

# TMBTHANACHART BANK

THAILAND / BANKING

## TTB TB

# BUY

## Better strategy to boost bottom line

- Balance sheet optimisation strategy sought in high-yield segment.
- Key drivers to push earnings in the next three years should come from NII and fee income.
- Initiate coverage with a BUY call. Our 2023 GGM-based TP of THB1.83 implies 0.77x 2023E P/BV.

TARGET PRICE	THB1.83
CLOSE	THB1.56
UP/DOWNSIDE	+17.3%
TP vs CONSENSUS	+12.5%

### KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Operating profit	17,547	20,328	21,943	23,858
Net profit	14,195	16,446	17,774	19,325
EPS (THB)	0.15	0.17	0.18	0.20
vs Consensus (%)	-	1.8	(1.1)	4.7
Recurring net profit	14,195	16,446	17,774	19,325
Core EPS (THB)	0.15	0.17	0.18	0.20
EPS growth (%)	35.3	15.9	8.1	8.7
Core P/E (x)	10.6	9.2	8.5	7.8
Dividend yield (%)	4.7	5.4	5.9	6.4
Price/book (x)	0.7	0.7	0.6	0.6
ROE (%)	6.6	7.3	7.6	7.9
ROA (%)	0.8	0.9	0.9	1.0

### Well-managed balance sheet optimisation strategy

Post-merger, we have seen a positive trend regarding TTB's balance sheet optimisation strategy, despite a loan slowdown over the past three years (-0.4% CAGR during 2020-22). The bank continued conservatively growing new loans and recycling liquidity from low-yield loans (corporate) to high-yield retail loans (Cash your Car, personal loans, and home equity) for a better loan mix. As a result, loan portfolio quality was well-controlled due to prudent loan growth and stringent risk management, resulting in a better NPL flow, a stable NPL ratio, and hence lower risk cost. We also have a clearer picture of TTB's planned business direction that is focused on leveraging new digital ecosystems (selling the group's financial products through more digital channels) to enhance performance.

### Strong 2Q23 net profit likely, thanks to higher NIM

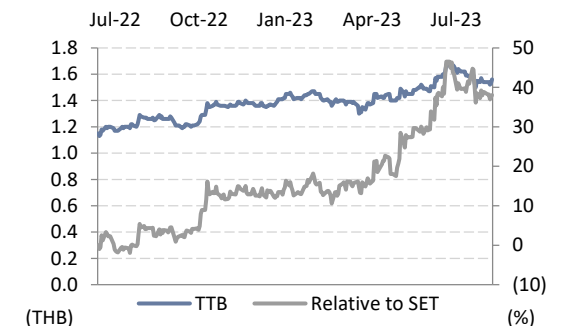
We expect TTB's strong operating performance to continue in 2Q23 with a net profit of THB4.357b (+1% q-q, +27% y-y) and PPOP of THB9.644b (+1% q-q, +12% y-y), driven by top-line growth, cost efficiency, and controllable asset quality. Net interest income (NII) and net interest margin (NIM) should continue to increase amid the rising interest rate cycle and high-yield loan growth. Regarding asset quality in 2Q, we think TTB can keep NPLs at about 2.70% with a stable credit cost of 1.27%.

### NII and fee income to drive growth for the next three years

We are optimistic about the direction of profit growth over the next three years, which should rise at a 10.8% CAGR during 2023-25, driven by NII and fee income growth. However, we think TTB's target of 10% ROE in the next 3-5 years could be very challenging if it relies only on revenue growth instead of capital management. Therefore, we think a higher payout ratio is possible from the already raised average of 50% in 2022.

### Initiate with a BUY call and 2023 GGM-based TP of THB1.83

We initiate coverage of TTB as one of the top BUYs among our covered banks due to its earnings visibility and attractive annual dividend yields (5-6%), which could push its share price to outperform the sector's averages. Our 2023 GGM-based TP at THB1.83 implies a P/BV of 0.77x.



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(4.3)	11.4	39.3
Relative to country (%)	(1.6)	16.9	41.0
Mkt cap (USD m)	4,355		
3m avg. daily turnover (USD m)	20.2		
Free float (%)	39		
Major shareholder	Thanachart Capital PCL (24%)		
12m high/low (THB)	1.69/1.09		
Issued shares (m)	96,778		

Sources: Bloomberg consensus; FSSIA estimates



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### Investment thesis

The positive trends that we see in TTB’s business growth strategy post-merger are as follows:

- 1) NIM improvement by recycling liquidity from low-yield (corporate) loans into new loans in high-yield segments (Cash your Car, personal loans, and home equity) for a better loan mix.
- 2) Under its prudent growth policy, loan portfolio quality appears well-controlled, resulting in better NPL flow, a stable NPL ratio, and lower risk cost.
- 3) We expect an earnings upside from the bank’s policy of leveraging new digital ecosystems to enhance performance.
- 4) Its current share price, which is still trading at only 0.65x 2023E P/BV and below its five-year average P/BV of 0.7x, has a potential upside of 15% while offering impressive dividend yields in 2023-25, in our view.

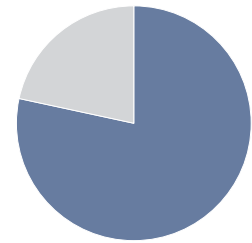
### Company profile

TMBThanachart Bank Public Company Limited provides a full range of banking and financial services. The bank offers corporate and personal lending, retail and wholesale banking, international trade financing, and investment banking services to its customers throughout Thailand. It merged with Thanachart Bank at the end of 2019. The entire business transfer (EBT) process was completed in Jul-21.

[www.ttbank.com](http://www.ttbank.com)

### Principal activities (revenue, 2022)

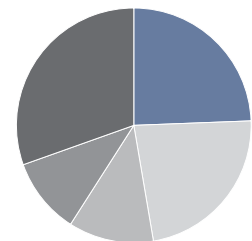
- Net interest income - 78.4 %
- Non-interest income - 21.6 %



Source: TMBThanachart Bank

### Major shareholders

- Thanachart Capital PCL - 24.4 %
- ING Bank N.V. - 22.9 %
- Ministry of Finance - 11.7 %
- Vayupak Fund - 10.5 %
- Others - 30.4 %



Source: TMBThanachart Bank

### Catalysts

Potential share price catalysts for TTB include:

- Higher NIM from an improved loan portfolio mix;
- Lower credit cost from better-than-expected new NPLs;
- Better operating cost control;
- A higher dividend pay-out ratio than expected.

### Risks to our call

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.

### Event calendar

Date	Event
19 July 2023	2Q23 results announcement

### Key assumptions

	2023E (%)	2024E (%)	2025E (%)
Net profit (THB m)	16,446	17,774	19,325
Net profit growth	15.9	8.1	8.7
NIM	3.13	3.18	3.20
Loan growth	1.5	2.0	2.0
Fee growth	1.9	3.0	3.0
Non-NII growth	2.5	3.0	3.0
Credit cost (bp)	135.0	135.0	130.0
Cost to income	45.2	45.0	44.8

Source: FSSIA estimates

### Earnings sensitivity

		----- 2023E -----		
<b>Loan growth</b>	<b>±2ppt</b>	0	<b>2</b>	4
<i>% change in net profit</i>		(1)	-	+1
<b>NIM (%)</b>	<b>±5bp</b>	3.08	<b>3.13</b>	3.18
<i>% change in net profit</i>		(5)	-	+5
<b>Credit cost (bp)</b>	<b>±10bp</b>	125	<b>135</b>	145
<i>% change in net profit</i>		+7	-	(7)

Source: FSSIA estimates

## Well-managed balance sheet optimisation strategy

Post-merger, we have seen a positive trend regarding TTB's balance sheet optimisation strategy, despite a loan slowdown over the past three years (-0.4% CAGR during 2020-22). The bank continued conservatively growing new loans (risk-adjusted loans) and recycling liquidity from low-yield loans (corporate) into high-yield retail loans (Cash your Car, personal loans, and home equity) for a better loan mix. As a result, loan portfolio quality has been well-controlled by prudent loan growth and stringent risk management, resulting in a better NPL flow, a stable NPL ratio, a higher coverage ratio, and hence lower risk cost. Moreover, its key financial ratios – NIM, cost-to-income ratio, and ROE – have all showed positive development since post-merger, confirming the bank's post-merger synergies.

As for deposits, TTB preemptively built term deposits ahead of rate hikes to manage deposit costs efficiently, which should bode well for the bank's funding cost during the rising interest rate trend, and NIM expansion.

We also have a clearer picture of TTB's planned business direction that is focused on leveraging new digital ecosystems (selling the group's financial products through more digital channels) for enhancing performance (especially fee income from Bancassurance and mutual funds) and achieving its ROE target of 10% in the next 3-5 years.

### Exhibit 1: Loan breakdown post-merger

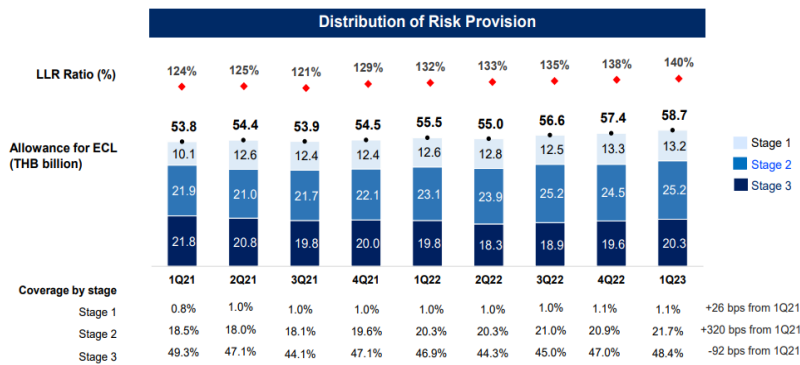
	Loans by customer segment					Contribution					Change				
	2019 (THB b)	2020 (THB b)	2021 (THB b)	2022 (THB b)	1Q23 (THB b)	2019 (%)	2020 (%)	2021 (%)	2022 (%)	1Q23 (%)	2020 (y-y%)	2021 (y-y%)	2022 (y-y%)	3Y-CAGR (%)	1Q23 (y-y%)
<b>Corporate</b>	<b>501</b>	<b>515</b>	<b>480</b>	<b>440</b>	<b>435</b>	<b>36</b>	<b>37</b>	<b>35</b>	<b>32</b>	<b>32</b>	<b>2.9</b>	<b>(6.8)</b>	<b>(8.3)</b>	<b>-4.2%</b>	<b>(6.4)</b>
<b>Small SMEs</b>	<b>97</b>	<b>98</b>	<b>110</b>	<b>110</b>	<b>109</b>	<b>7</b>	<b>7</b>	<b>8</b>	<b>8</b>	<b>8</b>	<b>0.1</b>	<b>12.6</b>	<b>0.3</b>	<b>4.2%</b>	<b>(11.6)</b>
<b>Retail loans</b>	<b>793</b>	<b>780</b>	<b>782</b>	<b>826</b>	<b>815</b>	<b>57</b>	<b>56</b>	<b>57</b>	<b>60</b>	<b>60</b>	<b>(1.7)</b>	<b>0.3</b>	<b>5.6</b>	<b>1.3%</b>	<b>4.7</b>
Secured	306	306	316	330	326	22	22	23	24	24	0.1	3.0	4.7	2.5%	3.7
HP	404	404	398	413	407	29	29	29	30	30	0.1	(1.5)	3.8	0.8%	2.8
Personal loan	42	28	27	41	41	3	2	2	3	3	(33.3)	(1.5)	50.5	-0.4%	49.1
Credit card	28	28	27	28	27	2	2	2	2	2	0.1	(1.5)	0.3	-0.4%	(0.6)
Others	14	14	14	14	14	1	1	1	1	1	0.1	(1.5)	0.3	-0.4%	(0.6)
<b>Total</b>	<b>1,392</b>	<b>1,393</b>	<b>1,372</b>	<b>1,376</b>	<b>1,358</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>0.1</b>	<b>(1.5)</b>	<b>0.3</b>	<b>-0.4%</b>	<b>(0.6)</b>

Sources: TTB; FSSIA's compilation

## Strong 2Q23 net profit likely, thanks to higher NIM

We expect TTB's strong operating performance to continue in 2Q23 with a net profit of THB4.357b (+1% q-q, +27% y-y) and a PPOP of THB9.644b (+1% q-q, +12% y-y), driven by top-line growth, cost efficiency, and controllable asset quality. NII and NIM should continue to increase amid the rising interest rate cycle and growth in high-yield loans. At the same time, its deposit rate should increase at a slower pace thanks to the bank's pre-positioning strategy which allowed it to optimise its deposit mix during the rising rate cycle. Moreover, thanks to its cost control strategy, we expect the cost-to-income ratio to stay at a low level of 43.9% in 2Q23 (still below the 2023 target of mid-40%). Regarding asset quality, we think TTB can control NPLs efficiently at about 2.70% with a stable credit cost of 1.27% in 2Q23.

Exhibit 2: Building up reserves for future uncertainties



- Loan loss buffer has been strengthened. We consistently review our conservative ECL model and closely monitor customers' behavior to ensure sufficient levels of LLR and the distribution of risk provision.
- As of 1Q23, LLR rose further to THB 58.7 bn and NPL coverage ratio or LLR ratio increased to 140%.

Source: TTB

NII and fee income to drive growth over the next three years

We are optimistic about the direction of profit growth over the next three years, with an expected 10.8% CAGR during 2023-25, driven by NII and fee income growth. However, TTB's target of 10% ROE in the next 3-5 years could still be very challenging if it relies only on revenue growth instead of capital management. Therefore, we think it would be possible to see a higher payout ratio from the already raised average of 50% in 2022.

Initiate with a BUY call and a 2023 GGM-based TP of THB1.83

We initiate coverage of TTB as one of the top BUYs among our covered banks. Our 2023 GGM-based TP of THB1.83 implies a P/BV of 0.77x. We think the current share price is still trading below fair value given its attractive dividend yields averaging 5-6% pa.

Exhibit 3: TTB – GGM-based TP

Target price	THB 1.83
Sustainable ROE	7.70%
g	1.00%
ROE-g	6.70%
Beta	0.90
RF	2.5%
MRP	8.0%
COE	9.70%
COE-g	8.70%
ROE-g / COE-g (PBV)	0.77x

Source: FSSIA estimates

Exhibit 4: 2023 key financial guidance vs FSSIA estimates

	-----TTB -----			FSSIA
	2022A	1Q23	2023E	2023E
Loan growth	0.40%	-1.3% ytd	~ 3%	1.50%
Deposit growth	4.50%	0.2% ytd	In line with loan growth	4.00%
Net interest margin	2.95%	3.08%	3.0-3.1%	3.13%
Non-interest income growth	-	0.10%	Low single digits	2.48%
Cost to income	45.0%	43.2%	Mid 40s	45.2%
% stage 3 loans	2.70%	2.69%	≤ 2.9%	3.01%
Credit cost (bp)	133	127	125- 135	135
Net profit growth	35.5%	34.4%	-	15.9%

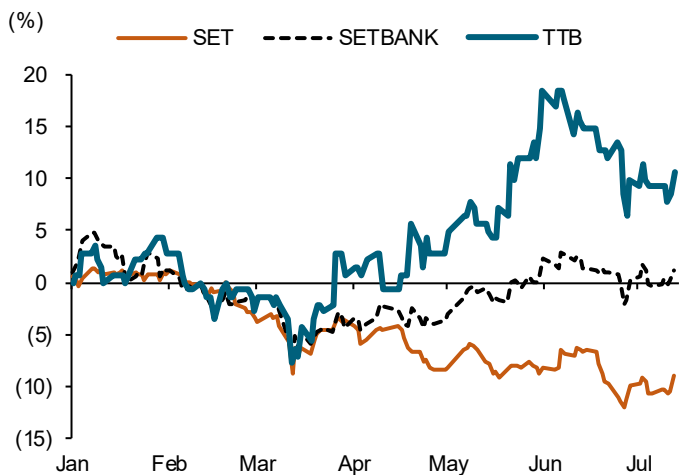
Sources: TTB; FSSIA estimates

Exhibit 5: TTB's schedule of interest rates

TTB	Saving (%)	MOR (%)	MLR (%)	MRR (%)	Ceiling (%)	Default (%)
1Q22	0.125	6.150	6.125	6.280	28.000	25.000
2Q22	0.125	6.150	6.125	6.280	25.000	25.000
3Q22	0.125	6.150	6.125	6.280	25.000	25.000
4Q22	0.125	6.650	6.625	6.680	25.000	25.000
1Q23	0.125	7.150	7.025	7.180	25.000	25.000
2Q23	0.125	7.600	7.475	7.580	25.000	25.000
Change from 1Q22	0.000	1.450	1.350	1.300	(3.000)	0.000

Sources: Bank of Thailand; FSSIA's compilation

**Exhibit 6: Share price performance as of close on 14 July 2023**



Source: Bloomberg

**Exhibit 7: Share price performance of Thai banks under coverage, as of 14 July 2023**

BBG	Price Performance				
	1M (%)	3M (%)	6M (%)	1Y (%)	YTD (%)
BBL TB	(2.5)	0.6	1.0	24.4	6.8
KBANK TB	1.5	(2.6)	(14.5)	(5.4)	(10.2)
KKP TB	(2.4)	(6.3)	(18.6)	(1.2)	(18.6)
KTB TB	1.0	14.0	10.7	35.2	10.7
SCB TB	1.4	2.8	(2.7)	15.4	1.4
TISCO TB	0.8	(4.2)	(6.0)	12.1	(2.0)
<b>TTB TB</b>	<b>(3.7)</b>	<b>11.4</b>	<b>10.6</b>	<b>39.3</b>	<b>10.6</b>
<b>SET Index</b>	<b>(2.7)</b>	<b>(5.2)</b>	<b>(9.7)</b>	<b>(1.0)</b>	<b>(9.0)</b>
SETBANK Index	(0.2)	4.0	(1.3)	13.4	1.2

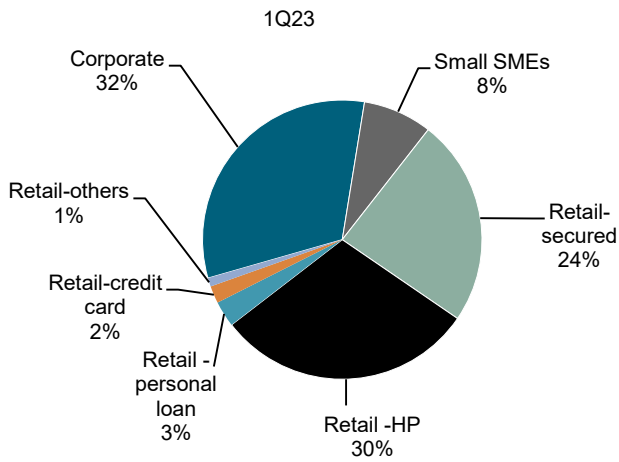
Source: Bloomberg

**Exhibit 8: 2Q23 results preview**

Year end Dec 31	2Q22	1Q23	2Q23E	Change		1H23E	Change	%of	2022	2023E	Change
	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)	(THB m)	(y-y %)	23E	(THB m)	(THB m)	(y-y %)
Net interest income	12,414	13,502	13,731	2	11	27,233	10	48	51,617	56,682	10
Non-interest income	3,475	3,368	3,466	3	(0)	6,834	(0)	47	14,236	14,589	2
Fee income - net	2,645	2,559	2,551	(0)	(4)	5,110			10,391	10,586	2
Total operating income	15,889	16,870	17,197	2	8	34,067	8	48	65,852	71,271	8
Total operating expenses	7,262	7,303	7,553	3	4	14,856	4	46	29,952	32,225	8
PPOP before tax	8,627	9,567	9,644	1	12	19,211	10	49	35,900	39,045	9
Expected credit loss	4,382	4,276	4,280	0	(2)	8,556	(7)	46	18,353	18,717	2
Income tax	807	996	1,008	1	25	2,005	26	52	3,352	3,883	16
Non-controlling interest	0	0	(1)	nm	nm	(1)	nm	nm	0	0	nm
Net profit	3,438	4,295	4,357	1	27	8,651	30	53	14,195	16,446	16
EPS (THB)	0.036	0.044	0.045	1	27	0.09	30	53	0.147	0.170	16
<b>Key ratios</b>	<b>2Q22</b>	<b>1Q23</b>	<b>2Q23E</b>	<b>Change</b>		<b>1H23E</b>	<b>Change</b>		<b>2022</b>	<b>2023E</b>	<b>Change</b>
Asset quality ratio	(%)	(%)	(%)	(q-q%)	(y-y%)	(THB m)	(y-y %)		(%)	(%)	(y-y %)
<b>Gross NPLs (THB m)</b>	<b>41,331</b>	<b>42,006</b>	<b>42,007</b>	<b>0</b>	<b>2</b>	<b>42,007</b>	<b>2</b>		<b>41,707</b>	<b>42,090</b>	
Change (% from prior period)	(1.9)	0.7	0.0			1.6			(1.0)	0.9	
NPL ratios (%) - reported	2.63	2.69							2.73		
<b>NPL ratio (%)*</b>	<b>2.97</b>	<b>3.09</b>	<b>3.12</b>			<b>3.12</b>			<b>3.03</b>	<b>3.01</b>	
Coverage ratio (%) - reported	133	140							138		
<b>Coverage ratio (%)*</b>	<b>133</b>	<b>140</b>	<b>140</b>			<b>140</b>			<b>138</b>	<b>133</b>	
<b>Credit cost (bp)</b>	<b>127</b>	<b>125</b>	<b>127</b>			<b>125</b>			<b>134</b>	<b>135</b>	
Profitability ratio	(%)	(%)	(%)			(%)			(%)	(%)	
<b>Cost to income ratio</b>	<b>45.7</b>	<b>43.3</b>	<b>43.9</b>			<b>43.6</b>			<b>45.5</b>	<b>45.2</b>	
Average yield (%)	3.62	4.15	4.24			4.22			3.76	4.28	
<b>Cost of fund (%)</b>	<b>0.90</b>	<b>1.29</b>	<b>1.32</b>			<b>1.31</b>			<b>0.92</b>	<b>1.33</b>	
NIM (%) - reported									2.95		
<b>NIM (%)*</b>	<b>2.83</b>	<b>3.04</b>	<b>3.10</b>			<b>3.08</b>			<b>2.96</b>	<b>3.13</b>	
Non-int inc/total income (%)	21.9	20.0	20.2			20.1			21.6	20.5	
Liquidity ratio	(%)	(%)	(%)			(%)			(%)	(%)	
Loan to deposit	99.8	96.8	97.4			97.4			98.3	96.0	
Loan to deposit & borrowing (LDBR)	89.9	87.9	87.8			87.8			94.3	92.2	
Loan growth	(%)	(%)	(%)			(%)			(%)	(%)	
Year-to-date	1.6	(1.3)	(2.3)			(2.3)			0.4	1.5	
q-q	1.9	(1.3)	(1.0)								
y-y	2.5	(0.6)	(3.5)						0.4	1.5	

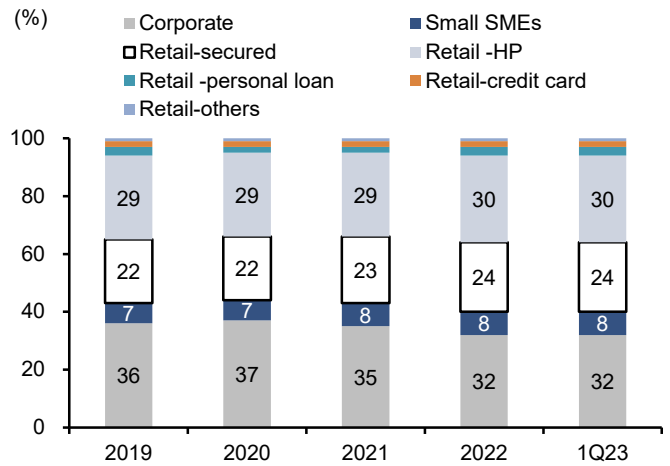
Sources: TTB; \*FSSIA estimates

**Exhibit 9: Loan breakdown, 1Q23**



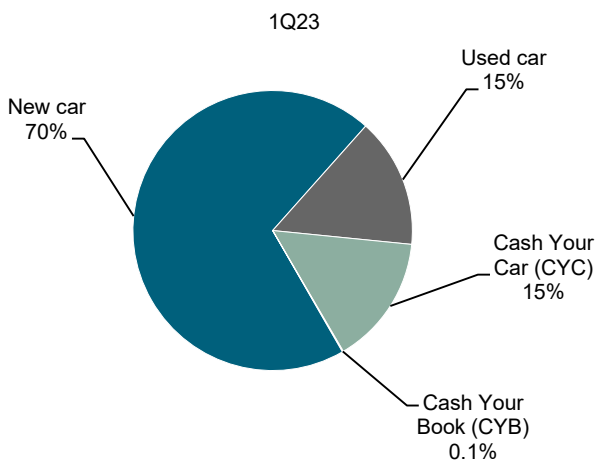
Sources: TTB; FSSIA's compilation

**Exhibit 10: Loan breakdown, 2018-1Q23**



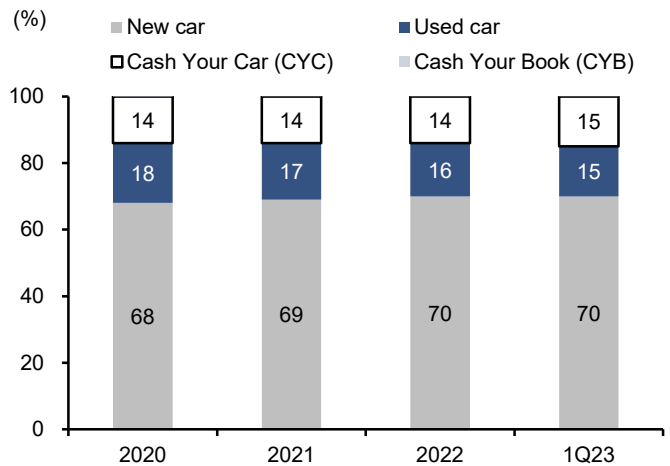
Sources: TTB; FSSIA's compilation

**Exhibit 11: Breakdown of hire purchase (HP) loans, 1Q23**



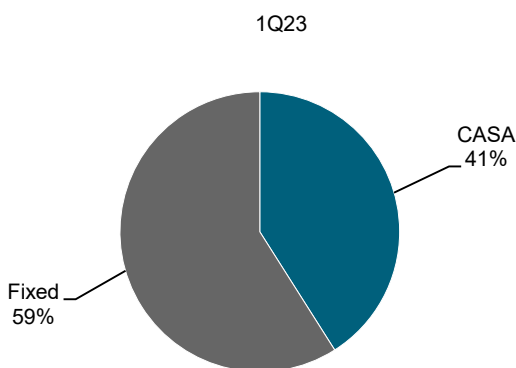
Source: TTB

**Exhibit 12: Breakdown of HP loans, 2019-1Q23**



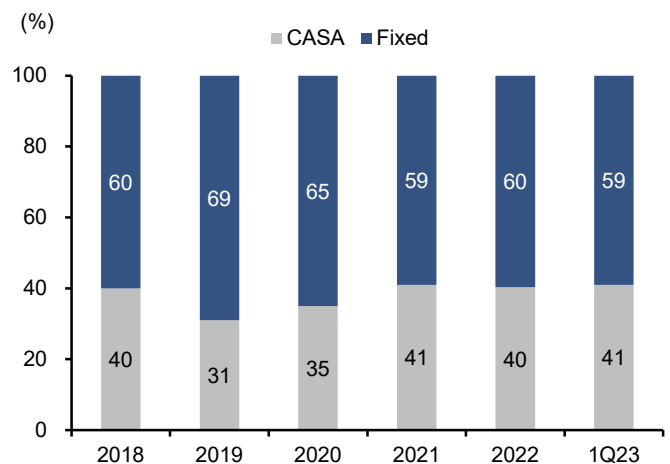
Source: TTB

**Exhibit 13: Deposit structure, 1Q23**



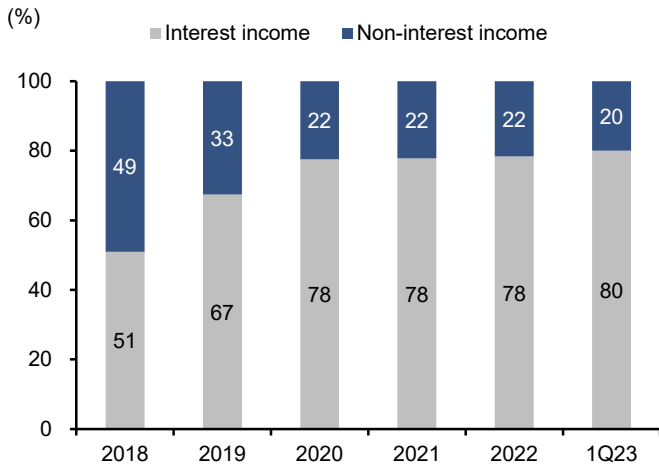
Sources: TTB; FSSIA's compilation

**Exhibit 14: Deposit structure, 2018-1Q23**



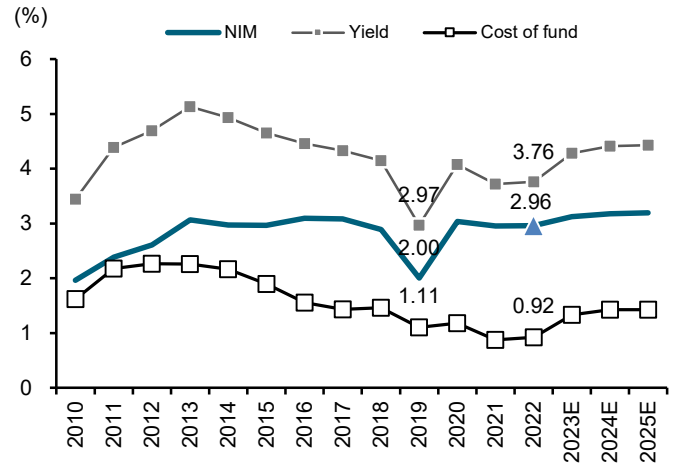
Sources: TTB; FSSIA's compilation

**Exhibit 15: Revenue breakdown**



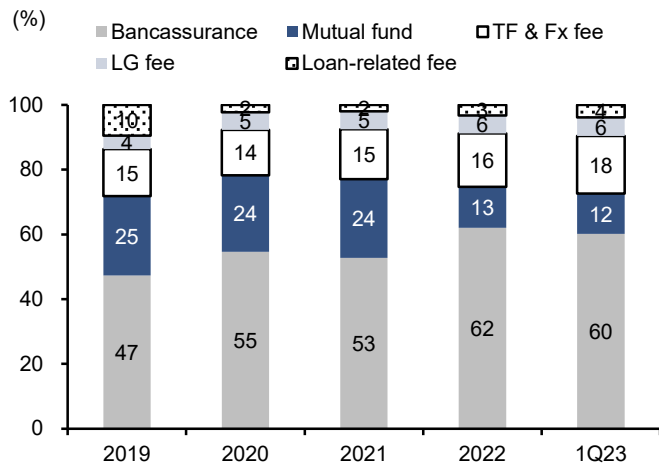
Sources: TTB; FSSIA's compilation

**Exhibit 16: Yield, cost of funds, NIM**



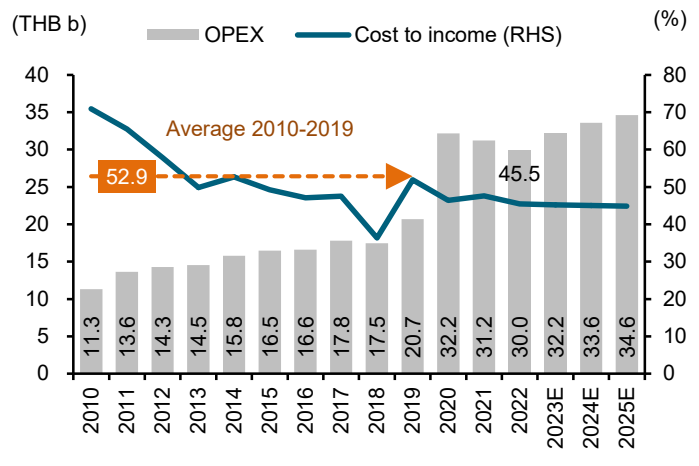
Sources: TTB; FSSIA's calculation

**Exhibit 17: Fee income breakdown, 2018-1Q23**



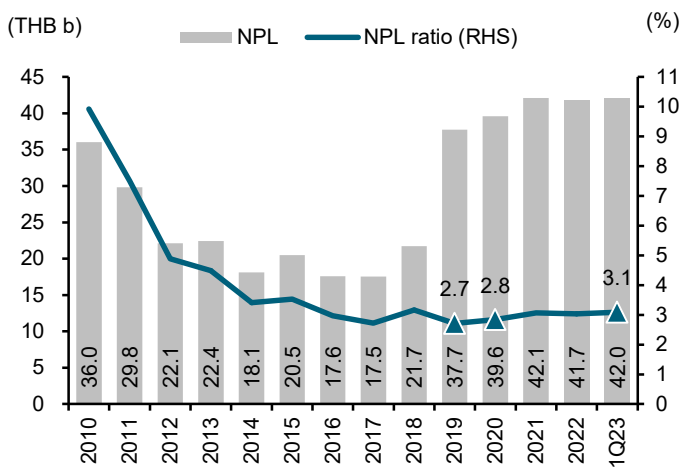
Sources: TTB; FSSIA's compilation

**Exhibit 18: OPEX vs cost to income**



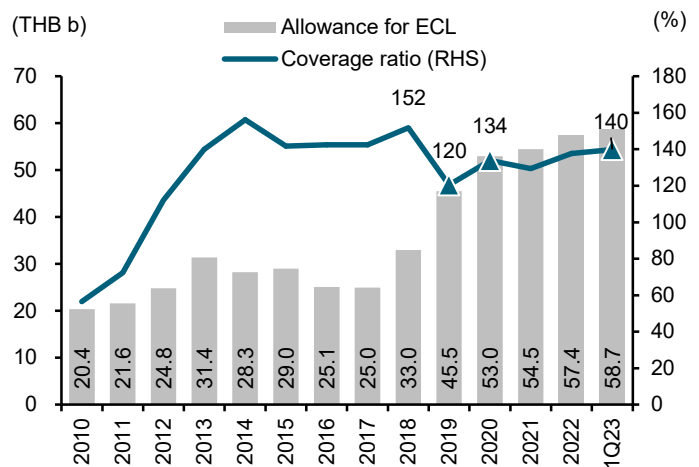
Sources: TTB; FSSIA estimates

**Exhibit 19: NPL and NPL ratio\***



Sources: TTB; \*FSSIA's calculation

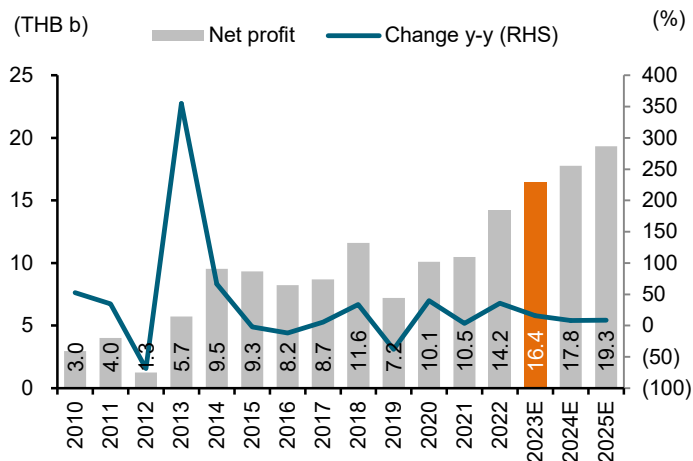
**Exhibit 20: Coverage ratio (allowance for ECL to NPL)\***



Sources: TTB; +FSSIA's calculation

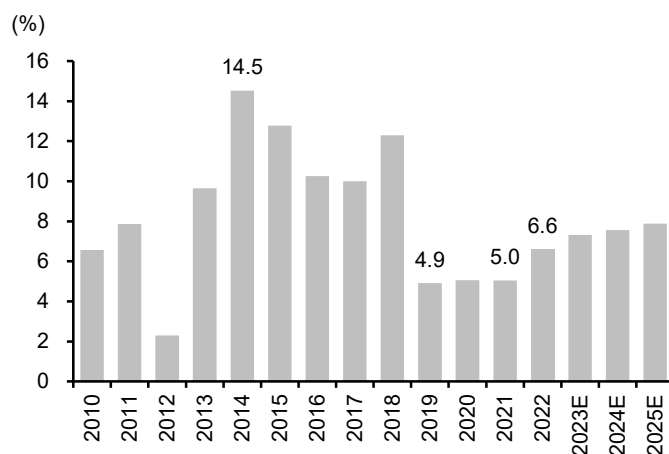


Exhibit 21: Net profit and growth



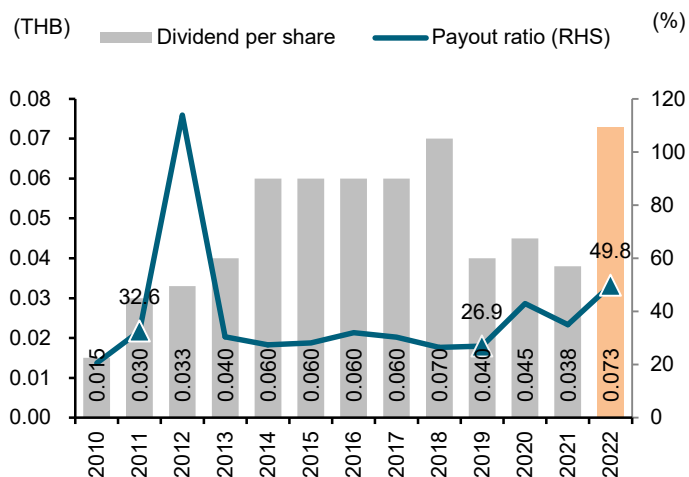
Sources: TTB; FSSIA estimates

Exhibit 22: ROE



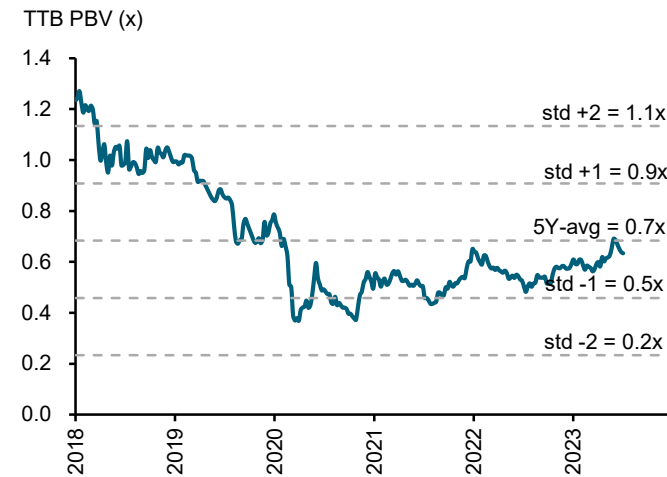
Sources: TTB; FSSIA estimates

Exhibit 23: Dividend and payout ratio



Sources: TTB; FSSIA's compilation

Exhibit 24: One-year forward rolling P/BV



Sources: Bloomberg; FSSIA estimates

Exhibit 25: Network before and after restructuring

	Before		After restructuring			
	2019 (no.)	1H21 (no.)	2021 (no.)	1H22 (no.)	2022 (no.)	1Q23 (no.)
<b>TTB bank's employees</b>	8,135	15,763	15,102	14,884	14,620	14,319
Change from prior period	(238)	7,628	(661)	(218)	(264)	(301)
<b>Group employees</b>	-	16,124	15,478	15,742	15,556	15,272
Change from prior period	-	-	(646)	264	(186)	(284)
<b>Domestic branches</b>	401	664	636	603	569	555
Change from prior period	-	263	(28)	(33)	(34)	(14)
<b>ATM, ADM and All-in-One</b>	2,025	4,023	3,894	3,474	3,296	3,259
Change from prior period	(41)	1,998	(129)	(420)	(178)	(37)

Sources: TTB; FSSIA's compilation



## Exhibit 26: Regional peers comparison as of 14 July 2023

Company	BBG	Share price (LCY)	Market Cap (USD b)	PE		PBV		ROE		Div yld	
				23E (x)	24E (x)	23E (x)	24E (x)	23E (%)	24E (%)	23E (x)	24E (x)
<b>Thailand</b>											
Bangkok Bank	BBL TB	158.00	8.7	8.0	7.4	0.6	0.5	7.2	7.3	3.7	4.0
Kasikornbank	KBANK TB	132.50	9.1	7.9	7.1	0.6	0.6	7.9	8.2	3.6	4.0
Krung Thai Bank	KTB TB	19.60	7.9	7.2	6.9	0.7	0.6	9.7	9.6	4.0	4.2
SCB X	SCB TB	108.50	10.5	8.3	7.6	0.8	0.7	9.4	9.7	6.7	6.9
TMBThanachart Bank	TTB TB	1.56	4.4	9.2	8.5	0.7	0.6	7.3	7.6	5.4	5.9
Kiatnakin Bank	KKP TB	60.00	1.5	6.8	6.0	0.8	0.7	12.4	12.8	5.4	6.3
Tisco Financial Group	TISCO TB	97.25	2.2	10.4	9.9	1.8	1.7	17.2	17.8	8.2	8.5
<b>Thailand average</b>			<b>44.3</b>	<b>8.2</b>	<b>7.6</b>	<b>0.8</b>	<b>0.8</b>	<b>10.2</b>	<b>10.4</b>	<b>4.0</b>	<b>4.3</b>
<b>Hong Kong</b>											
Industrial & Comm Bank of China	1398 HK	3.66	224.5	3.3	3.1	0.4	0.3	11.0	10.8	9.4	9.9
China Construction Bank	939 HK	4.39	143.0	3.0	2.8	0.3	0.3	11.8	11.6	10.0	10.6
HSBC Holdings	5 HK	62.80	158.9	6.7	6.7	0.9	0.8	14.5	13.5	7.5	9.0
Bank of China	3988 HK	2.80	147.7	3.4	3.2	0.3	0.3	10.4	10.1	9.3	9.9
<b>Hong Kong average</b>			<b>674.1</b>	<b>4.1</b>	<b>4.0</b>	<b>0.5</b>	<b>0.4</b>	<b>11.9</b>	<b>11.5</b>	<b>9.1</b>	<b>9.9</b>
<b>China</b>											
Industrial & Comm Bank of China	601398 CH	4.87	224.5	4.8	4.5	0.5	0.5	11.0	10.7	6.5	6.8
Agricultural Bank of China	601288 CH	3.61	171.8	4.9	4.5	0.5	0.5	11.4	11.1	6.4	6.8
China Construction Bank	601939 CH	5.96	143.0	4.5	4.2	0.5	0.5	11.8	11.5	6.7	7.2
Bank of China	601988 CH	3.99	147.7	5.2	4.9	0.5	0.5	10.6	10.2	6.0	6.3
<b>China average</b>			<b>687.0</b>	<b>4.8</b>	<b>4.5</b>	<b>0.5</b>	<b>0.5</b>	<b>11.2</b>	<b>10.9</b>	<b>6.4</b>	<b>6.8</b>
<b>South Korea</b>											
KB Financial Group	105560 KS	48,750	15.5	4.0	3.8	0.4	0.3	9.5	9.1	6.8	7.2
KB Financial Group	055550 KS	34,100	13.9	3.9	3.7	0.3	0.3	9.2	8.9	6.3	6.7
Hana Financial Group	086790 KS	39,300	9.2	3.1	3.1	0.3	0.3	10.0	9.5	9.2	9.5
Industrial Bank of Korea	024110 KS	10,360	6.5	2.9	2.9	0.3	0.3	9.8	9.2	9.7	10.0
<b>South Korea average</b>			<b>45.1</b>	<b>3.5</b>	<b>3.4</b>	<b>0.3</b>	<b>0.3</b>	<b>9.6</b>	<b>9.2</b>	<b>8.0</b>	<b>8.4</b>
<b>Indonesia</b>											
Bank Central Asia	BBCA IJ	9,200	75.8	23.9	21.9	4.6	4.2	20.1	19.7	2.3	2.6
Bank Rakyat Indonesia Persero	BBRI IJ	5,525	56.0	14.2	12.7	2.6	2.4	18.8	19.5	5.2	6.0
Bank Mandiri Persero	BMRI IJ	5,400	33.7	10.8	9.8	2.0	1.8	19.5	19.6	5.3	5.9
Bank Negara Indonesia Persero	BBNI IJ	8,925	11.1	7.7	6.9	1.1	1.0	14.9	15.0	4.0	5.1
Bank Syariah Indonesia	BRIS IJ	1,695	5.2	14.3	11.8	2.1	1.8	15.5	16.6	1.2	1.3
<b>Indonesia average</b>			<b>181.8</b>	<b>14.2</b>	<b>12.6</b>	<b>2.5</b>	<b>2.2</b>	<b>17.8</b>	<b>18.1</b>	<b>3.6</b>	<b>4.2</b>
<b>Malaysia</b>											
Malayan Banking	MAY MK	8.80	23.4	11.3	10.7	1.2	1.1	10.6	10.7	7.0	7.4
Public Bank	PBK MK	3.99	17.1	11.4	11.0	1.4	1.3	13.1	12.8	4.6	4.7
CIMB Group Holdings	CIMB MK	5.30	12.5	8.5	7.9	0.8	0.8	10.0	10.1	6.1	6.6
Hong Leong Bank	HLBK MK	19.00	9.1	10.2	9.6	1.2	1.1	12.1	12.0	3.4	3.8
RHB Bank	RHBBANK MK	5.54	5.2	7.7	7.3	0.8	0.7	10.2	10.2	7.5	7.9
<b>Malaysia average</b>			<b>67.4</b>	<b>9.8</b>	<b>9.3</b>	<b>1.1</b>	<b>1.0</b>	<b>11.2</b>	<b>11.1</b>	<b>5.7</b>	<b>6.1</b>
<b>Singapore</b>											
DBS Group Holdings	DBS SP	31.99	62.4	8.5	8.6	1.4	1.3	16.8	15.8	5.7	6.2
Oversea-Chinese Banking	OCBC SP	12.37	42.1	8.1	8.1	1.0	0.9	12.7	12.0	6.3	6.4
United Overseas Bank	UOB SP	27.83	35.3	8.3	7.9	1.0	1.0	12.8	12.8	5.8	6.1
<b>Singapore average</b>			<b>139.8</b>	<b>8.3</b>	<b>8.2</b>	<b>1.1</b>	<b>1.1</b>	<b>14.1</b>	<b>13.6</b>	<b>6.0</b>	<b>6.3</b>
<b>Regional average (excl. Thailand)</b>			<b>1,795.1</b>	<b>7.8</b>	<b>7.3</b>	<b>1.1</b>	<b>1.0</b>	<b>12.7</b>	<b>12.5</b>	<b>6.3</b>	<b>6.8</b>
<b>Total average (incl. Thailand)</b>			<b>1,839.4</b>	<b>7.9</b>	<b>7.3</b>	<b>1.0</b>	<b>0.9</b>	<b>12.3</b>	<b>12.2</b>	<b>6.2</b>	<b>6.6</b>

\*simple average

Sources: Bloomberg consensus; FSSIA estimates for Thai banks

## Corporate Governance and ESG – TTB

### Board structure, 2022 One report

Independent Directors (ID)	5/14 of board members, 3 females
Percentage of IDs on the board	35.7%
ID attendance at board meetings	99.05%
ID in audit/remuneration committee	3/3 in audit committee and 2/5 in remuneration committee
ID terms	Nine-consecutive years; unless being discharged from such positions or status for at least 2 years prior to the day of the appointment.

Additional information: Average tenure of board members was 3.8 years.

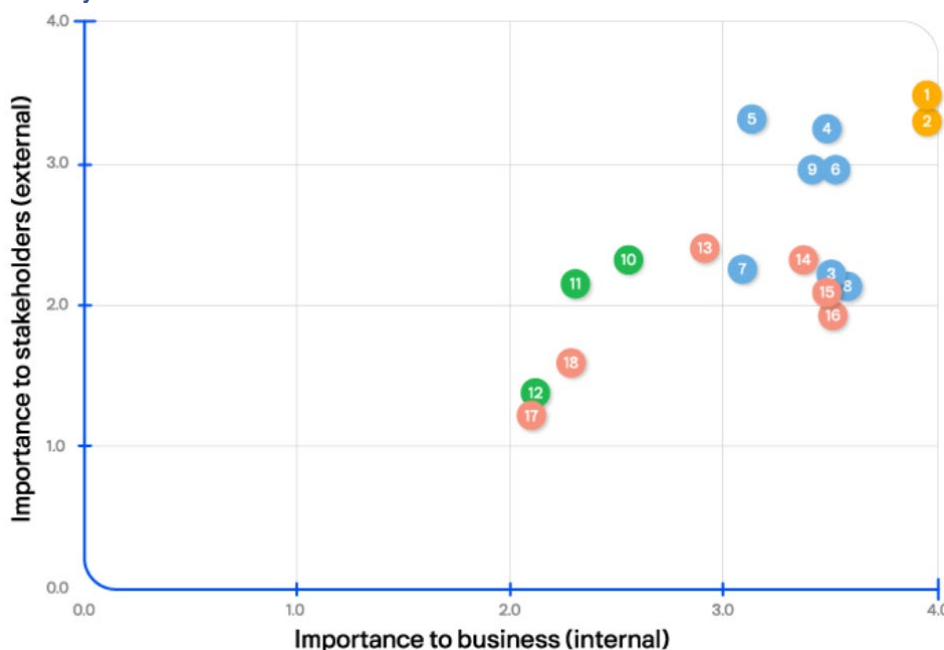
### Compensation and remuneration

Directors' remuneration vs earnings/ROE/share performance	In 2022, THB 59.7m, including bonus worth THB18.3m; 0.42% of net profit
Changes/stability in senior management	None
Incidents of termination of senior management	None
Track record on insider sales	None

### ESG and sustainability management

**Vision:** To become the recommended bank of choice by our customers. TTB operates the Group with the concept of "Make REAL Change" in mind to achieve sustainable banking in the economic, environmental, and social dimensions. The bank's goal is to become Thailand's leading bank that contributes to the financial well-being of the Thai people at present and into the future by providing products and services that address the needs of customers and generations nationwide.

#### Materiality matrix 2021-2022



The Bank conducts a materiality assessment every two years, or when significant events or circumstances demand to identify and prioritise those topics that matter to the Bank and its stakeholders.

#### Business

- 1) Customer experience
- 2) Digital transformation

#### Governance

- 3) Corporate governance
- 4) Customer privacy and data security
- 5) Cybersecurity
- 6) System availability and stability
- 7) Risk management
- 8) Market conduct
- 9) Business ethics and integrity

#### Environment

- 10) Responsible lending and investment
- 11) Climate change risk and opportunity
- 12) Our environmental impacts

#### Social

- 13) Financial literacy and inclusion
- 14) Human capital development
- 15) Human capability and workforce planning
- 16) Employee diversity, inclusion, and well-being
- 17) Community investment and development
- 18) Human rights

#### Awards and recognitions

- Ranked first place in "Fair Finance" for the fourth consecutive year and received "The Most Improvement in 5 Years" (2018-2022) based on the annual assessment of the Fair Finance Thailand.
- Included in the S&P Global Sustainability Yearbook 2022 for the Banking industry.
- Awarded "Best Issuer for Sustainable Finance" and "Best Blue Bond" from the Asset Triple A Country Award for Sustainable Finance 2022.
- Recognised in the category of ASEAN Asset Class PLCs 2021, reflecting commitment to conducting business with Good Corporate Governance.
- Joined the Private Sector Collective Action Coalition Against Corruption (CAC) which reflects the Bank's intention and aspiration to become an organisation that upholds a transparent and corruption-free culture.
- Included in Bloomberg Gender-Equality Index (GEI) 2023 for two consecutive years for promoting openness, diversity, and equity.
- Provide up-to-date financial knowledge by developing four digital platforms: fintips by ttb, fin live & learn by ttb, finbiz by ttb, and Financial Well-being Tools that are tailored to the needs of different groups.

Additional information: [TTB's 2022 Sustainability Report](#)  
 Source: FSSIA compilation

### Audit Practices

Auditor	KPMG Phoomchai Audit Ltd.
Length of service	More than five years
Reporting incidents	None
Fee track record	THB14.8m
Policy on change of audit firm	To review every five years

Additional information: None

### Shareholders' rights

Practice	Activity
Communication - shareholder participation in AGMs/EGMs	AGM once annually, EGM when appropriated and in accordance with SEC guidelines
Related party transactions	In accordance with SEC guidelines
Voting issues - policies, incidents of rejected proposals	None

## Financial Statements

TMBThanachart Bank

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Interest Income	64,239	65,627	77,655	82,763	85,424
Interest expense	(13,240)	(14,010)	(20,973)	(23,204)	(23,732)
Net interest income	51,000	51,617	56,682	59,559	61,692
Net fees & commission	11,248	10,391	10,586	10,904	11,231
Foreign exchange trading income	-	-	-	-	-
Securities trading income	1,662	1,699	1,793	1,847	1,902
Dividend income	0	0	0	0	0
Other income	1,626	2,145	2,210	2,276	2,344
Non interest income	14,537	14,236	14,589	15,026	15,477
Total income	65,537	65,852	71,271	74,585	77,170
Staff costs	(16,480)	(16,006)	(17,287)	(17,978)	(18,518)
Other operating costs	(14,739)	(13,946)	(14,938)	(15,619)	(16,087)
Operating costs	(31,219)	(29,952)	(32,225)	(33,597)	(34,605)
Pre provision operating profit	34,318	35,900	39,045	40,988	42,565
Expected credit loss	(21,514)	(18,353)	(18,717)	(19,045)	(18,706)
Other provisions	-	-	-	-	-
Operating profit	12,804	17,547	20,328	21,943	23,858
Recurring non operating income	0	0	0	0	0
Associates	-	-	-	-	-
Goodwill amortization	-	-	-	-	-
Non recurring items	-	-	-	-	-
Profit before tax	12,804	17,547	20,328	21,943	23,858
Tax	(2,327)	(3,352)	(3,883)	(4,169)	(4,533)
Profit after tax	10,477	14,195	16,446	17,774	19,325
Non-controlling interest	(3)	0	0	0	0
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	10,474	14,195	16,446	17,774	19,325
Non recurring items & goodwill (net)	-	-	0	0	0
Recurring net profit	10,474	14,195	16,446	17,774	19,325
<b>Per share (THB)</b>					
Recurring EPS *	0.11	0.15	0.17	0.18	0.20
Reported EPS	0.11	0.15	0.17	0.18	0.20
DPS	0.04	0.07	0.08	0.09	0.10
<b>Growth</b>					
Net interest income (%)	(5.2)	1.2	9.8	5.1	3.6
Non interest income (%)	(6.5)	(2.1)	2.5	3.0	3.0
Pre provision operating profit (%)	(7.7)	4.6	8.8	5.0	3.8
Operating profit (%)	3.8	37.0	15.9	7.9	8.7
Reported net profit (%)	3.6	35.5	15.9	8.1	8.7
Recurring EPS (%)	3.3	35.3	15.9	8.1	8.7
Reported EPS (%)	3.3	35.3	15.9	8.1	8.7
<b>Income Breakdown</b>					
Net interest income (%)	77.8	78.4	79.5	79.9	79.9
Net fees & commission (%)	17.2	15.8	14.9	14.6	14.6
Foreign exchange trading income (%)	-	-	-	-	-
Securities trading income (%)	2.5	2.6	2.5	2.5	2.5
Dividend income (%)	-	-	-	-	-
Other income (%)	2.5	3.3	3.1	3.1	3.0
<b>Operating performance</b>					
Gross interest yield (%)	3.72	3.76	4.28	4.41	4.43
Cost of funds (%)	0.85	0.92	1.38	1.47	1.46
Net interest spread (%)	2.87	2.84	2.90	2.94	2.97
Net interest margin (%)	3.0	3.0	3.1	3.2	3.2
Cost/income(%)	47.6	45.5	45.2	45.0	44.8
Cost/assets(%)	1.8	1.7	1.7	1.7	1.7
Effective tax rate (%)	18.2	19.1	19.1	19.0	19.0
Dividend payout on recurring profit (%)	35.1	49.8	50.0	50.0	50.0
ROE (%)	5.0	6.6	7.3	7.6	7.9
ROE - COE (%)	5.0	6.6	7.3	7.6	7.9
ROA (%)	0.6	0.8	0.9	0.9	1.0
RORWA (%)	0.9	1.2	1.4	1.4	1.5

\* Pre-exceptional, pre-goodwill and fully diluted

Sources: TMBThanachart Bank ; FSSIA estimates

## Financial Statements

TMBThanachart Bank

Balance Sheet (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Gross customer loans	1,371,304	1,376,118	1,396,760	1,424,695	1,453,189
Allowance for expected credit loss	(54,472)	(57,390)	(56,107)	(55,152)	(53,858)
interest in suspense	7,369	7,777	7,962	8,121	8,283
<b>Net customer loans</b>	<b>1,324,201</b>	<b>1,326,505</b>	<b>1,348,614</b>	<b>1,377,664</b>	<b>1,407,614</b>
Bank loans	158,873	187,563	225,076	236,330	248,146
Government securities	-	-	-	-	-
Trading securities	-	-	-	-	-
Investment securities	181,649	212,965	227,490	241,106	255,537
Cash & equivalents	16,011	15,506	18,145	16,516	14,999
Other interesting assets	-	-	-	-	-
Tangible fixed assets	21,625	19,788	21,767	22,420	23,093
Associates	-	-	-	-	-
Goodwill	22,819	22,890	23,577	24,284	25,013
Other intangible assets	-	-	-	-	-
Other assets	34,002	41,062	39,603	41,195	42,855
<b>Total assets</b>	<b>1,759,181</b>	<b>1,826,279</b>	<b>1,904,273</b>	<b>1,959,514</b>	<b>2,017,256</b>
Customer deposits	1,339,195	1,399,247	1,455,216	1,491,597	1,528,887
Bank deposits	84,966	84,770	89,008	90,789	92,604
Other interest bearing liabilities	68,398	59,644	60,241	60,843	61,452
Non interest bearing liabilities	55,785	63,611	69,637	76,252	83,514
Hybrid Capital	-	-	-	-	-
<b>Total liabilities</b>	<b>1,548,345</b>	<b>1,607,271</b>	<b>1,674,102</b>	<b>1,719,480</b>	<b>1,766,457</b>
Share capital	91,792	91,937	91,937	91,937	91,937
Reserves	119,043	127,069	138,232	148,096	158,861
<b>Total equity</b>	<b>210,835</b>	<b>219,006</b>	<b>230,170</b>	<b>240,033</b>	<b>250,799</b>
Non-controlling interest	1	1	1	1	1
<b>Total liabilities &amp; equity</b>	<b>1,759,181</b>	<b>1,826,279</b>	<b>1,904,273</b>	<b>1,959,514</b>	<b>2,017,257</b>
<b>Supplementary items</b>					
Risk weighted assets (RWA)	1,228,574	1,185,415	1,236,040	1,271,896	1,309,376
Average interest earning assets	1,727,038	1,744,236	1,812,986	1,875,728	1,929,501
Average interest bearing liabilities	1,565,927	1,515,421	1,518,110	1,574,063	1,623,847
CET 1 capital	176,284	185,795	202,872	185,795	185,795
Total capital	225,341	229,097	246,174	229,097	229,097
Gross non performing loans (NPL)	42,120	41,707	42,090	42,174	42,259
<b>Per share (THB)</b>					
Book value per share	2.18	2.26	2.38	2.48	2.59
Tangible book value per share	1.95	2.03	2.13	2.23	2.33
<b>Growth</b>					
Gross customer loans	(1.6)	0.4	1.5	2.0	2.0
Average interest earning assets	(2.6)	1.0	3.9	3.5	2.9
Total asset (%)	(2.7)	3.8	4.3	2.9	2.9
Risk weighted assets (%)	3.4	(3.5)	4.3	2.9	2.9
Customer deposits (%)	(2.5)	4.5	4.0	2.5	2.5
<b>Leverage &amp; capital measures</b>					
Customer loan/deposits (%)	98.9	94.8	92.7	92.4	92.1
Equity/assets (%)	12.0	12.0	12.1	12.2	12.4
Tangible equity/assets (%)	10.7	10.7	10.8	11.0	11.2
RWA/assets (%)	69.8	64.9	64.9	64.9	64.9
CET 1 CAR (%)	14.3	15.7	16.4	14.6	14.2
Total CAR (%)	18.3	19.3	19.9	18.0	17.5
<b>Asset Quality (FSSIA's calculation)</b>					
Change in NPL (%)	6.4	(1.0)	0.9	0.2	0.2
NPL/gross loans (%)	3.1	3.0	3.0	3.0	2.9
Allowance for ECL/gross loans (%)	4.0	4.2	4.0	3.9	3.7
Allowance for ECL/NPL (%)	129.3	137.6	133.3	130.8	127.4
<b>Valuation</b>					
Recurring P/E (x) *	14.4	10.6	9.2	8.5	7.8
Recurring P/E @ target price (x) *	16.9	12.5	10.8	10.0	9.2
Reported P/E (x)	14.4	10.6	9.2	8.5	7.8
Dividend yield (%)	2.4	4.7	5.4	5.9	6.4
Price/book (x)	0.7	0.7	0.7	0.6	0.6
Price/tangible book (x)	0.8	0.8	0.7	0.7	0.7
Price/tangible book @ target price (x)	0.9	0.9	0.9	0.8	0.8

Sources: TMBThanachart Bank ; FSSIA estimates

## Public disclosures related to sustainable development evaluation of Thai listed companies

[Rating](#) regarding the sustainable development of Thai listed companies, both on the SET and MAI, are publicly available on the website of the Securities and Exchange Commission of Thailand (SEC). Currently, ratings available are 1) "**CG Score**" by the Thai Institute of Directors Association (Thai IOD); 2) "**AGM Checklist**" by the Thai Investors Association (TIA), a "**CAC certified member**" of the Thai Private Sector Collective Action Against Corruption (CAC); and 3) **Sustainability Investment List (THSI)** by the Stock Exchange of Thailand. The ratings are updated on an annual basis. FSS International Investment Advisory Company Limited does not confirm nor certify the accuracy of such ratings.

### CG Score by the Thai Institute of Directors Association (Thai IOD)<sup>1</sup>

The [CG Score](#) indicates corporate governance (CG) strength in the sustainable development of Thai listed companies. Annually, the Thai IOD, with support from the Stock Exchange of Thailand (SET), surveys and assesses the CG practices of companies and publishes the results on the [Thai IOD website](#) in a bid to promote and enhance the CG of Thai listed companies in order to promote compliance with international standards for better investment decisions. The results are from the perspective of a third party, not an evaluation of operations, as of the date appearing in the report, and may be changed after that date.

The [five underlying categories and weighting](#) used for the CG scoring in 2022 include the rights of shareholders and equitable treatment of shareholders (weight 25% combined), the role of stakeholders (25%), disclosure and transparency (15%), and board responsibilities (35%).

The CGR report rates CG in six categories: 5 for Excellent (score range 90-100), 4 for Very Good (score range 80-89), 3 for Good (Score range 70-79), 2 for Fair (score range 60-69), 1 for Pass (score range 60-69), and not rated (score below 50).

### AGM Checklist by the Thai Investors Association (TIA)<sup>2</sup>

The "[AGM Checklist](#)" quantifies the extent to which shareholders' rights and equitable treatment are incorporated into business operations and the extent to which information is sufficiently disclosed and the level of its transparency. All the considered factors form important elements of two out of five the CG components. Annually, the TIA, with support from the SEC, leads the project to evaluate the quality of Annual General Meetings of Shareholders (AGMs) and to rate quality of the meetings.

The [Checklist](#) contains the minimum requirements under law that companies must comply with, or best practices according to international CG guidance. Representatives of the TIA will attend the meetings and perform the evaluation. The assessment criteria cover AGM procedures before the meeting (45%), at the meeting date (45%), and after the meeting (10%). The first assesses 1) advance circulation of sufficient information for voting; and 2) facilitating of how voting rights can be exercised. The second assesses 1) the ease of attending meetings; 2) transparency and verifiability; and 3) openness for Q&A. The third involves the meeting minutes that should contain discussion issues, resolutions and voting results.

The results are classified into four categories: 5 for Excellent (score 100), 4 for Very Good (score 90-99), 3 for Fair (score 80-89), and not rated (score below 79).

### CAC certified member by the Thai Private Sector Collective Action Against Corruption (CAC)<sup>3</sup>

A [CAC certified member](#) is a listed company whose Checklist satisfies the CAC Certification's criteria and is approved by the CAC Council. The core elements of the Checklist include corruption risk assessment, establishment of key controls, and the monitoring and developing of policies. Note that the CAC does not certify the behaviour of the employees nor whether the companies have engaged in bribery, and Certification is good for three years.

Companies deciding to become a CAC certified member [start with](#) by submitting a Declaration of Intent signed by the Chairman of the Board to kick off the 18-month deadline for companies to submit the CAC Checklist for Certification. The 18-month provision is for risk assessment, in place of policy and control, training of managers and employees, establishment of whistleblowing channels, and communication of policies to all stakeholders.

The checklist document will be reviewed by the CAC Certification Committee for adequate information and evidence. It is worth noting that the committee consists of nine professionals in business law, corporate governance, internal audit, financial audit and experienced representatives from certified members.

A passed Checklist will move on to the [CAC Council](#) for granting certification approvals. The CAC Council consists of twelve prominent individuals who are highly respected in professionalism and ethical achievements. Among them are former ministers, a former central bank governor, the former head of the Thai Listed Companies Association, Chairman of Anti-Corruption Organizations (Thailand), Chairman of Thai Institute of Directors, and reputable academic scholars.

### Sustainability Investment (THSI)<sup>4</sup> by the Stock Exchange of Thailand (SET)

Thailand Sustainability Investment ([THSI](#)) quantifies responsibility in **E**nvironmental, and **S**ocial issues, by managing business with transparency in **G**overnance. The THSI serves as another choice for investors who desire to adopt a responsible investment approach, according to the SET.

Annually, the SET will announce the voluntary participation of the company candidates which pass the preemptive criteria, and whose two key crucial conditions are met, i.e. no irregular trading of the board members and executives and a free float of >150 by the number of shareholders, and combined holding must >15% of paid-up capital. Some key disqualifying criteria include a CG score of below 70%; independent directors and free float violation; executives' wrongdoing related to CG, social and environmental impacts, equity in negative territory, and earnings in the red for more than three years in the last five years. To become eligible for THSI, the candidate must pass three indicators in data declaration: **E**conomic (CG, risk management, customer relation management, supply chain management, and innovation); **E**nvironmental (environmental management, eco-efficiency, and climate risk); **S**ocial (human rights, talent attraction, operational health & safety, community development, and stakeholder engagement); and the incorporation of ESG in business operations.

To be approved for THSI inclusion, verified data must be scored at a 50% minimum for each indicator, unless the company is a part of the Dow Jones Sustainability Indices<sup>5</sup> (DJSI) during the assessment year. The scoring will be fairly weighted against the nature of the relevant industry and materiality.

Note that, from the [THSI list](#), the SET further developed a sustainability [SETTHSI Index](#) in June 2018 from selected THSI companies whose 1) market capitalisation > THB5b (~USD150b); 2) free float >20%; and 3) liquidity >0.5% of paid-up capital for at least 9 out of 12 months. The SETTHSI Index is a market capitalisation-weighted index, cap 5% quarterly weight at maximum, and no cap for number of stocks.

Sources: [SEC](#); [Thai IOD](#); [Thai CAC](#); [SET](#); FSSIA's compilation

#### Disclaimer:

<sup>1</sup> Thai Institute of Directors Association ([Thai IOD](#)) was established in December 1999 and is a membership organisation that strives to promote professionalism in directorship. The Thai IOD offers directors certification and professional development courses, provides a variety of seminars, forums and networking events, and conducts research on board governance issues and practices. Membership comprises board members from companies ranging from large publicly listed companies to small private firms.

<sup>2</sup> Thai Investors Association ([TIA](#)) was established in 1983 with a mission to promote investment knowledge and to protect the investment rights of Thai investors. In 2002, the association was appointed by the Securities and Exchange Commission (SEC) to represent individual shareholders. To obtain information for evaluation, the association recruits volunteer investors to join AGMs and score the meetings. Weightings for each meeting are at a 45:45:10 ratio. They have been applied since 2017 and subject to change.

<sup>3</sup> Thai Private Sector Collective Action against Corruption ([CAC](#)) was founded in 2010 and is 100% privately funded. It is an initiative by the Thai private sector to take part in tackling corruption problems via collective action. The CAC promotes the implementation of effective anti-corruption policies in order to create a transparent business ecosystem by developing a unique certification program for large/medium/small companies to apply for and to control corruption risk systematically and efficiently. The CAC's operations are sponsored by the US-based Center for Private Enterprise (CIPE) and the UK Prosperity Fund.

<sup>4</sup> Sustainability Investment List ([THSI](#)), created by the Stock Exchange of Thailand in 2015, comprises the listed companies that conduct sustainable business operations.

<sup>5</sup> Dow Jones Sustainability Indices – [Wikipedia](#) – Launched in 1999, DJSI evaluates the sustainability performance of companies based on corporate economic, environmental, and social performance.

## GENERAL DISCLAIMER

### ANALYST(S) CERTIFICATION

#### Usanee Liurut, CISA FSS International Investment Advisory Securities Co., Ltd

The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s) was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed herein.

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Company	Ticker	Price	Rating	Valuation & Risks
TMBThanachart Bank	TTB TB	THB 1.56	BUY	Downside risks to our GGM-based TP are 1) prolonged economic sluggishness affecting loan growth and asset quality; and 2) the impact of new regulations from the Bank of Thailand.
Bangkok Bank	BBL TB	THB 158.00	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 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.
Kiatnakin Bank	KKP TB	THB 60.00	HOLD	Downside risks to our GGM-based target price include weakening asset quality and lower fee income and upside risks include better capital market conditions, higher used car price, and strengthening asset quality.
Krung Thai Bank	KTB TB	THB 19.60	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 108.50	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.
Tisco Financial	TISCO TB	THB 97.25	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 14-Jul-2023 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.