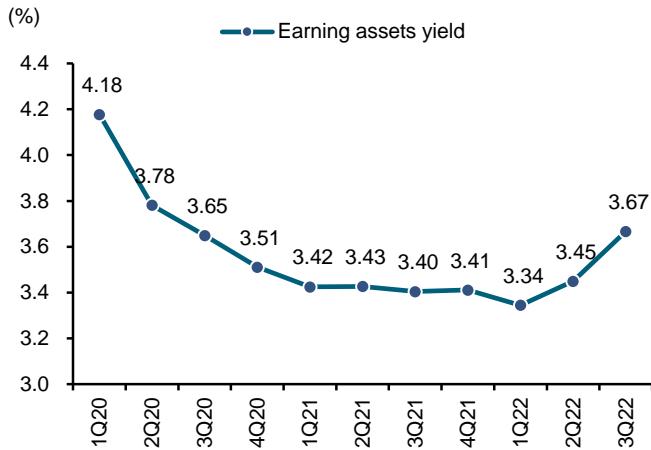


Sources: Company data; FSSIA estimates

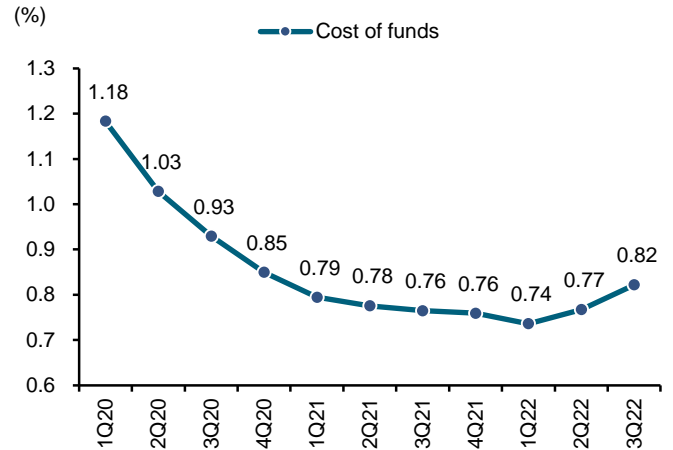
2) Positive surprise on NIM

The BUC's NIM came as a positive surprise. On an aggregate basis, it went up to 2.99% in 3Q22 from 2.82% in 2Q22. Earning assets yields increased 22 bps q-q, driven by 1) a rise in loan yields along with investment and interbank yields from the rate uptrend environment; and 2) higher growth in the high-yield retail segment's loan volume. Meanwhile, the BUC continued to manage their cost of funds effectively by increasing low-cost CASA deposits and slightly loosening their liquidity, with a slightly higher LDR to 94.8% in 3Q22 from 94.1% in 2Q22.

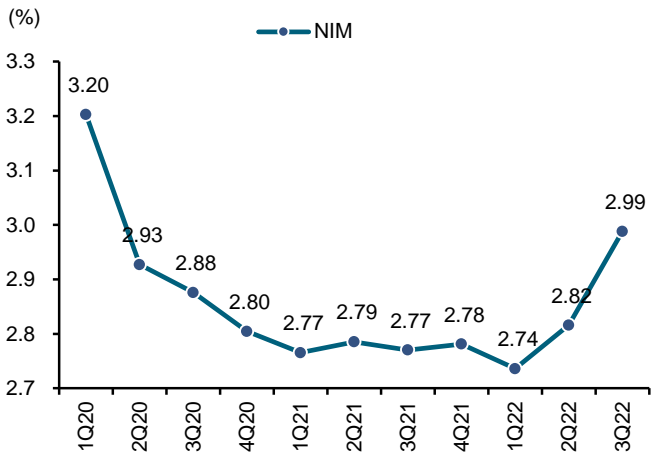
The Monetary Policy Committee raised the policy rate by 25 bps to 0.75% in Aug-22. Although in 3Q22 all banks retained their Thai lending and deposit rates, we believe they started to benefit from the increase in corporate loan yields. We believe higher bond yields should lead to higher demand for commercial bank loans. Thus, banks will likely have more bargaining power.

Exhibit 5: BUC's quarterly earning assets yield

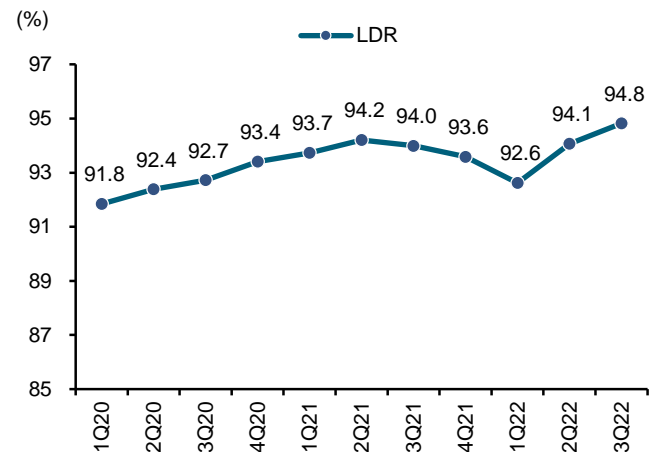
Sources: Company data; FSSIA estimates

Exhibit 6: BUC's cost of funds

Sources: Company data; FSSIA estimates

Exhibit 7: BUC's quarterly NIM

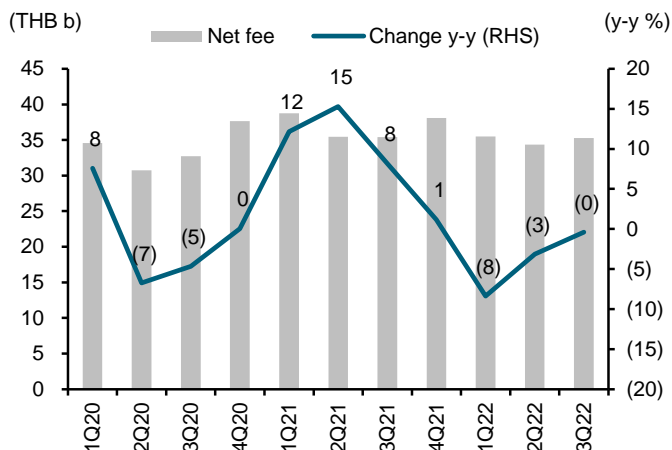
Sources: Company data; FSSIA estimates

Exhibit 8: BUC's LDR

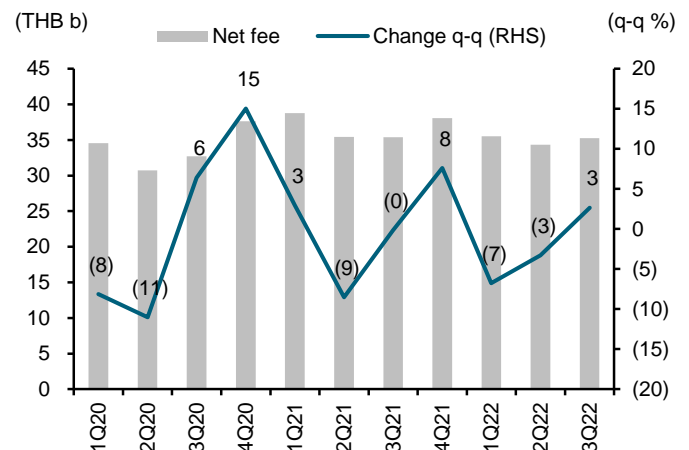
Sources: Company data; FSSIA estimates

3) Fee income to remain in weak territory

The BUC's fee income was stable y-y with only a 3% q-q rise in 3Q22 due largely to weak brokerage and asset management fees from the unfavourable capital market. Also, Non-NII dropped y-y and q-q continuously in 3Q22, dragged down by a contraction in investment gains and slow fee income growth.

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

Sources: Company data; FSSIA estimates

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

Sources: Company data; FSSIA estimates

4) OPEX started to rise moderately

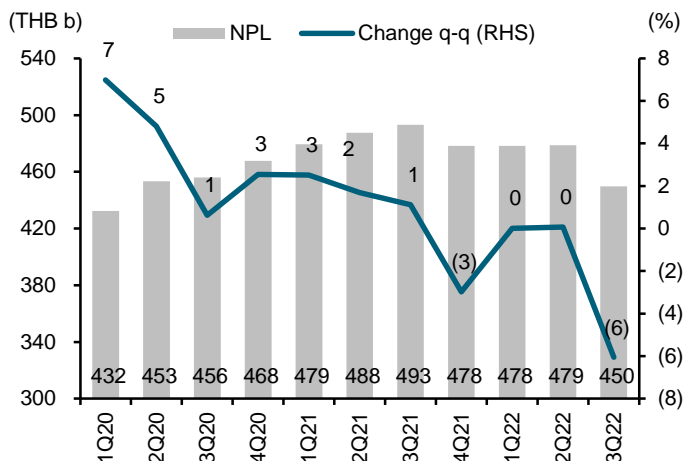
After the slow increase in the BUC's OPEX for consecutive quarters, we saw a moderate increase in OPEX by 7% y-y and 4% q-q in 3Q22 as most banks resumed their marketing and promotional campaigns following the reopening of business activities. However, due to the strong increase in their revenue, the BUC's cost to income ratio remained the same as 2Q22 at 44.7%.

5) Stable NPLs and lower provisions

The aggregate NPLs of BUC dropped moderately by 6% q-q in 3Q22 due mainly to the aggressive NPL management of KBANK and SCB, as mentioned earlier. KBANK and SCB's NPLs fell significantly by 20% q-q and 10% q-q, respectively. As for the rest of the BUC, their NPLs rose minimally. While high inflation slightly hurt debt repayment ability, we think this was alleviated by the long-term debt restructuring programs that banks offered to their clients which helped prevent asset deterioration.

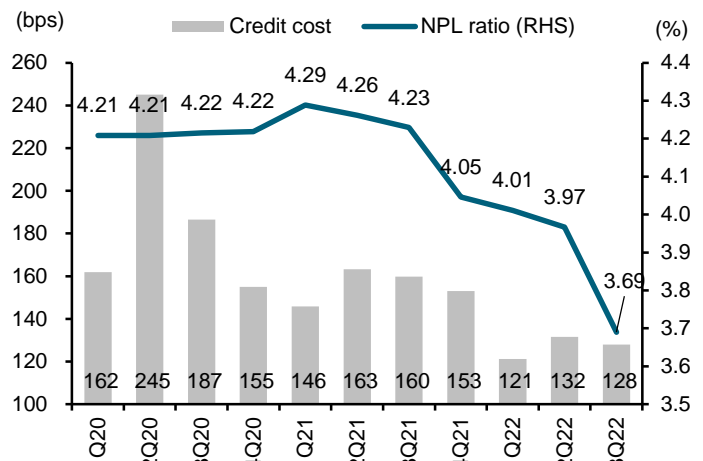
Regarding provisions, banks continued to smooth out their provisioning expenses as they have already proactively set aside special provisions to provide a cushion from uncertainty in the previous quarters. As a result, the BUC's credit cost went down to 128 bps in 3Q22 vs 132 bps in 2Q22.

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



Sources: Company data; FSSIA estimates

Exhibit 12: Sector NPL ratio and credit cost



Sources: Company data; FSSIA estimates

Exhibit 13: Breakdown of 3Q22 earnings review

3Q22	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	26,496	33,088	4,774	22,894	27,712	3,221	12,970	131,155
Change (y-y %)	28.0	7.6	24.8	8.3	17.8	4.2	3.1	13.4
Change (q-q %)	12.6	3.4	6.6	4.9	6.3	3.7	4.5	6.3
Non-interest Income	10,211	8,647	2,028	8,695	12,043	1,257	3,381	46,262
Change (y-y %)	(25.6)	(6.0)	2.5	20.9	(10.0)	15.9	4.4	(7.1)
Change (q-q %)	(4.3)	(9.0)	21.3	13.7	(4.7)	(13.8)	(2.7)	(1.7)
Net fee income	6,866	8,125	1,570	5,363	9,529	1,267	2,534	35,253
Change (y-y %)	(6.9)	(5.1)	7.7	12.8	(1.4)	12.4	3.1	(0.4)
Change (q-q %)	2.1	(0.3)	12.4	9.2	1.9	8.5	(4.2)	2.7
Operating income	36,707	41,735	6,802	31,589	39,755	4,478	16,351	177,417
Change (y-y %)	6.6	4.5	17.2	11.5	7.7	7.2	3.4	7.3
Change (q-q %)	7.4	0.5	10.6	7.2	2.7	(1.9)	2.9	4.1
Operating expenses	17,006	18,251	3,106	14,314	16,942	2,155	7,447	79,222
Change (y-y %)	7.1	7.6	5.2	9.3	7.1	9.5	0.4	6.9
Change (q-q %)	(2.5)	1.0	10.2	14.4	6.3	1.5	2.6	4.0
Pre-provision profit	19,701	23,484	3,696	17,276	22,813	2,323	8,903	98,195
Change (y-y %)	6.2	2.2	29.6	13.3	8.1	5.1	6.1	7.5
Change (q-q %)	17.6	0.2	11.0	1.9	0.2	(4.8)	3.2	4.1
Expected credit loss	9,889	9,948	1,089	5,667	7,750	119	4,361	38,822
Change (y-y %)	0.2	(11.9)	8.2	(30.4)	(22.8)	(53.4)	(21.1)	(15.8)
Change (q-q %)	18.4	1.0	34.1	(0.0)	(24.4)	(15.2)	(0.5)	(1.6)
Income tax	2,032	2,546	523	2,270	4,717	433	827	13,346
Normalised profit	7,657	10,574	2,083	8,450	10,309	1,771	3,715	44,559
Change (y-y %)	10.8	22.5	41.0	67.2	16.9	13.5	57.5	28.0
Change (q-q %)	10.0	(2.0)	2.5	1.1	2.6	(4.2)	8.0	2.5
% of 2022E	25.1	25.1	25.4	27.3	26.3	24.2	27.4	25.9
Net profit	7,657	10,574	2,083	8,450	10,309	1,771	3,715	44,559
Change (y-y %)	10.8	22.5	41.0	67.2	16.9	13.5	57.5	28.0
Change (q-q %)	10.0	(2.0)	2.5	1.1	2.6	(4.2)	8.0	2.5
% of 2022E	25.1	25.1	25.4	27.3	26.3	24.2	27.4	25.9
Loan (q-q %)	5.4	(1.0)	7.0	(0.9)	(0.5)	4.8	0.1	1.0
Loan (y-y %)	10.8	0.8	25.3	2.0	3.0	4.3	2.5	4.5
Deposit (q-q %)	0.6	(0.4)	4.9	(0.1)	0.4	8.1	(1.5)	0.2
Deposit (y-y %)	1.3	5.1	29.1	0.8	5.1	8.1	3.7	3.6
Loan/Deposits (LDR %)	88.4	92.6	107.0	100.4	92.7	116.8	101.5	94.8
Loan/Deposits & Borrowing (%)	83.0	90.3	91.6	94.3	90.0	107.8	96.3	90.2
Key ratios	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)
Net interest margin	2.45	3.33	4.15	2.63	3.37	5.13	2.93	2.99
Credit cost (bp/total loans)	1.45	1.61	1.25	0.86	1.32	0.23	1.25	1.28
Cost to income	46.33	43.73	45.66	45.31	42.62	48.13	45.55	44.65
Loan-loss-coverage	240	138	150	169	162	248	135	176
Absolute NPL (THB m)	107,023	87,682	11,819	104,734	92,131	4,442	41,899	449,730
Change (y-y %)	(4.8)	(17.2)	10.1	(1.5)	(14.0)	(27.1)	(5.7)	(8.8)
Change (q-q %)	1.9	(20.3)	7.9	0.3	(10.1)	(0.5)	1.4	(6.1)
Change (ytd %)	2.5	(13.2)	39.8	(2.2)	(9.2)	(20.9)	5.8	(3.8)
NPL ratio	3.83	3.56	3.28	4.01	3.92	2.08	3.01	3.69
Reported NPL ratio	3.50	3.07	3.20	3.32	3.34	2.08	2.72	

Source: FSSIA estimates

Recommendations and top picks

We maintain our view that in 4Q22 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 higher exposure to rate hike benefits should outperform their peers.

We reiterate KTB as one of our top picks, with a 2023 TP of THB21.2. 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 8.9% 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 a 2023 TP of THB85. 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%.

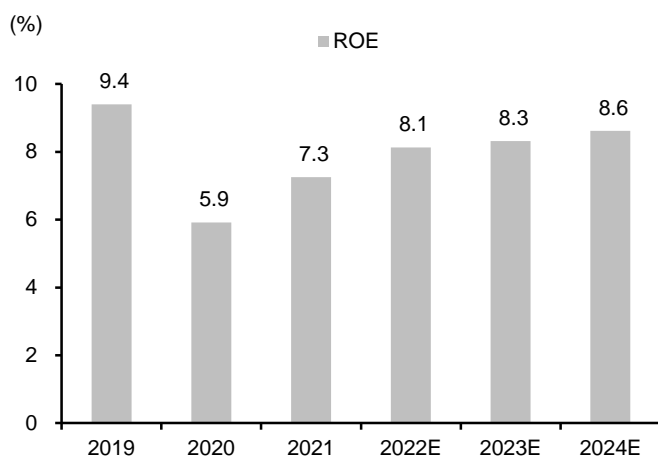
We maintain our BUY call and 2023 TP of THB192 for KBANK as we believe KBANK's net profit and ROE should increase continuously. KBANK's transformation is now in full swing and should unlock its value and increase shareholder returns, in our view.

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 -17% YTD return vs a -8% YTD return for SETBANK. It currently trades at 0.7x 2023E P/BV, with an expected 2023 ROE of 8.5%.

We reiterate our BUY call at a 2023 TP of THB1.48 due to TTB's efficient asset quality control, which should lead to a sanguine outlook in 4Q22 and 2023-24.

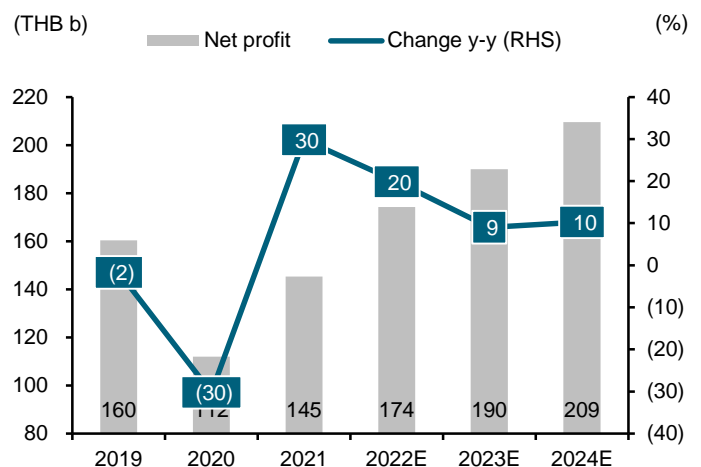
We like TISCO due to its low asset quality risk and expected 8-9% p.a. dividend yield in 2022-24, but we think its lazy balance sheet strategy over the past couple of years could limit its 2023 net profit growth to 4% y-y vs the 2023E aggregate net profit growth of our covered banks at 10% y-y. Hence, we maintain HOLD and our GGM-based TP of THB94.

Exhibit 14: Banking sector's ROE



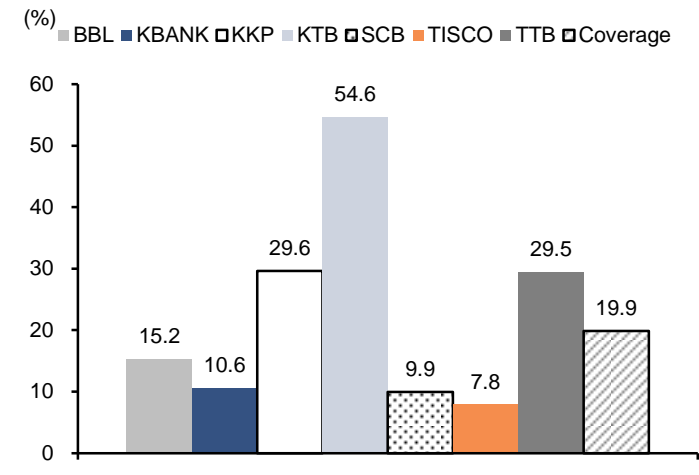
Sources: Company data; FSSIA estimates

Exhibit 15: Banking sector's net profit growth



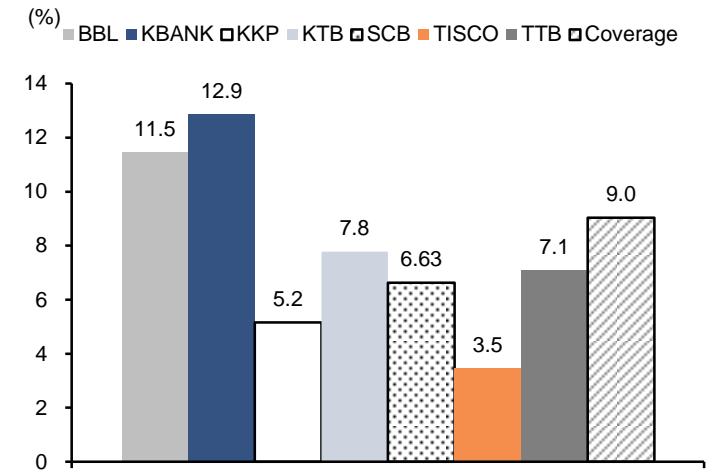
Sources: Company data; FSSIA estimates

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	Rec	--- Share price ---			Up	Market	EPS growth			--- P/E ---		-- DivYld --		--- ROE ---		--- PBV ---	
	code		Current	Target	side	Cap	22E	23E	22E	23E	22E	23E	22E	23E	22E	23E	22E	23E
			(THB)	(THB)	(%)	(USD m)	(%)	(%)	(x)	(x)	(%)	(%)	(%)	(%)	(%)	(%)	(x)	(x)
Coverage						38,476	20.7	9.0	8.6	7.9	4.4	5.0	8.7	8.8	0.7	0.7		
Bangkok Bank	BBL TB	BUY	142.00	170.00	20	7,064	15.2	11.5	8.9	8.0	3.5	4.6	6.0	6.4	0.5	0.5		
Kasikornbank	KBANK TB	BUY	146.00	192.00	32	9,015	10.6	12.9	8.2	7.3	3.1	3.4	8.5	9.0	0.7	0.6		
Kiatnakin Bank	KKP TB	BUY	71.75	85.00	18	1,583	29.6	5.2	7.4	7.1	5.9	6.3	15.3	14.8	1.1	1.0		
Krung Thai Bank	KTB TB	BUY	17.20	21.20	23	6,265	54.6	7.8	7.2	6.7	4.9	5.2	8.9	9.0	0.6	0.6		
SCB X	SCB TB	BUY	106.00	134.00	26	9,302	9.8	6.6	9.2	8.6	4.7	5.7	8.6	8.5	0.8	0.7		
Tisco Financial	TISCO TB	HOLD	95.50	94.00	(2)	1,993	7.8	3.5	10.5	10.1	8.1	8.6	17.4	17.4	1.8	1.7		
TMBThanachart Bank	TTB TB	BUY	1.29	1.48	15	3,254	29.8	7.1	9.2	8.6	4.9	5.3	6.3	6.4	0.6	0.5		

Share prices as of 21 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	BDM5	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	PSH	SCM	SUSCO	TOA	VIH
AMATAV	BTS	DTAC	HANA	LHFG	NVD	PSL	SDC	SUTHA	TOP	WACOAL
ANAN	BTW	DUSIT	HARN	LIT	NWR	PTG	SEAFECO	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	MTSIB	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	SEAOL	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 Suwanumphai FSS International Investment Advisory Securities Co., Ltd

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Company	Ticker	Price	Rating	Valuation & Risks
Bangkok Bank	BBL TB	THB 142.00	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.
Kasikornbank	KBANK TB	THB 146.00	BUY	Downside risks to our GGM-based TP are 1) prolonged economic sluggishness affecting loan growth and asset quality; and 2) the impact of new regulations from the Bank of Thailand.
Kiatnakin Bank	KKP TB	THB 71.75	BUY	Downside risks to our GGM-based target price include weakening asset quality and lower fee income.
Krung Thai Bank	KTB TB	THB 17.20	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 106.00	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 95.50	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 1.29	BUY	Downside risks to our GGM-based TP are 1) prolonged economic sluggishness affecting loan growth and asset quality; and 2) the impact of new regulations from the Bank of Thailand.

Source: FSSIA estimates

Additional Disclosures

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

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 21 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.