

Thailand Banks

Concerns over asset quality prevail over positive rate hikes

- The rise in interest rates should spur the sector's earnings through 1H24.
- Strong 2Q23E results – a near-term catalyst.
- Asset quality is still cloudy, pressuring banks to conduct business with caution.
- We initiate Thailand's banking sector with a NEUTRAL call; BBL and TTB are our top picks.

Rising interest rates should spur sector performance through 1H24

The interest rate uptrend is nearly ending, with the policy rate possibly climbing up another 25bp to 2.25% during 4Q23 (we have already factored this into our forecast). Thus, the sector's earnings should continually stand to benefit from this situation through 1H24, especially the big banks. Key drivers are their favourable lending and funding structures and role as net lenders in money markets. Furthermore, ample liquidity since the Covid pandemic should benefit the sector's net interest income (NII) and net interest margin (NIM) expansion. However, we should not overlook the potential downside risks from asset quality. We expect the NPL ratio to rise further in 2H23 and credit costs to remain high (especially for big banks). However, we expect this to be manageable under the banks' proactive asset quality management.

We like BBL and TTB best based on their respective driving forces

After the interest rate hike story fades, we expect BBL and TTB to continue delivering strong earnings growth. We like BBL for its solid growth potential from its international banking business, confirmed by earnings before taxes (EBT) and average total asset growth over the past 10 years which showed higher growth rates than domestic banking. We favour TTB for the healthy improvement in its NIM that came from recycling liquidity from low-yield (corporate) loans into new loans in high-yield segments for a better loan mix, and its potential to boost fee income from digital channels.

NEUTRAL weight call – BBL and TTB are our top picks

We initiate coverage of Thailand's banking sector with a NEUTRAL weight call. We expect the aggregate 2023 net profit for the seven banks under our coverage to increase by 16.2% y-y, slightly better than Bloomberg's consensus estimate of 12% y-y earnings growth for the SET. Though most banks continue to trade below their five-year average P/BV and under their book value per share (BVS), we think this is unlikely to trigger a valuation re-rating for the sector in the near term. BBL and TTB are our top BUY calls.

Key valuations of companies under our coverage as of 14 July 2023

	2018	2018	2020	2021	2022	2023E	2024E	2025E
Net profit (THB m)	167,006	156,017	111,916	145,315	165,338	192,120	207,959	221,109
EPS (THB)	39.6	37.1	25.5	33.2	34.7	40.4	43.7	46.5
Change y-y		-6.6%	-28.3%	29.8%	13.8%	16.2%	8.2%	6.3%
P/E (x)	12.9	11.9	13.2	12.5	11.2	9.7	9.0	8.5
BVS (THB)	391.8	440.0	441.4	473.1	455.1	483.2	511.3	537.8
P/BV (x)	1.3	1.0	0.8	0.9	0.9	0.8	0.8	0.7
ROE (%)	10.4	8.9	5.9	7.3	7.8	8.6	8.8	8.9
ROA (%)	1.2	1.1	0.7	0.8	0.9	1.0	1.1	1.1

Sources: Company data; FSSIA estimates



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Investment thesis

We initiate coverage of Thailand's banks with a NEUTRAL weight call supported by:

- 1) The continued recovery of Thailand's economy in 2023E following the formation of the new government, which is expected to be completed in 4Q23, and the forthcoming government's economic policies;
- 2) The positive impacts of rising interest rates should continue to support the sector's earnings growth throughout 1H24, especially for the big banks;
- 3) However, asset quality concerns throughout 2023 could outweigh the benefits of rising rates during this period.

Although most banks are still trading below their five-year average P/BV, under their book value per share (BVS), and below the region's average P/BV, we believe this is unlikely to trigger a valuation re-rating for the sector in the near term. We pick BBL and TTB as our top BUYs due to their unique driving forces to push their earnings growth higher or close to the industry's average of 16.2% y-y and 8.2% y-y in 2023-24E, respectively.

We also have BUY calls for KTB, SCB, KBANK, and TISCO for their solid earnings growth (SCB, KBANK, and KTB), high ROE (TISCO, SCB, KTB, and KBANK), and attractive dividend yields (TISCO, SCB, KTB, and KBANK). We have a HOLD call for KKP from its poor performance and asset quality projected in 2023.

Catalysts

- 1) The interest rate uptrend;
- 2) Improvements in banks' asset quality mainly from the broad-based recovery of Thailand's economy and lower household debts;
- 3) A faster rise in digital banking contributions to the banks' bottom lines.

Risk to our call

Upside risks:

- 1) Better-than-expected asset quality;
- 2) Higher foreign fund flows into the capital market.

Downside risks:

- 1) High inflation, resulting in a slower economic recovery;
- 2) Changes in financial regulations from the Bank of Thailand;
- 3) Higher new NPL formation from the retail segment.

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Company Report

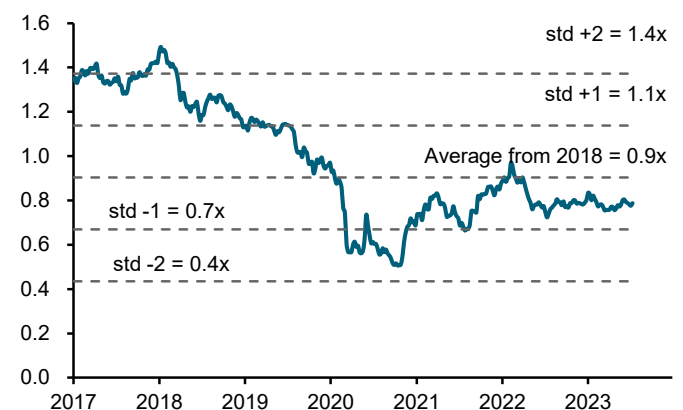
BANGKOK BANK (BBL TB, BUY, TP THB197)
 TMBTHANACHART BANK (TTB TB, BUY, TP THB1.83)
 KRUNG THAI BANK (KTB TB, BUY, TP THB23.1)
 TISCO FINANCIAL (TISCO TB, BUY, TP THB111)
 SCB X (SCB TB, BUY, TP THB123)
 KASIKORNBANK (KBANK TB, BUY, TP THB150)
 KIATNAKIN BANK (KKP TB, HOLD, TP THB65)

Event Calendar

Date	Event
12 July 2023	TISCO's 2Q23 results announcement
19-21 July 2023	2Q23 results announcements of listed Thai banks
12-20 October 2023	3Q23 results announcements of listed Thai banks

One-year prospective P/BV of Thai banks under coverage

SETBANK PBV (x)



Sources: Bloomberg; FSSIA estimates

Positive impacts from the improving economy taking effect

The Thai economy is expected to continue to recover in 2023-24, growing 3.6% y-y and 3.8% y-y, respectively (based on the Bank of Thailand (BoT)'s 2023 forecast). However, this optimism is tempered by fears that global economic growth could decelerate amid persistent inflation and continuous rate hikes by central banks worldwide, as well as continued uncertainty with respect to geopolitical issues and banking sector turmoil.

An uneven recovery of Thailand's GDP growth in 1Q23

Thailand's GDP growth in 1Q23 (+2.7% y-y from +1.4% y-y in 4Q22) showed an uneven recovery that was mostly driven by a strong recovery in tourism (service sector +5.2% y-y) and a continued recovery in private consumption (+5.4% y-y) since the end of the Covid pandemic. Furthermore, we are unlikely to see a significant recovery in the export sector (mainly due to global economic uncertainty), government expenditures, and private investment (owing to the new government's economic policies) until the formation of the new government, which is expected to be completed in 4Q23.

Headline inflation is expected to decline at a gradual pace to 2.5% and 2.4% in 2023 and 2024, respectively, due to lower electricity and oil prices. Moreover, core inflation is projected to stabilise at 2% in 2023 and 2024, which is still at an elevated level relative to the first half of 2023. However, inflation is unlikely to drop rapidly, given the ongoing cost pass-throughs and lower government subsidies. Hence, domestic consumer spending is expected to weaken amid persistent inflation and fading pent-up demand. Such a situation could cause Thailand's banks to remain cautious about growth in retail loans, especially credit cards and personal loans for new customers, in order to reduce credit quality risks.

Exhibit 1: Bank of Thailand's economic forecasts

MPC report		2Q23		1Q23	
	2022*	Current	Previous	Current	Previous
	(%)	2023E	2023E	2024E	2024E
		(%)	(%)	(%)	(%)
GDP growth	2.6	3.6	3.6	3.8	3.8
Domestic demand	4.1	2.5	2.5	3.2	3.3
Private consumption	6.3	4.4	4.0	2.9	3.1
Private investment	5.1	1.7	2.1	4.9	4.8
Government consumption	0.2	(2.8)	(2.2)	1.1	1.1
Government investment	(4.9)	2.5	3.7	6.8	7.8
Export volume of goods and services	6.8	7.3	6.8	6.7	7.4
Import volume of goods and services	4.1	0.9	1.4	5.5	5.5
Current account (USD b)	(17.2)	6.0	4.0	12.5	12.5
Value of merchandise exports (y-y%)	5.5	(0.1)	(0.7)	3.6	4.3
Value of merchandise imports (y-y%)	15.3	0.7	1.2	4.2	4.2
Number of foreign tourists (m persons)	11.2	29.0	28.0	35.5	35.0
Dubai crude oil price (USD/bbl)	96.4	86.0	86.0	90.0	90.0
Headline inflation	6.1	2.5	2.9	2.4	2.4
Core inflation	2.5	2.0	2.4	2.0	2.0

Note: Numbers with highlights indicate changes from previous forecasts

* Outturn; previous forecasts from Monetary Policy Report 1Q23

Sources: [Bank of Thailand](#); Monetary Policy Report 2Q23 (May 2023); FSSIA's compilation

Exhibit 2: Thailand's economic structure

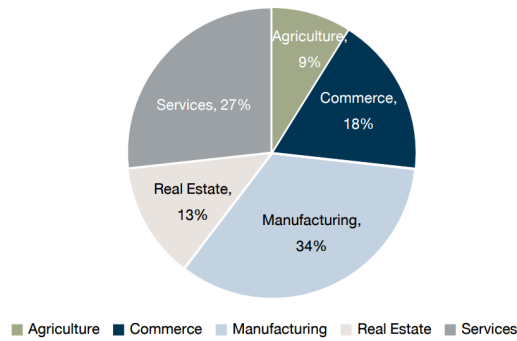
Source: [Bank of Thailand's calculation using NESDC data](#)

Exhibit 3: Contribution to GDP growth

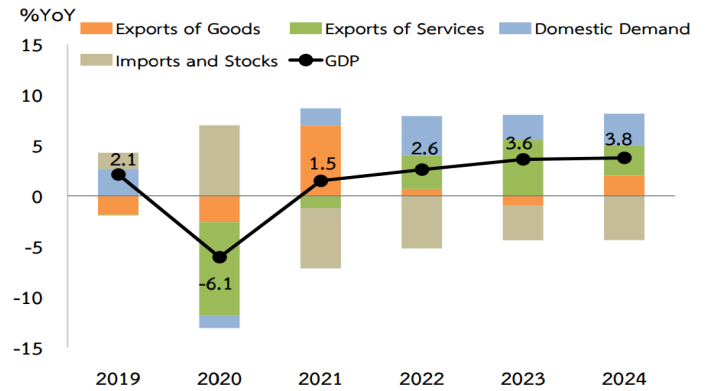
Source: [Bank of Thailand](#)

Exhibit 4: Real GDP growth (y-y%)

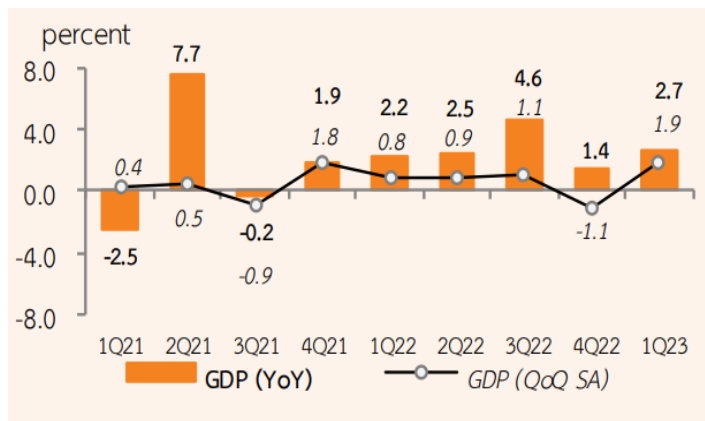
Source: [Office of the National Economic and Social Development Council \(NESDC\)](#)

Exhibit 5: Growth of GDP by expenditure

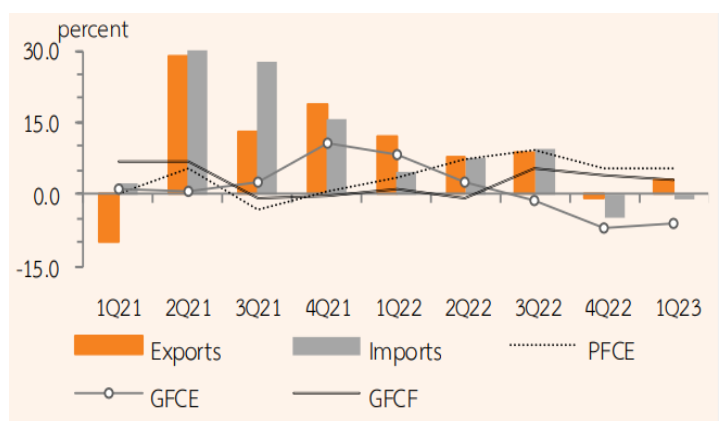
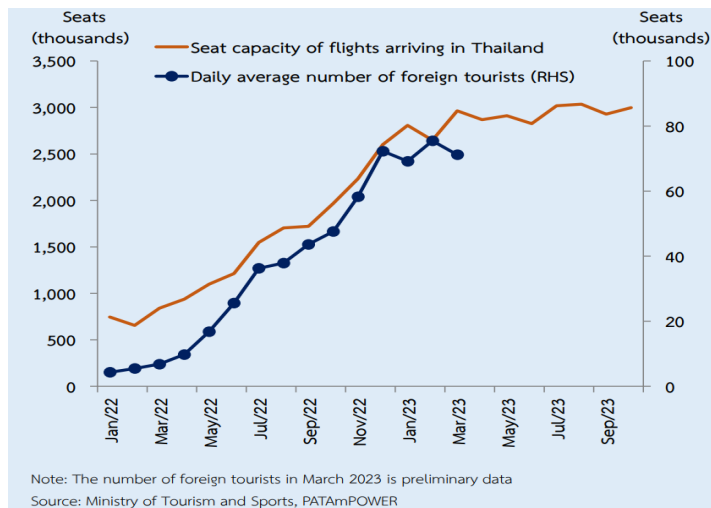
Source: [Office of the National Economic and Social Development Council \(NESDC\)](#)

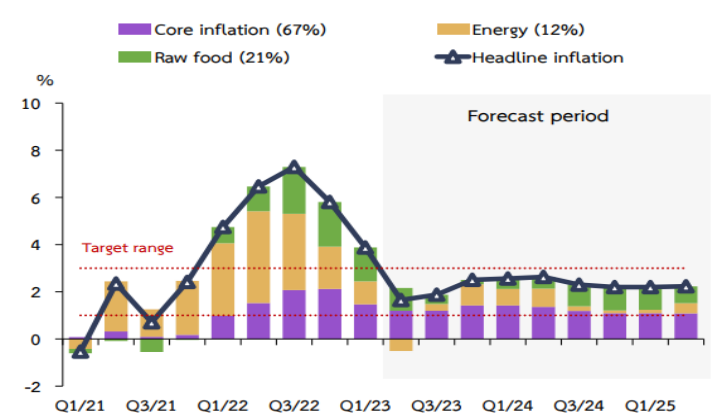
Exhibit 6: Tourism leading indicator



	2022	2023		2024	
		MPR Q1/23	MPR Q2/23	MPR Q1/23	MPR Q2/23
Million persons	11.2	28.0	29.0	35.0	35.5
% of 2019 value	28%	70%	73%	88%	89%

Source: [Bank of Thailand](#)

Exhibit 7: Contribution to headline inflation



Note: () denotes weight in CPI basket

Source: Ministry of Commerce, BOT calculation and forecast as of May 23

Inflation forecast			
%YoY	2022	2023	2024
Headline inflation	6.1	2.9 (3.0)	2.4 (2.1)
Core inflation	2.5	2.4 (2.5)	2.0 (2.0)

Note: () previous forecast from Monetary Policy Report Q4/2022

Source: [Bank of Thailand](#)

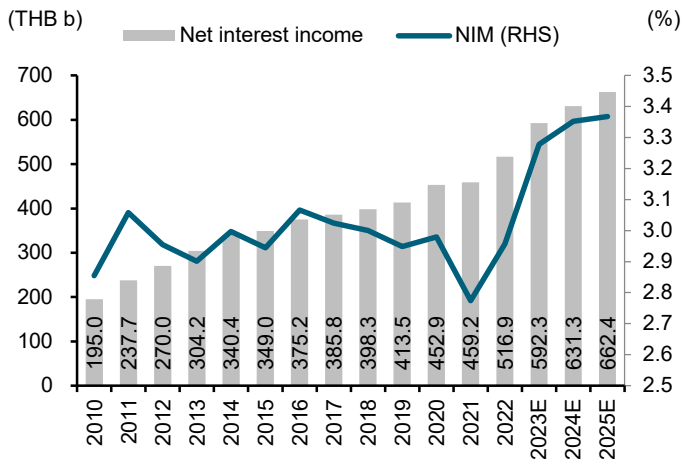
Continued caution regarding 2023 business targets

Cautious core 2023 business targets continuing from 2022

Due to the sluggish state of the Thai economy, most banks in Thailand have continued to conduct their business cautiously. This can be seen in the following summary of the 2023 business targets of most banks:

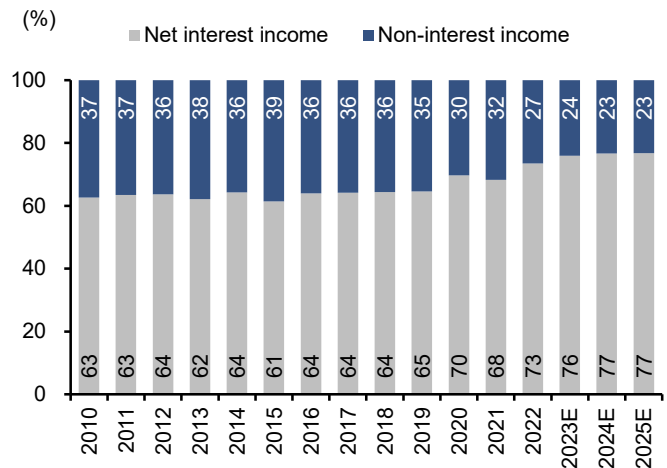
- 1) In 2023, loan growth is 1-2 times the GDP forecast (2022 and 1Q23 loan growth was 2.5% y-y and 1% y-y, respectively).
- 2) NIM expansion in 2023, especially for the big banks, compared to 2022 (2.96% in 2022 and 3.19% in 1Q23), thanks to the rise in interest rates.
- 3) 2023 non-interest income (Non-NII), especially fee income, could remain stable or lower than in 2022 (fee income and non-NII contracted by 6% y-y and 12% y-y, respectively, in 2022) due to poor capital market conditions.
- 4) The 2023 cost-to-income (CTI) ratio could remain at the same level as in 2022 (45.5% in 2022, and 42.7% in 1Q23), ranging from low to mid-40%.
- 5) NPLs should be manageable in 2023, at a stable or slightly higher level for some banks compared to 2022 (3.68% in 2022 and 3.69% in 1Q23) due to their policies of growing the high-risk segment. Credit cost policies vary for each bank (139bp in 2022 and 148bp in 1Q23); whether it is lower or higher depends on each bank's coverage ratio.
- 6) Most banks are now targeting an ROE of up to 10% in the next few years (7.8% in 2022 and 9.1% in 1Q23). This target could be immensely challenging as we expect the sector's 2023 ROE to lag at 8.6% and 8.9% in 2025. In our view, most banks have opted to raise their dividend payout ratio higher to achieve this target amid struggling core revenue growth.

Exhibit 8: Thai banks – net interest income vs NIM



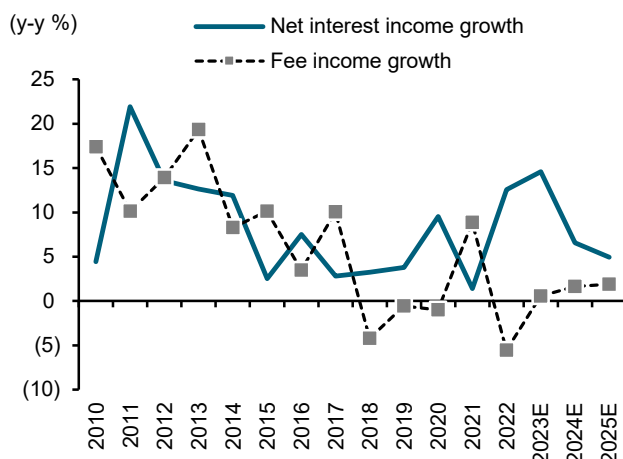
Sources: Company data; FSSIA coverage and estimates

Exhibit 9: Thai banks – revenue structure



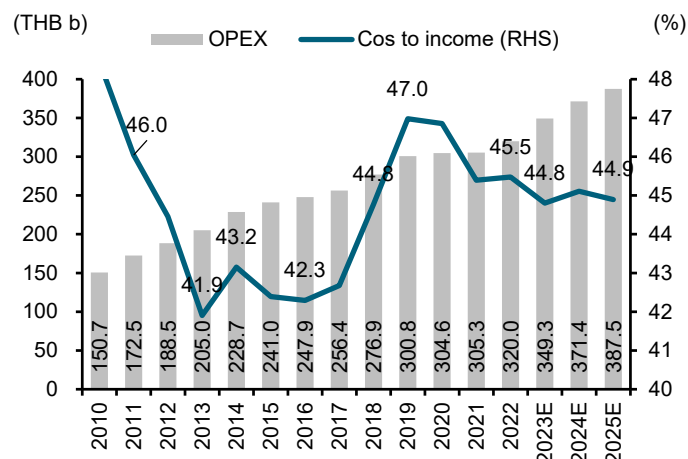
Sources: Company data; FSSIA coverage and estimates

Exhibit 10: Growth in net interest income vs fee income



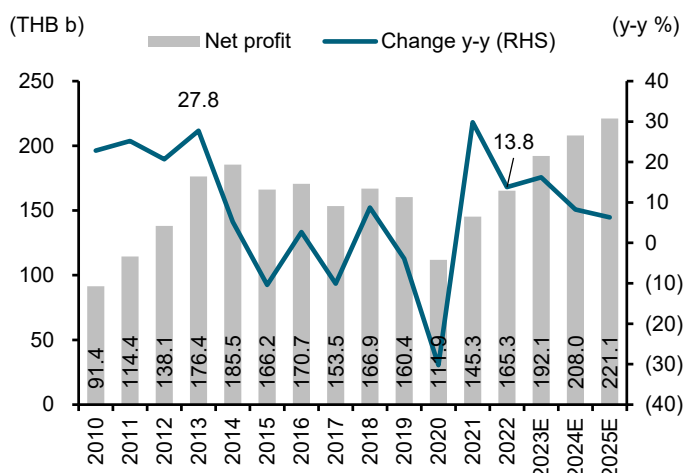
Sources: Company data; FSSIA coverage and estimates

Exhibit 11: Operating expenses vs cost to income ratio



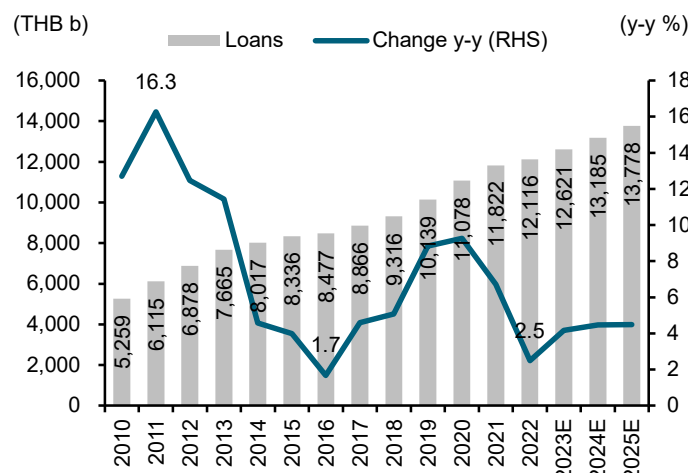
Sources: Company data; FSSIA coverage and estimates

Exhibit 12: Net profit and growth



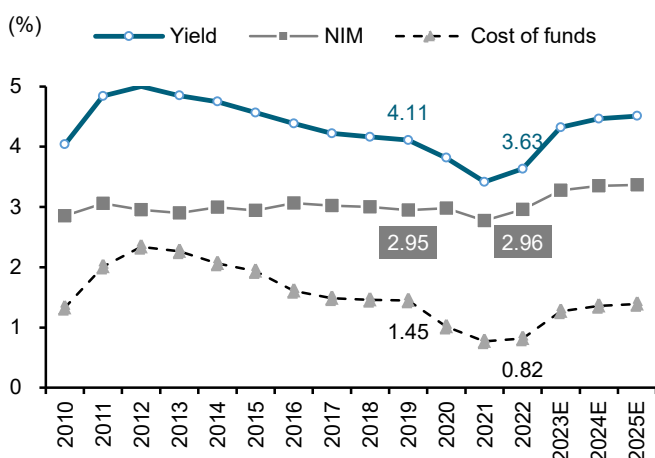
Sources: Company data; FSSIA coverage and estimates

Exhibit 13: Loans and loan growth



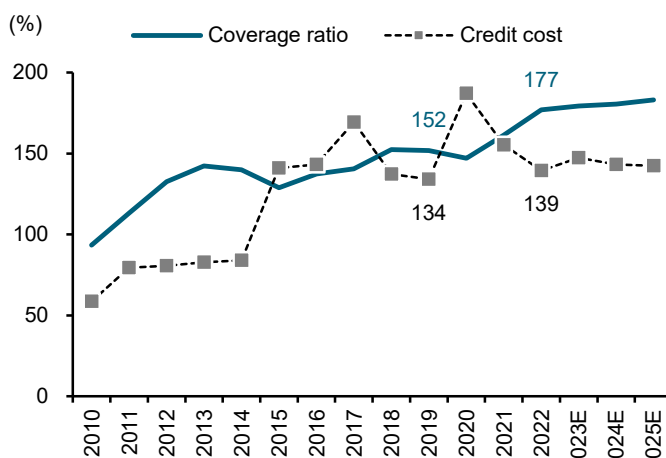
Sources: Company data; FSSIA coverage and estimates

Exhibit 14: Yield, NIM, and cost of funds



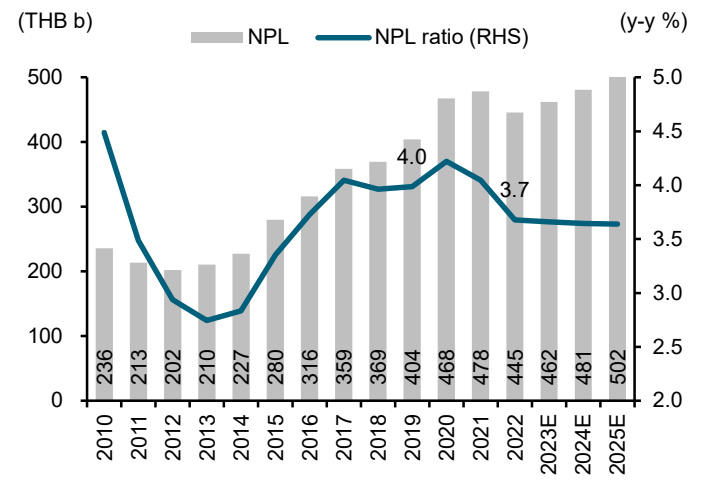
Sources: Company data; FSSIA coverage and estimates

Exhibit 15: Coverage ratio and credit cost



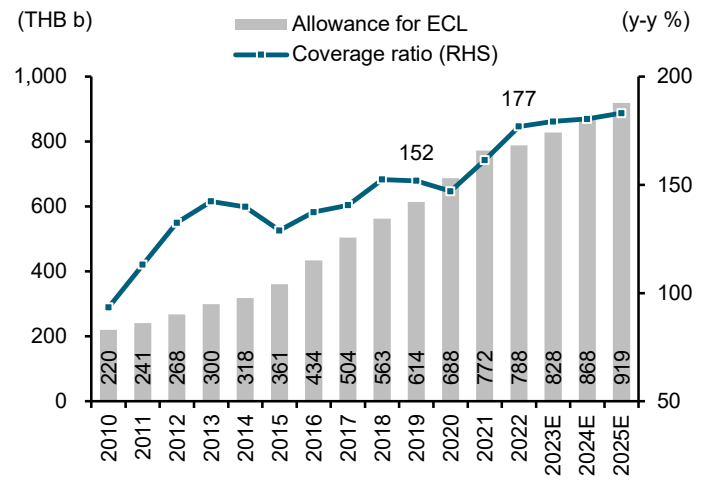
Sources: Company data; FSSIA coverage and estimates

Exhibit 16: NPLs and NPL ratio



Sources: Company data; FSSIA coverage and estimates

Exhibit 17: Allowance for ECL and coverage ratio



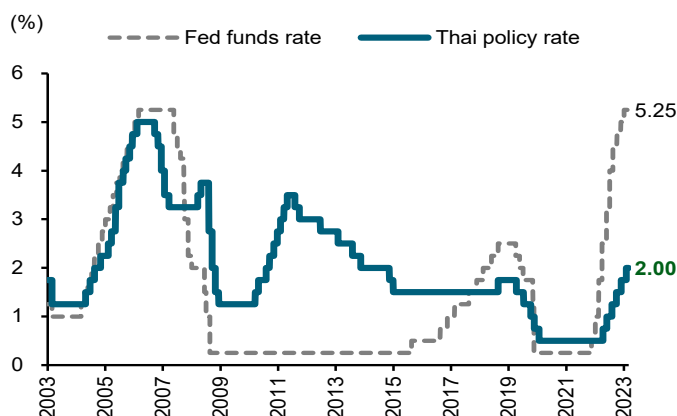
Sources: Company data; FSSIA coverage and estimates

Rising interest rates should spur sector performance through 1H24

BBL, KBANK, and SCB to benefit the most from rising interest rate

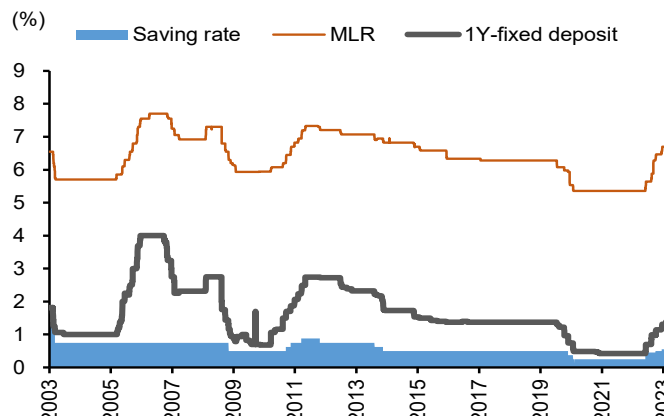
The interest rate uptrend is nearly ending, with the policy rate possibly climbing up another 25bp to 2.25% during 4Q23 (we have already factored this into our forecast). Thus, the sector's earnings should continually stand to benefit from this situation, especially the big banks. Key drivers are 1) an advantageous loan proportion (high floating rates) and high current and savings deposits (CASA), with interest rates almost stable during rate hikes; and 2) ample liquidity, reflected from their LDBR (loan-to-deposit and borrowing ratio) that tended to be lower during 2020-22 compared to 2018-19 (BBL, KBANK, SCB), making them net lenders in the interbank market since the pandemic. This should benefit the sector's NII and NIM expansion, in our view.

Exhibit 18: Policy rates, US vs Thailand



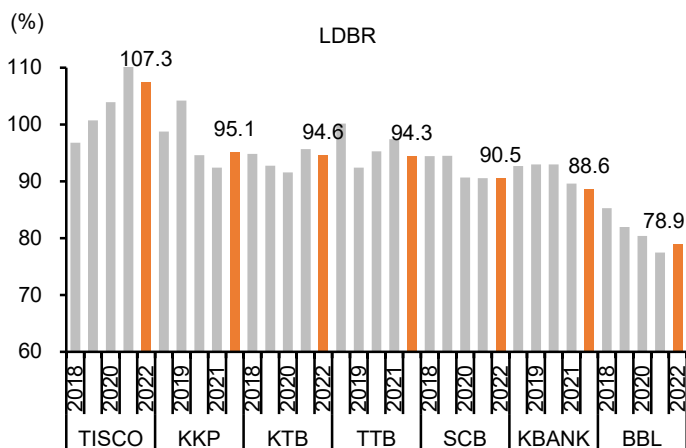
Source: Bloomberg

Exhibit 19: Thailand's key rates



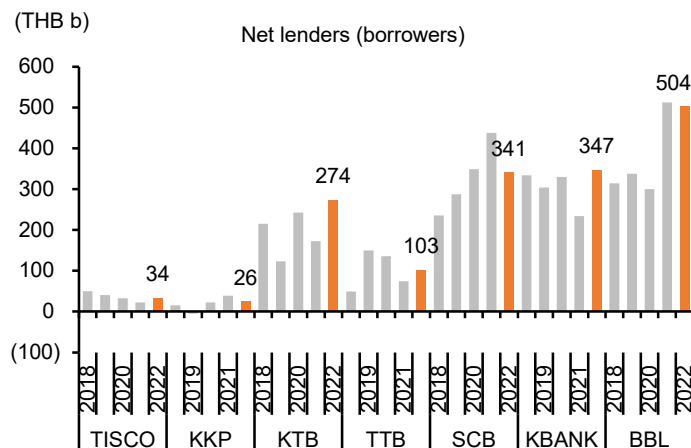
Notes: Savings rate of Bangkok Bank; 1Y-fixed deposit rate of four major banks; MLR of five major banks
Source: Bloomberg

Exhibit 20: LDBR of Thai banks under coverage

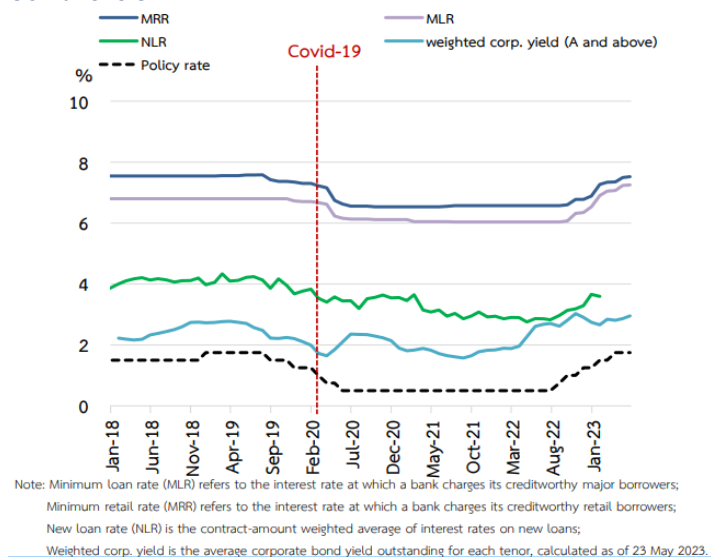
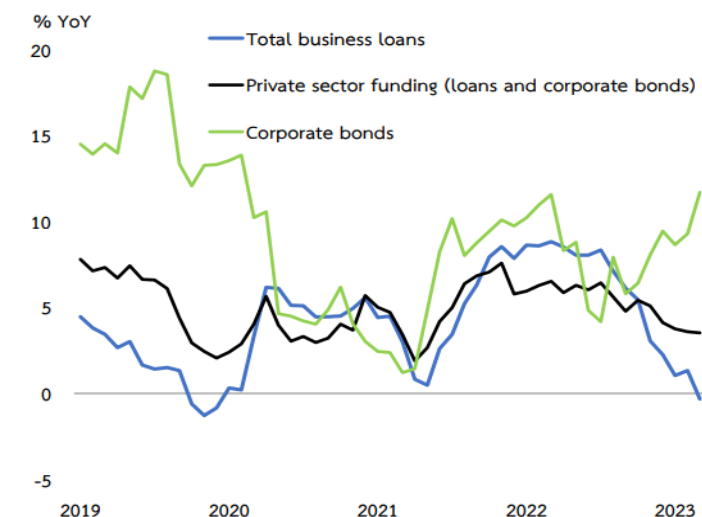


Sources: Company data; FSSIA's compilation

Exhibit 21: Net lender positions of Thai banks under coverage



Sources: Company data; FSSIA's compilation

Exhibit 22: Bank lending rate increases are still close to pre-Covid levelsSource: [Bank of Thailand](#)**Exhibit 23: Mobilisation of funds by the private sector still expanding**Source: [Bank of Thailand](#)**Exhibit 24: Savings and lending rates of selected Thai banks**

	Saving rate of deposits					Minimum lending rate (MLR)				
	BBL (%)	KTB (%)	KBANK (%)	SCB (%)	TTB (%)	BBL (%)	KTB (%)	KBANK (%)	SCB (%)	TTB (%)
1Q22	0.250	0.250	0.250	0.250	0.125	5.250	5.250	5.470	5.250	6.125
2Q22	0.250	0.250	0.250	0.250	0.125	5.250	5.250	5.470	5.250	6.125
3Q22	0.450	0.250	0.250	0.250	0.125	5.650	5.250	5.470	5.250	6.125
4Q22	0.450	0.250	0.250	0.250	0.125	5.850	5.750	5.970	5.750	6.625
1Q23	0.500	0.250	0.250	0.250	0.125	6.450	6.350	6.570	6.350	7.025
2Q23	0.550	0.300	0.300	0.300	0.125	6.850	6.800	7.020	6.800	7.475
Change from 1Q22	0.300	0.050	0.050	0.050	0.000	1.600	1.550	1.550	1.550	1.350

Sources: Bank of Thailand; FSSIA's compilation

Asset quality should not be overlooked

Credit cost to stay high for big banks

Concerning the banks' asset quality outlook, we expect the NPL ratio to rise further in 2H23 (from 3.69% in 1Q23), mainly from commercial (SME) and retail loans (personal and credit card loans). We have yet to see alarming signs from the corporate segment (except for the one big corporate loan, Stark Corporation (STARK TB, NR), that hurt KBANK and SCB the most, which we believe was an exceptional case).

We predict credit costs to stay high (especially for the big banks). However, this could be manageable given the banks' current high coverage ratio, proactive loan restructuring, and asset quality management (NPL sales and write-offs), resulting in a continual decrease in loans in stages 2 & 3 by 2% y-y in 2022.

Exhibit 25: Loans by stage and allowances for ECL of banks under our coverage

Company		Loans							Allowance for ECL						
		1H20 (THB b)	2H20 (THB b)	1H21 (THB b)	2H21 (THB b)	1H22 (THB b)	2H22 (THB b)	1Q23 (THB b)	2Q20 (%)	4Q20 (%)	2Q21 (%)	4Q21 (%)	2Q22 (%)	4Q22 (%)	1Q23 (%)
BBL	Stage 1	2,094.5	2,128.4	2,178.4	2,355.8	2,420.3	2,450.0	n/a	2.3	2.4	2.7	3.4	3.7	3.9	n/a
	Stage 2	155.3	140.0	135.3	136.3	132.9	142.5	n/a	37.8	44.8	46.6	48.0	50.4	51.4	n/a
	Stage 3	109.9	106.3	113.4	103.7	108.0	100.3	n/a	64.0	67.6	69.2	71.8	73.8	73.3	n/a
KBANK	Stage 1	1,808.4	1,951.2	2,074.5	2,130.3	2,205.3	2,229.7	2,210.9	2.4	2.2	2.1	2.2	2.1	2.1	2.1
	Stage 2	230.4	201.4	213.5	201.9	190.0	188.3	181.1	22.5	24.5	25.2	25.3	24.4	24.5	23.9
	Stage 3	96.3	103.5	109.6	106.2	110.3	93.3	88.7	39.5	40.6	44.3	43.6	43.5	43.8	43.5
KTB	Stage 1	1,906.5	2,013.4	2,172.0	2,306.5	2,323.9	2,289.5	2,276.9	1.4	1.6	1.9	1.9	2.0	2.0	2.0
	Stage 2	268.0	223.5	216.9	228.4	219.2	217.5	217.5	14.8	18.6	20.0	21.4	23.0	24.1	25.4
	Stage 3	114.3	109.4	109.7	111.4	109.2	108.7	110.9	64.2	67.8	69.3	69.4	70.3	70.4	71.3
	Lifetime	5.8	4.8	4.3	3.2	3.2	2.4	3.3							
SCB	Stage 1	2,310.3	2,460.5	2,463.7	2,576.4	2,614.8	2,584.1	2,591.4	1.7	2.1	2.3	1.8	2.2	1.8	1.9
	Stage 2	222.5	195.5	180.1	189.9	147.7	178.8	180.6	15.5	17.1	18.1	22.6	26.5	27.2	26.6
	Stage 3	79.6	101.5	104.1	109.1	102.5	95.3	95.2	59.7	57.8	56.8	57.4	58.7	60.7	61.7
TTB	Stage 1	1,217.9	1,237.6	1,204.7	1,223.7	1,240.5	1,225.3	1,208.2	0.8	0.9	1.0	1.0	1.0	1.1	1.1
	Stage 2	130.3	122.1	117.0	112.5	118.2	116.8	116.0	13.1	17.7	18.0	19.6	20.3	20.9	21.7
	Stage 3	40.1	41.7	44.2	42.5	41.3	41.7	42.0	43.4	48.5	47.1	47.1	44.3	47.0	48.4
KKP	Stage 1	233.0	247.5	264.3	287.1	313.3	346.2	355.5	1.8	2.3	2.8	2.9	2.7	2.5	2.4
	Stage 2	10.1	15.4	14.5	17.0	20.2	22.8	23.6	17.1	19.6	16.7	16.8	16.8	16.7	17.2
	Stage 3	8.7	8.3	10.6	10.6	11.6	13.9	14.7	36.6	37.3	39.6	40.8	40.5	42.7	43.1
	POCI	0.8	0.8	0.8	0.9	0.9	0.9	1.0							
TISCO	Stage 1	191.3	194.4	185.0	177.2	178.3	193.8	194.9	1.9	2.8	3.7	3.8	3.8	3.6	3.5
	Stage 2	30.8	30.2	25.4	22.7	21.9	22.6	21.9	13.4	12.2	13.6	14.6	13.7	13.6	13.6
	Stage 3	7.8	5.9	6.2	5.3	4.8	4.9	5.0	30.0	28.4	28.2	32.6	32.0	36.6	38.0
Coverage	Stage 1	9,762.0	10,233.0	10,542.6	11,057.1	11,296.4	11,318.6	8,837.8	2.1	2.3	2.5	2.6	2.7	2.7	2.3
	Stage 2	1,047.5	928.1	902.8	908.9	850.1	889.3	740.7	21.7	25.2	26.7	28.5	30.2	30.5	27.1
	Stage 3	456.6	476.5	497.7	488.8	487.8	458.3	356.5	61.0	62.3	63.4	63.8	64.7	66.8	66.1

Sources: Company data; FSSIA's compilation

Strong 2Q23E results could be a short-term catalyst

No cause for concern over banks' asset quality in 2Q23

We expect the seven banks under our coverage to post solid aggregate net profit growth of THB50.2b in 2Q23, up 16% y-y but stable q-q. We think the y-y earnings increase should come from higher NII (rising interest rates, loans, and NIM expansion). Although we expect higher operating expenses and higher expected credit losses (ECL), the positive impacts of the NII increase should offset the negative factors. In contrast, the stable q-q earnings should be mainly attributed to lower Non-NII, whereas net interest income should increase by 3% q-q, supported by rising interest rates, loans, and NIM expansion.

Regarding PPOP, the y-y increase should be mainly due to the expected higher NII, with the q-q decrease from lower non-NII. The cost-to-income ratio may tend to be higher than in 1Q23 due to lower operating income and slightly higher operating expenses.

As for asset quality, we see no cause for concern and expect the NPL/TL ratio (FSSIA's calculation) to remain stable at around 3.70%, with credit cost slightly lower by 6bp compared to 148bp in 1Q23, and LLR/NPL at 182% (180% in 1Q23) (FSSIA's calculation).

Overall, we think 1H23 net profit should increase to THB100.3b, up 14% y-y, and account for 52% of our 2023 forecast.

Exhibit 26: Summary of 2Q23 earnings preview

	2Q23E	1Q23	2Q23E	2Q22	2Q23E	1H23E	1H22	1H23E	2023E	2Q23E
	(THB m)	(THB m)	(q-q%)	(THB m)	(y-y%)	(THB m)	(THB m)	(y-y%)	(THB m)	(% of 23E)
BBL	9,992	10,129	-1.4%	6,961	43.5%	20,122	14,079	42.9%	37,924	53%
KBANK	10,915	10,741	1.6%	10,794	1.1%	21,656	22,005	-1.6%	40,768	53%
KTB	10,202	10,067	1.3%	8,358	22.1%	20,269	17,139	18.3%	37,796	54%
SCB	11,173	10,995	1.6%	10,051	11.2%	22,168	20,095	10.3%	44,242	50%
TTB	4,357	4,295	1.4%	3,438	26.7%	8,651	6,633	30.4%	16,446	53%
KKP	1,734	2,085	-16.8%	2,033	-14.7%	3,819	4,089	-6.6%	7,482	51%
TISCO	1,854	1,793	3.4%	1,848	0.3%	3,646	3,644	0.1%	7,462	49%
Coverage	50,227	50,104	0.25%	43,484	15.5%	100,331	87,683	14.4%	192,120	52%

Sources: Company data; FSSIA estimates

Exhibit 27: 2Q23 results preview

Year-end Dec 31	BBL	KBANK	KTB	SCB	TTB	KKP	TISCO*	Coverage
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)
Net interest income	30,274	36,173	26,578	29,701	13,731	5,444	3,420	145,320
Non-interest income	9,545	10,015	8,911	10,746	3,466	1,515	1,324	45,522
Fee income - net	7,166	7,665	5,241	8,852	2,551	1,219	1,152	33,845
Total operating income	39,818	46,188	35,488	40,447	17,197	6,959	4,743	190,842
Total operating expenses	19,129	19,485	13,708	17,028	7,553	3,505	2,378	82,787
PPOP before tax	20,689	26,703	21,780	23,419	9,644	3,454	2,366	108,055
Expected credit loss	7,900	12,400	8,100	9,000	4,280	1,200	63	42,943
Income tax	2,686	2,603	2,558	3,172	1,008	517	449	12,993
Non-controlling interest	111	785	920	74	(1)	3	0	1,892
Net profit	9,992	10,915	10,202	11,173	4,357	1,734	1,854	50,227
EPS (THB)	5.235	4.607	0.730	3.318	0.045	2.048	2.315	-
Key ratios								
Asset quality ratio	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)
Gross NPLs (THB m)	99,359	86,640	105,042	95,753	42,007	14,000	5,065	447,866
Change (% from prior period)	1.0	(1.1)	2.4	0.6	0.0	2.5	7.9	0.9
NPL ratios (%) - reported							2.20	
NPL ratio (%)	3.78	3.48	4.03	3.95	3.12	3.54	2.20	3.70
Coverage ratio (%) - reported							224	
Coverage ratio (%)	257	155	177	157	140	143	224	182
Credit cost (bp)	120	200	125	149	127	241	11	142
Profitability ratio	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)
Cost to income ratio	48.0	42.2	38.6	42.1	43.9	50.4	50.1	43.4
Average yield (%)	4.03	4.30	4.11	4.52	4.24	5.89	6.44	4.31
Cost of funds (%)	1.62	1.13	1.22	1.19	1.32	1.70	1.80	1.33
NIM (%) - reported							5.02	
NIM (%)	2.73	3.53	3.06	3.54	3.10	4.41	5.01	3.25
Non-interest income/total income (%)	24.0	21.7	25.1	26.6	20.2	21.8	27.9	23.9
Liquidity ratio	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)
Loan to deposit	83.0	90.4	99.7	97.1	97.4	115.7	115.6	93.6
Loan to deposit & borrowing (LDBR)	78.3	79.8	94.2	94.9	87.8	96.2	108.0	86.9
Capital adequacy ratio	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)
CAR							20.2	
CET 1/Risk assets							16.9	
Tier 2/Risk assets							3.3	
Loan growth	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)
Year-to-date	(2.1)	(0.2)	0.6	2.0	(2.3)	5.9	5.2	0.0
q-q	(0.5)	1.0	1.0	1.1	(1.0)	3.0	4.7	0.6
y-y	(1.0)	0.0	(1.0)	2.8	(3.5)	17.6	13.4	0.4

TISCO's results were announced on 12 July 2023

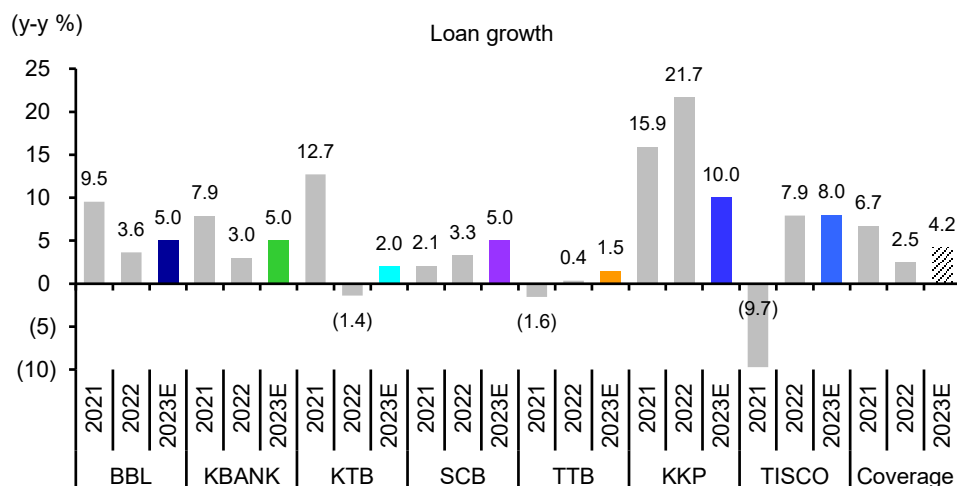
Sources: Company data; FSSIA estimates

We like BBL and TTB based on their respective driving forces

After the interest rate hike story fades, we expect BBL and TTB to continue delivering strong earnings growth. We like BBL due to the solid growth potential of its international banking business, which is confirmed by their earnings before taxes (EBT) and total asset growth over the past three, five, and ten years, which all showed higher growth rates than domestic banking. We favour TTB for its NIM improvement from recycling liquidity from low-yield (corporate) loans into new loans in the high-yield segment (Cash your Car, personal loans, and home equity) for a better loan mix.

Key ratios of Thai banks under coverage

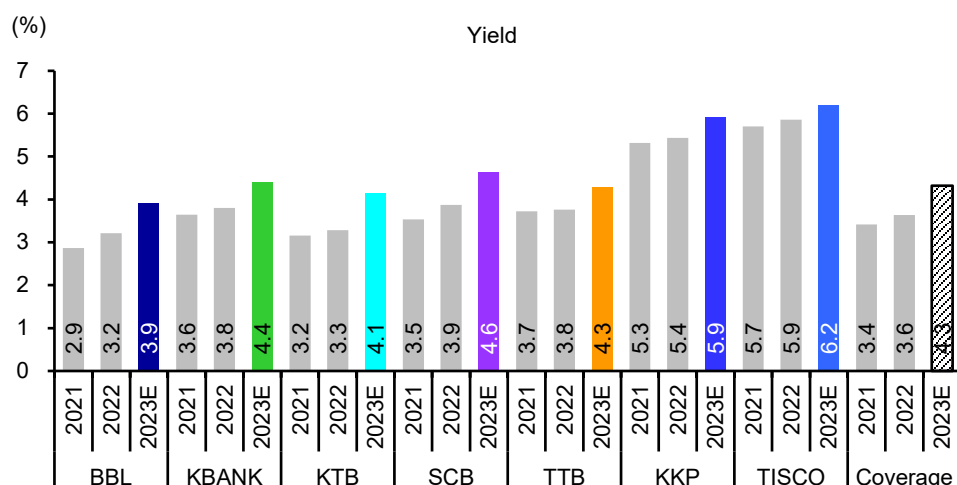
Exhibit 28: Thai banks under coverage – loan growth



- KKP was the bank with the highest loan growth in the sector during 2021-22 (the Covid pandemic), while other banks slowed down their loan growth.
- KKP's loan growth has continued to be the highest in 2023, with a shift in focus to more low-risk segments such as corporate, new car hire purchase, and housing loans.

Sources: Company data; FSSIA estimates

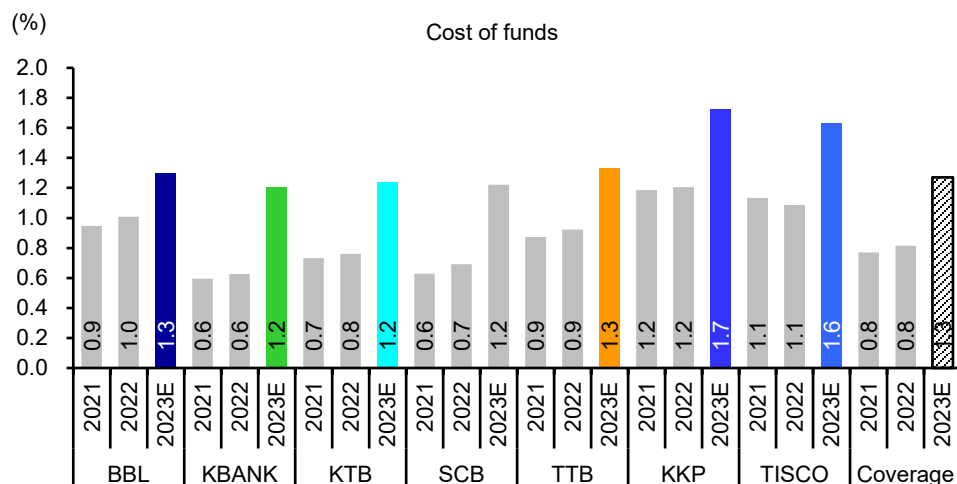
Exhibit 29: Thai banks under coverage – yield



- TISCO, KKP, and SCB ranked as the top three banks with the highest loan yields during 2021-22, primarily due to their loan exposure in the retail segment.
- We expect this trend to continue in 2023, with BBL, KBANK, and SCB tending to have the same level of loan yields, thanks to interest rate hikes and their favourable loan and deposit mixes.

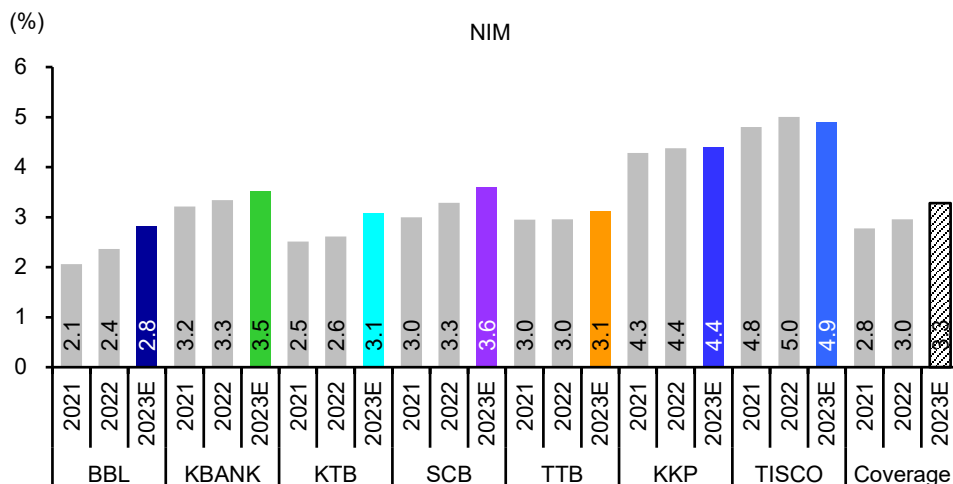
Sources: Company data; FSSIA estimates

Exhibit 30: Thai banks under coverage – cost of funds



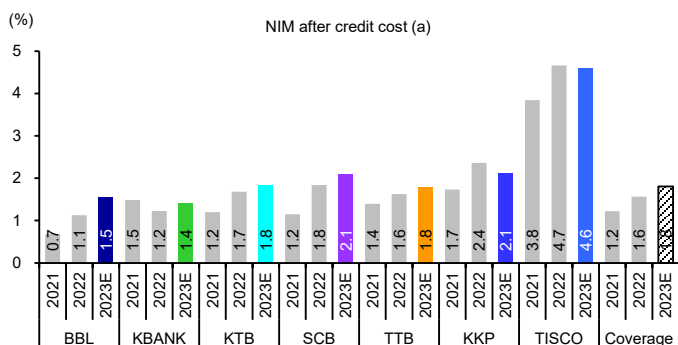
- TISCO and KKP had the highest cost of funds during 2021-22, with the continuous trend increasing sharply in 2023E due to their deposit structures, which have a large proportion of floating rate deposits.
- The big banks' cost of funds also increased during 2021-22, but were still lower than those of hire purchase banks (TISCO and KKP).

Sources: Company data; FSSIA estimates

Exhibit 31: Thai banks under coverage – NIM

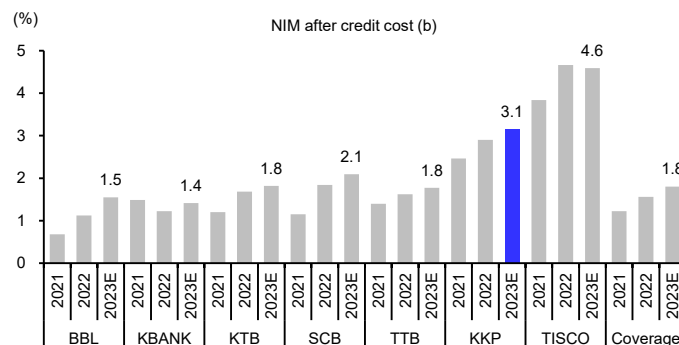
- Thai banks showed positive NIM progress during 2021-22 which has continued in 2023, supported by rising market interest rates and their favourable loan and deposit structures.
- Those banks focusing on car hire purchase loans have shown relatively stable NIMs (KKP and TISCO) due to their unfavourable loan structure (with large volumes of fixed-rate loans) during the interest rate increase.
- Considering NIM after credit costs, TISCO, KKP, and SCB still ranked as the top three banks during 2021-23E. However, if the losses from repossessed cars are included in their credit cost, which is calculated similarly to other banks, KKP's NIM has fallen close to SCB's level in 2023E.

Sources: Company data; FSSIA estimates

Exhibit 32: Thai banks under coverage – NIM after credit cost (a)

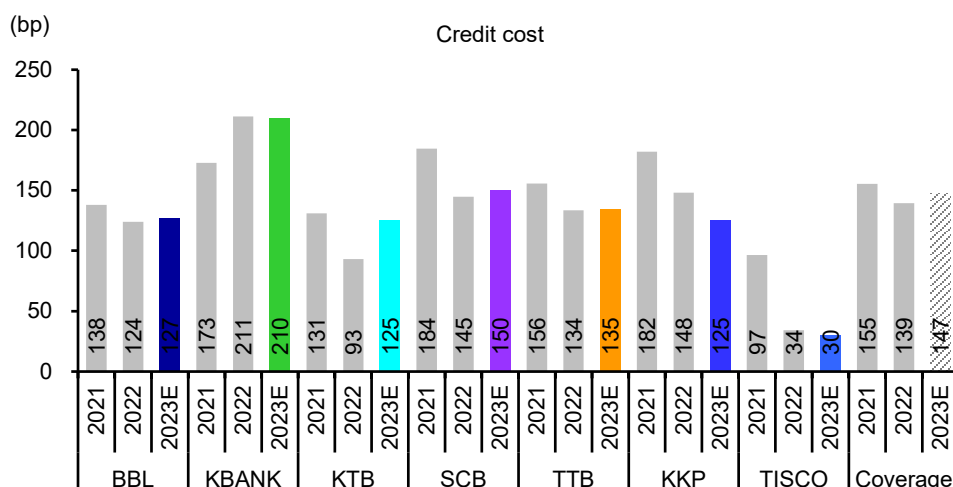
a) KKP's figures including losses (gains) from repossessed cars

Sources: Company data; FSSIA estimates

Exhibit 33: Thai banks under coverage – NIM after credit cost (b)

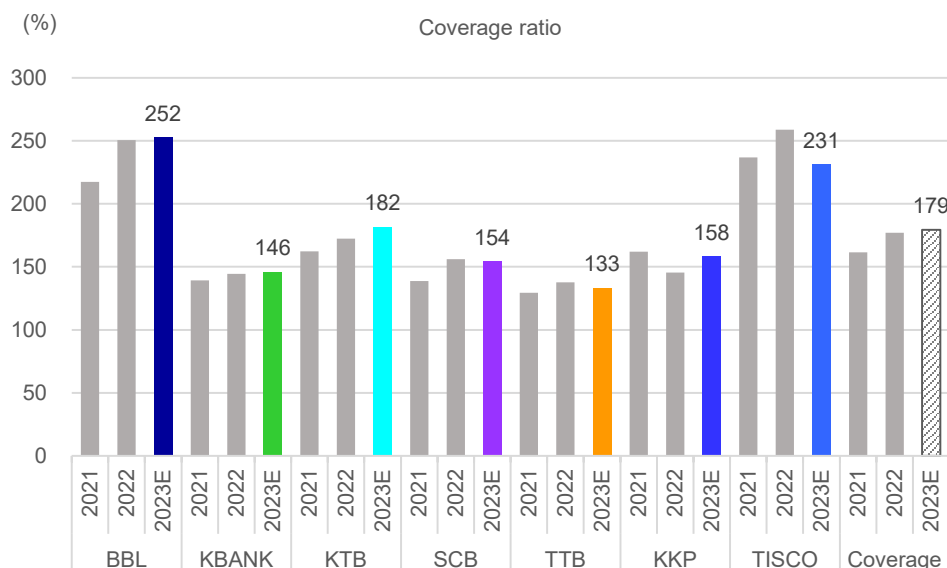
b) KKP's figures excluding losses (gains) from repossessed cars

Sources: Company data; FSSIA estimates

Exhibit 34: Thai banks under coverage – credit cost

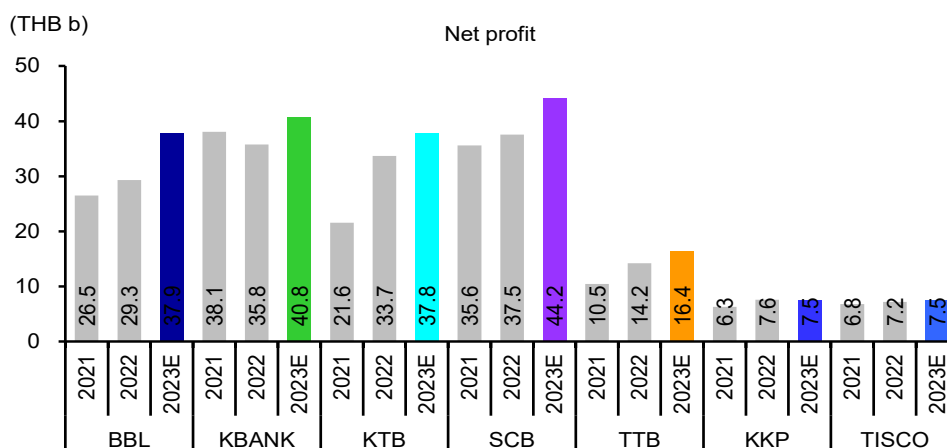
- TISCO had the lowest credit costs during 2021-23E due to its ample coverage ratio.
- In contrast, KBANK has continued to see substantial credit cost rises during 2022-23E, mainly from a rise in NPLs and its proactive asset quality management.

Sources: Company data; FSSIA estimates

Exhibit 35: Thai banks under coverage – coverage ratio

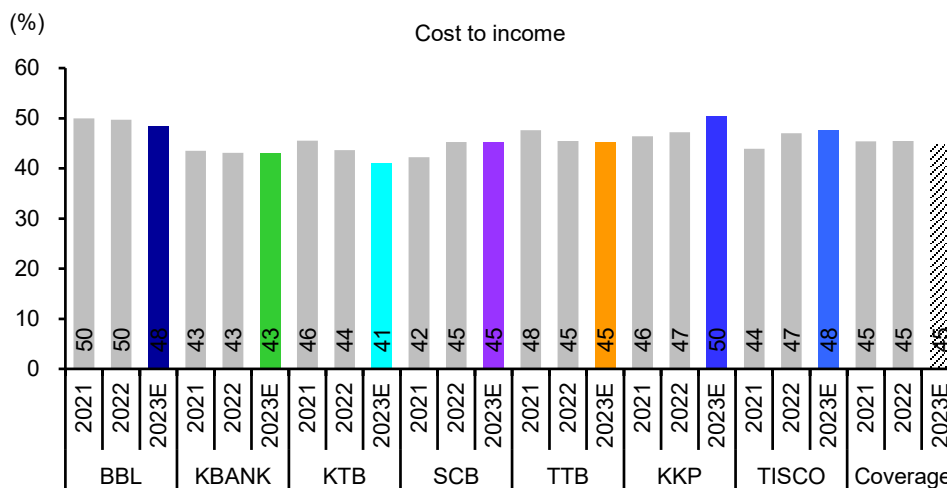
- During 2021-22, TISCO had the highest coverage ratio among peers. We expect BBL to overcome TISCO in 2023, mainly from its prudent policy to set up large ECL continually.

Sources: Company data; FSSIA estimates

Exhibit 36: Thai banks under coverage – net profit

- The big banks should have solid net profit growth in 2023, thanks to interest rate hikes, loan growth, and NIM expansion, which should offset their credit cost burdens during the economic uncertainty and sustain their high dividend payout policies.

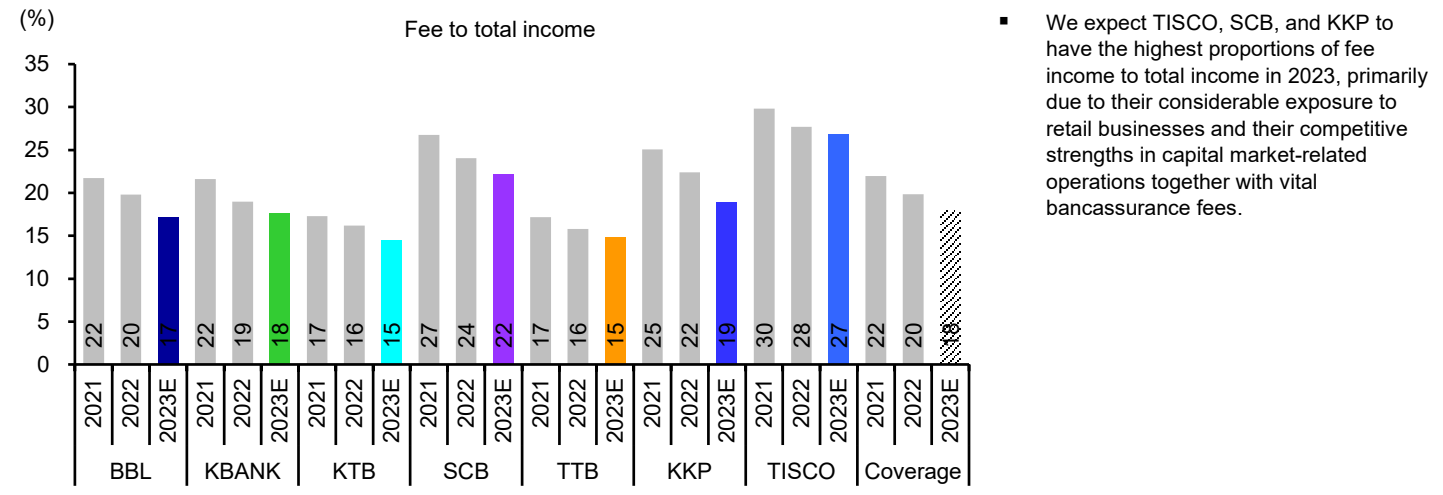
Sources: Company data; FSSIA estimates

Exhibit 37: Thai banks under coverage – cost-to-income ratio

- We expect KTB and KBANK to have the lowest cost-to-income ratio in 2023 due to their efficient cost control.
- In contrast, we predict KKP and TISCO to continue to have the highest cost-to-income ratio in 2023, mainly due to the nature of the retail business, which has a larger proportion of variable expenses.

Sources: Company data; FSSIA estimates

Exhibit 38: Thai banks under coverage – fees to total income



Sources: Company data; FSSIA estimates

NEUTRAL weight call – BBL and TTB are our top picks

Initiate coverage of sector with BUY calls on BBL, TTB, KTB, KBANK and SCB

We initiate coverage of Thailand's banking sector with a NEUTRAL weight call. We expect the aggregate 2023 net profit for the seven banks under our coverage to increase by 16.2% y-y, slightly better than Bloomberg's consensus estimate of 12% y-y earnings growth for the SET, and increase by 8% y-y in 2024 (lower than the earnings growth for the SET, which expects 13% y-y growth).

Although most banks are still trading below their five-year average P/BV, their BVS, and below the region's average P/BV, we think this is unlikely to trigger a valuation re-rating for the sector in the near term. BBL and TTB are our top BUY calls due primarily to their respective driving forces.

We also have BUY calls for KTB, SCB, KBANK, and TISCO for their solid earnings growth (SCB, KBANK, and KTB), high ROE (TISCO, SCB, KTB, and KBANK), cheap valuations (KBANK, KTB, and SCB), and attractive dividend yields (TISCO, SCB, KTB, and KBANK). We have a HOLD call for KKP from its poor performance and asset quality projected in 2023.

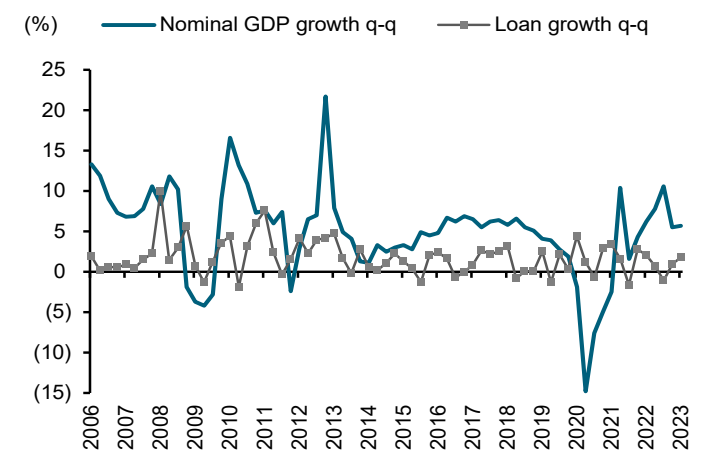
Exhibit 39: Summary of recommendations and key valuations

Company name	BBG code	Rec	Share price (LCY)	Target price (LCY)	Upside (%)	Market Cap. (THB b)	PE		PBV		ROE		Div yld	
							23E	24E	23E	24E	23E	24E	23E	24E
Bangkok Bank	BBL TB	BUY	158.00	197.00	25	301.3	8.0	7.4	0.6	0.5	7.2	7.3	3.7	4.0
Kasikornbank	KBANK TB	BUY	132.50	150.00	13	313.6	7.9	7.1	0.6	0.6	7.9	8.2	3.6	4.0
Krung Thai Bank	KTB TB	BUY	19.60	23.10	18	273.6	7.2	6.9	0.7	0.6	9.7	9.6	4.0	4.2
SCB X	SCB TB	BUY	108.50	123.00	13	364.9	8.3	7.6	0.8	0.7	9.4	9.7	6.7	6.9
TMBThanachart Bank	TTB TB	BUY	1.56	1.83	17	150.8	9.2	8.5	0.7	0.6	7.3	7.6	5.4	5.9
Kiatnakin Bank	KKP TB	HOLD	60.00	65.00	8	50.7	6.8	6.0	0.8	0.7	12.4	12.8	5.4	6.3
Tisco Financial Group	TISCO TB	BUY	97.25	111.00	14	77.8	10.4	9.9	1.8	1.7	17.2	17.8	8.2	8.5
Thailand coverage					17	1,532.7	9.7	9.0	0.8	0.8	8.6	8.8	4.0	4.3

Share prices as of 14 Jul 2023

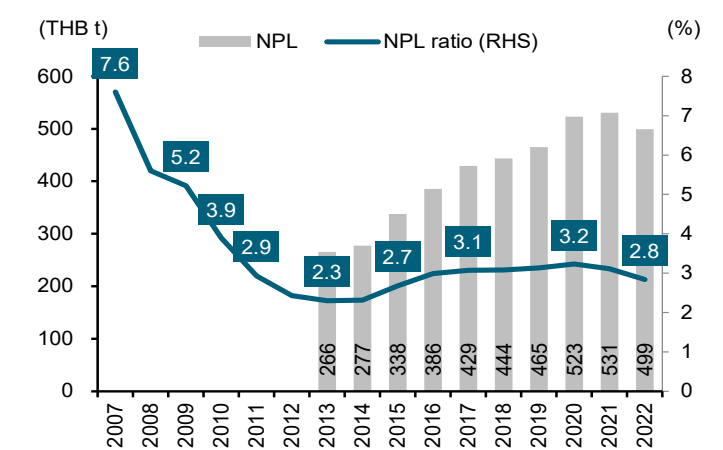
Source: FSSIA estimates

Exhibit 40: GDP growth vs loan growth, q-q



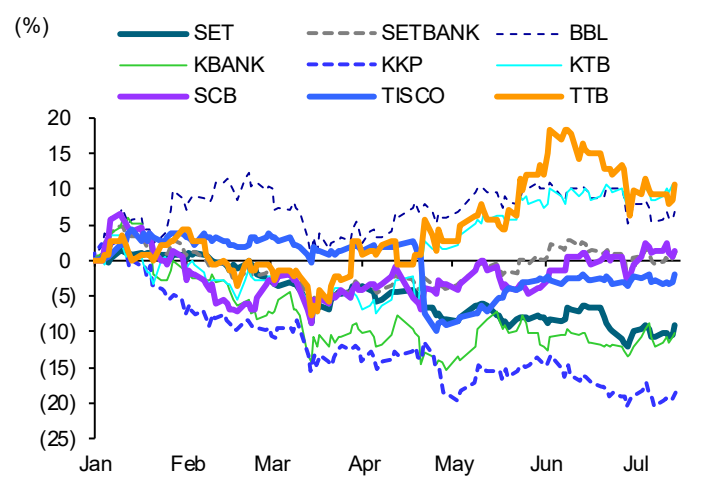
Source: Bloomberg

Exhibit 41: Thailand's NPLs and NPL ratios



Source: Bloomberg

Exhibit 42: Share price performance as of close on 14 July 2023



Sources: Bloomberg; FSSIA's compilation

Exhibit 43: Share price performance as of close on 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)
TTB TB	(3.7)	11.4	10.6	39.3	10.6
SET Index	(2.7)	(5.2)	(9.7)	(1.0)	(9.0)
SETBANK Index	(0.2)	4.0	(1.3)	13.4	1.2

Sources: Bloomberg; FSSIA's compilation

Exhibit 44: 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)
Thailand											
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
Thailand weighted average			44.3	9.7	9.0	0.8	0.8	8.6	8.8	4.0	4.3
Hong Kong											
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
Hong Kong average*			674.1	4.1	4.0	0.5	0.4	11.9	11.5	9.1	9.9
China											
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
China average*			687.0	4.8	4.5	0.5	0.5	11.2	10.9	6.4	6.8
South Korea											
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
South Korea average*			45.1	3.5	3.4	0.3	0.3	9.6	9.2	8.0	8.4
Indonesia											
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
Indonesia average*			181.8	14.2	12.6	2.5	2.2	17.8	18.1	3.6	4.2
Malaysia											
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
Malaysia average*			67.4	9.8	9.3	1.1	1.0	11.2	11.1	5.7	6.1
Singapore											
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
Singapore average			139.8	8.3	8.2	1.1	1.1	14.1	13.6	6.0	6.3
Regional average (excl. Thailand)			1,795.1	7.8	7.3	1.1	1.0	12.7	12.5	6.3	6.8
Total average (incl. Thailand)			1,839.4	7.9	7.3	1.0	0.9	12.3	12.2	6.2	6.6

*simple average

Sources: Bloomberg consensus; FSSIA estimates for Thai banks

17 JULY 2023

EQUITY RESEARCH - INITIATION REPORT

BANGKOK BANK**BBL TB**

THAILAND / BANKING

BUY

Well-positioned international bank

- We have a positive view on both its domestic and international business.
- Sharp savings rate cut of 25bp would help push NIM up in 2H23.
- Initiate coverage with a BUY recommendation and a 2023 GGM-based TP of THB197. BBL is one of our top picks.

TARGET PRICE THB197.00
CLOSE THB158.00
UP/DOWNSIDE +24.7%
TP vs CONSENSUS +6.6%

KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Operating profit	37,229	47,982	51,895	54,599
Net profit	29,306	37,924	41,031	43,170
EPS (THB)	15.35	19.87	21.50	22.62
vs Consensus (%)	-	(0.4)	(5.0)	(6.4)
Recurring net profit	29,306	37,924	41,031	43,170
Core EPS (THB)	15.35	19.87	21.50	22.62
EPS growth (%)	10.6	29.4	8.2	5.2
Core P/E (x)	10.3	8.0	7.4	7.0
Dividend yield (%)	2.8	3.7	4.0	4.2
Price/book (x)	0.6	0.6	0.5	0.5
ROE (%)	5.9	7.2	7.3	7.3
ROA (%)	0.7	0.8	0.9	0.9

Witnessing high growth in international banking business

Apart from the positive factors during the interest rise – of which BBL has been the greatest beneficiary in the sector – the international banking business (focused on nine ASEAN countries and other markets across Asia) should continue to be another key driver for business growth in the next 3-5 years, in parallel with domestic banking growth. Earnings before taxes (EBT) and total asset growth over the past three, five, and ten years all showed higher growth rates than domestic banking rates, driven by 1) solid growth in ASEAN economies; and 2) credit demand from corporate clients (three main groups: Thai-linked corporate, local corporate, and regional corporate) for expanding the business overseas.

NIM expansion could help offset vulnerable items in 2Q23

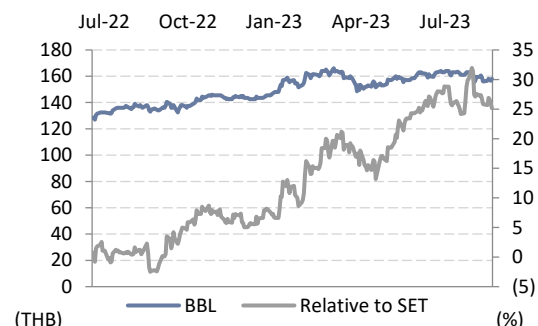
Operating businesses in 2Q23 are similar to the past quarter in terms of loans (continually decreasing from debt repayments for working capital short-term loans), deposits (aligned with loans), and fee income (low season). We forecast BBL's 2Q23 NIM to stay at a high level of 2.73% (higher than the bank's 2023 target of 2.50%). However, other non-interest income is the most vulnerable item, which continues to fluctuate in line with capital market conditions (20% of total investment recorded in both OCI and FVTPL items) and the FX market during the quarter. In summary, we forecast a 2Q23 net profit of THB9.99b, contracting 1.4% q-q but greatly expanding by 43.5% y-y, with limited asset quality concern.

Savings rate cut by 25bp would help push NIM upward in 2H23

For 2H23, we expect a positive trend in the net interest income (NII) from savings deposit (53% of total deposits) interest rate reduction at the end of June 2023 (BBL has gradually raised the savings interest rate by 25bp from late September 2022 to the beginning of June 2023, in alignment with the policy interest rate). We expect that a savings rate cut of 25bp down to 0.35% (still higher than other big banks which have kept the savings rate unchanged at 0.25% over the period) would have an entirely positive effect on its NIM in 3Q23, with the trend continuing to 4Q23.

Top BUY call with our 2023 GGM-based TP of THB197

We initiate coverage of BBL with BUY for its solid growth potential from the domestic and international banking businesses and the interest rate uptrend. Our 2023 GGM-based TP of THB197 implies a P/BV of 0.69x.



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(3.1)	0.6	24.4
Relative to country (%)	(0.3)	5.6	26.0
Mkt cap (USD m)	8,699		
3m avg. daily turnover (USD m)	30.6		
Free float (%)	76		
Major shareholder	Thai NVDR (23%)		
12m high/low (THB)	166.50/125.00		
Issued shares (m)	1,909		

Sources: Bloomberg consensus; FSSIA estimates

**Usanee Liurut, CISA**

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Investment thesis

We pick BBL as our top BUY call due to:

- 1) Among our covered banks, BBL should benefit the most from the interest rate uptrend.
- 2) The bank also has solid growth potential from its domestic and international banking businesses.
- 3) Its efficiency in asset quality management with a high coverage ratio (LLR/NPL) and liquidity ratio (LDBR), coupled with a solid capital base, are vital catalysts to support growth and drive ROE in the long-run.
- 4) BBL is trading at 0.50x 2023E P/BV while offering attractive dividend yields.

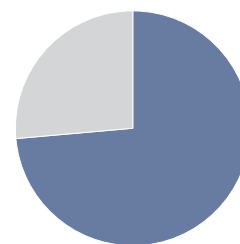
Company profile

Bangkok Bank is a leading bank in Thailand and a major regional bank in Southeast Asia. It is a market leader in corporate and business banking, with a large retail customer base.

www.bangkokbank.com

Principal activities (revenue, 2022)

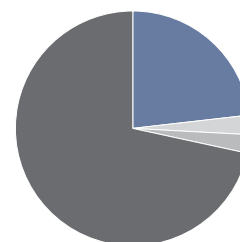
- Net interest income - 73.6 %
- Non-interest income - 26.4 %



Source: Bangkok Bank

Major shareholders

- Thai NVDR - 23.2 %
- Social Security Office - 2.7 %
- State Street Europe Ltd - 2.5 %
- Others - 71.6 %



Source: Bangkok Bank

Catalysts

Potential share price catalysts for BBL include:

- Higher foreign direct investment (FDI) into Thailand and ASEAN countries.
- The Bank of Thailand's policy rate increasing higher than expected.
- Lower credit cost from better-than-expected asset quality.

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
20/21 July 2023	2Q23 results announcement

Key assumptions

	2023E (%)	2024E (%)	2025E (%)
Net profit (THB m)	37,924	41,031	43,170
Net profit growth (%)	29.4	8.2	5.2
NIM (%)	2.82	2.88	2.90
Loan growth (%)	5.0	5.0	5.0
Fee growth (%)	0.4	1.0	1.0
Non-NII growth (%)	(8.7)	7.9	1.8
Credit cost (bp)	127.3	126.4	125.3
Cost to income (%)	48.4	49.1	49.2

Source: FSSIA estimates

Earnings sensitivity

		2023E		
Loan growth	±2ppt	3	5	7
% change in net profit		(3)	-	3
NIM (%)	±5bp	2.77	2.82	2.87
% change in net profit		(4)	-	4
Credit cost (bp)	±10bp	117	127	137
% change in net profit		6	-	(6)

Source: FSSIA estimates

Witnessing high growth in the international banking business

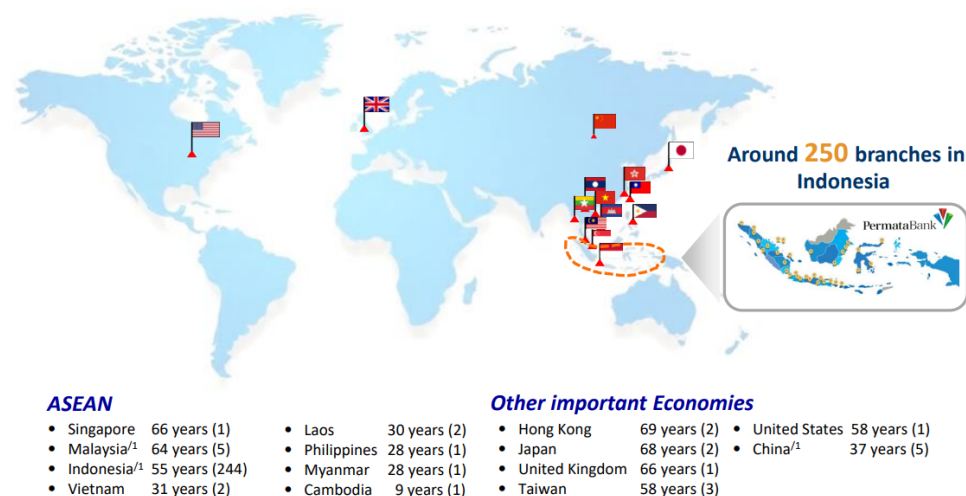
Apart from the positive factors during the interest rise – of which BBL has been the greatest beneficiary in the sector – the international banking business (focused on nine ASEAN countries and other markets across Asia) should continue to be another key driver for business growth in the next 3-5 years, in parallel with domestic banking growth. The far-sighted policy of laying the foundation for an overseas presence for almost 70 years makes BBL the most prominent international bank in Thailand and Southeast Asia, in our view. Moreover, international banking has witnessed solid growth in operating income, EBT, and total asset growth over the past three, five, and ten years. These have all experienced higher growth rates than domestic banking rates, driven by 1) solid growth in ASEAN economies; and 2) credit demand from corporate clients (three main groups: Thai-linked corporate, local corporate, and regional corporate) for expanding the business overseas. BBL has supported Thai corporates to expand across the region as well as foreign companies that invest in Thailand and Southeast Asia. The bank has a deep understanding of the local markets in which it operates and gives corporate clients access to business connections and expertise from across BBL's network and business units.

Exhibit 45: Geographical segments

	2018	2019	2020	2021	2022	1Q22	1Q23	Change	Average growth rate		
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(y-y %)	10Y CAGR	5Y CAGR	3Y CAGR
EBT	44,271	46,432	21,558	33,141	37,229	9,114	12,969	42.3%	-1.0%	-2.0%	-7.1%
Domestic	36,511	37,580	19,809	24,347	20,826	5,525	8,257	49.4%	-5.4%	-9.9%	-17.9%
Foreign	7,760	8,852	1,749	8,794	16,403	3,589	4,712	31.3%	13.2%	21.6%	22.8%
Proportion											
Domestic	82%	81%	92%	73%	56%	61%	64%				
Foreign	18%	19%	8%	27%	44%	39%	36%				
Total assets	3,116,750	3,216,743	3,822,960	4,333,281	4,421,752	4,421,752	4,461,137	0.9%	6.2%	7.5%	11.2%
Domestic	2,565,708	2,679,118	3,055,911	3,502,432	3,581,934	3,581,934	3,632,868	1.4%	5.8%	6.9%	10.2%
Foreign	551,042	537,625	767,049	830,849	839,818	839,818	828,269	-1.4%	8.3%	10.5%	16.0%
Proportion											
Domestic	82%	83%	80%	81%	81%	81%	81%				
Foreign	18%	17%	20%	19%	19%	19%	19%				

Sources: BBL; FSSIA's compilation

Exhibit 46: International footprint in 14 economies as of March 2023

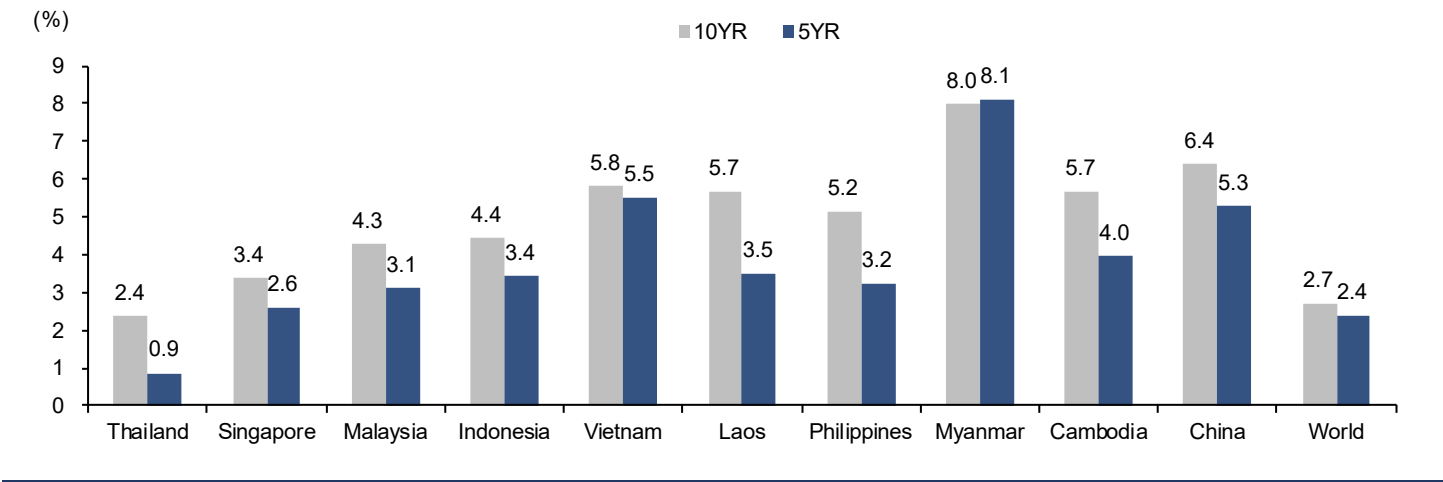


/1 Wholly-owned subsidiary; (x) illustrates number of locations
Source: BBL

BBL’s international footprint and growth opportunities

From [BBL’s presentation](#), based on the International Monetary Fund (IMF)’s forecasts, ASEAN has a vast potential to provide significant opportunities for investors. The region’s economies have quickly recovered and returned to growth in the wake of the Covid pandemic. The IMF expects ASEAN to be one of the best-performing economic regions in the world in 2023 and it is on track to become the world’s 4th largest economy by 2030.

Exhibit 47: Average GDP growth of selected countries



Note: Simple average of annual GDP growth
Sources: Bloomberg; FSSIA’s compilation

Exhibit 48: GDP growth forecasts of selected countries in Asia by the IMF

	2022	2023E	2024E
	(%)	(%)	(%)
China	3.0	5.2	4.5
India*	6.8	5.9	6.3
Japan	1.1	1.3	1.1
Korea	2.6	1.5	2.4
ASEAN-5	5.5	4.5	4.6
Indonesia	5.3	5.0	5.1
Malaysia	8.7	4.5	4.5
Philippines	7.6	6.0	5.8
Singapore	3.6	1.5	2.1
Thailand	2.6	3.4	3.6

* For India, data and projections are presented on a fiscal year basis, with FY 2022/23 (starting in April 2022) shown in the 2022 column. India’s growth projections are 5.4% in 2023 and 6.3% in 2024, based on the calendar year. ** ASEAN-5: Indonesia, Malaysia, Philippines, Singapore, and Thailand.
Sources: BBL; IMF, [April 2023 World Economic Outlook](#).

Exhibit 49: Largest Southeast Asian banks by asset size by Forbes The Global 2000 for 2022

	Company	Country	Assets	Profits	Market value
			(USD b)	(USD b)	(USD b)
1	DBS Bank	SG	509.07	4.98	63.03
2	OCBC Bank	SG	402.17	3.62	39.71
3	United Overseas Bank	SG	340.71	3.03	37.99
4	Maybank	MY	213.19	1.95	24.74
5	CIMB	MY	149.28	1.04	12.22
6	Bangkok Bank	TH	130.65	0.81	7.45
7	Kasikornbank	TH	124.31	1.18	10.82
8	Bank Mandiri	ID	121.09	1.96	26.88
9	Bank Rakyat Indonesia	ID	117.74	2.17	50.14
10	Public Bank Berhad	MY	111.08	1.36	21.18
11	Krung Thai Bank	TH	107.71	0.75	5.89
12	Siam Commercial Bank	TH	101.37	1.09	8.34

Source: [Wikipedia](#)

BBL is Southeast Asia’s 6th largest regional bank by asset size and Thailand’s leading international bank, with a strategic focus on ASEAN and other markets across Asia. Moreover, BBL has an international network comprising over 27 foreign branches and approximately 250 PermataBank branches in Indonesia. BBL’s international footprint is in 14 economies: Cambodia, China, Hong Kong, Indonesia, Japan, Laos, Malaysia, Myanmar, the Philippines, Singapore, Taiwan, the United Kingdom, the United States and Vietnam.

PermataBank (BBL's major subsidiary, in which it holds a 98.71% stake) is Indonesia's 8th largest bank by asset size. It is making an increasingly larger contribution to the group's earnings (17% of the group's net profit in 1Q23 and 13% of the group's total assets as of 1Q23). It has around 250 domestic branches, solidifying BBL's foothold in ASEAN's two largest economies, Indonesia and Thailand. BBL has been working closely with PermataBank to serve international customers interested in investing in Indonesia with various products and services. In 2022, PermataBank's net profit increased by 64% y-y.

Exhibit 50: PermataBank's quarterly results

	1Q22	2Q22	3Q22	4Q22	1Q23
	(IDR b)	(IDR b)	(IDR b)	(IDR b)	(IDR b)
Net interest income	2,080	2,219	2,371	2,452	2,510
Non-interest income	823	509	529	472	548
Non-operating income	3	7	19	(12)	(6)
Total revenue	2,906	2,735	2,919	2,912	3,052
Operating expense	1,398	1,404	1,474	1,771	1,504
PPOP	1,508	1,331	1,445	1,141	1,548
ECL	539	454	394	1,425	571
Tax	218	198	238	(53)	221
Net profit	750	679	814	(231)	756
Change (q-q %)	87	(10)	20	n/a	n/a
Change (y-y %)	52	368	324	n/a	1

Sources: BBL; PermataBank; FSSIA's compilation

Exhibit 51: PermataBank's key data and ratios

	1Q22	2Q22	3Q22	4Q22	1Q23
	(IDR b)	(IDR b)	(IDR b)	(IDR b)	(IDR b)
Assets	240,900	229,800	220,500	255,100	252,700
Equity	37,200	37,200	37,600	37,600	38,400
Loan	129,500	134,700	135,700	136,300	130,100
Deposit	184,000	171,700	161,500	195,600	190,400
Key ratios	(%)	(%)	(%)	(%)	(%)
NPL ratio	3.20	3.10	3.10	3.10	3.20
NIM	3.80	4.00	4.20	4.30	4.60
Cost to income	48.11	51.33	50.50	60.82	49.28
Credit cost (bp)	169	138	116	419	171
LLR/NPL	226	230	238	240	256
ROE	8.1	7.3	8.7	(2.5)	8.0

Sources: BBL; PermataBank; FSSIA's compilation

Exhibit 52: BBL - GGM-based TP

Target price	THB 197.00
Sustainable ROE	7.0%
g	1.0%
ROE-g	6.0%
Beta	0.90
RF	2.5%
MRP	8.0%
COE	9.7%
COE-g	8.7%
ROE-g / COE-g (PBV)	0.69x

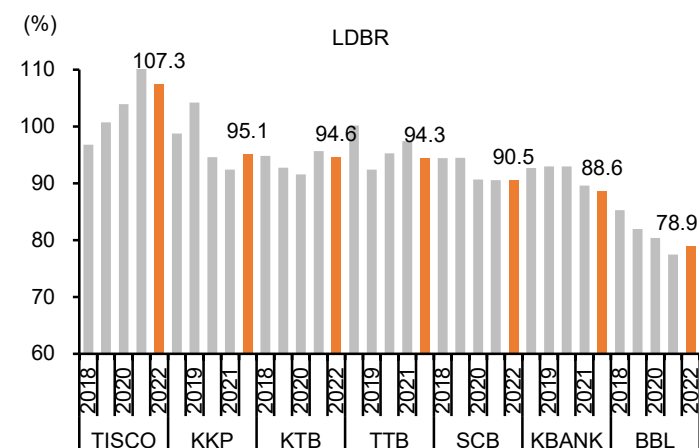
Source: FSSIA estimates

Exhibit 53: 2023 key financial guidance vs FSSIA estimates

	BBL 2023E	FSSIA 2023E
Loan growth	4-6%	5%
NPL ratio (gross)	~ 3.5%	n/a
Net interest margin	~ 2.5%	2.82%
Net fee income growth	Flat growth	0.4%
Cost to income	Low 50s%	48.4%
Credit cost	~ 1%	1.27%

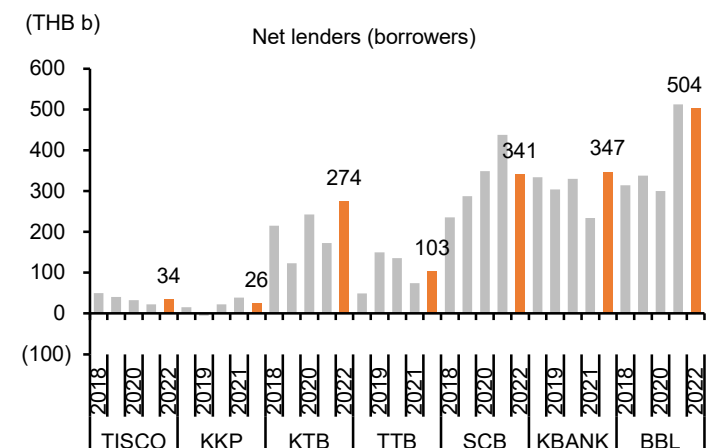
Sources: BBL; FSSIA estimates

Exhibit 54: LDBR of Thai banks under coverage



Sources: Company data; FSSIA's compilation

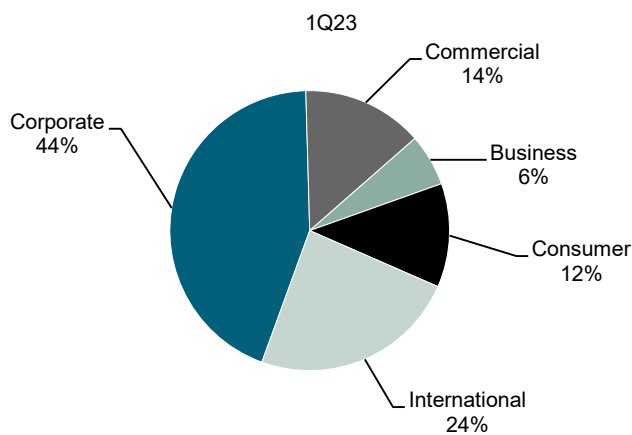
Exhibit 55: Net lender positions of Thai banks under coverage



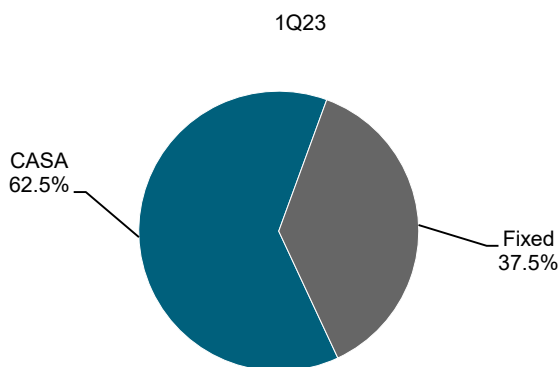
Sources: Company data; FSSIA's compilation

Exhibit 56: BBL's change of interest rates

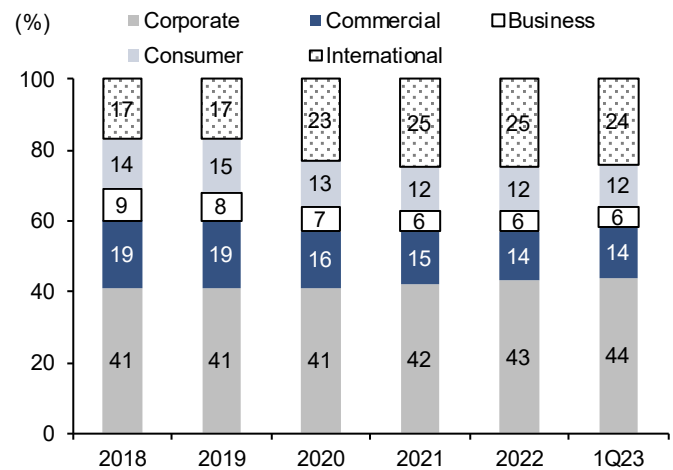
BBL	Saving (%)	MOR (%)	MLR (%)	MRR (%)	Ceiling (%)	Default (%)
1Q22	0.250	5.875	5.250	5.950	18.000	21.000
2Q22	0.250	5.875	5.250	5.950	18.000	21.000
3Q22	0.450	6.250	5.650	6.250	18.000	21.250
4Q22	0.450	6.350	5.850	6.250	18.000	21.250
1Q23	0.500	6.900	6.450	6.800	18.000	21.800
2Q23	0.550	7.300	6.850	7.050	18.000	22.050
Change from 1Q22	0.300	1.425	1.600	1.100	0.000	1.050

Sources: [Bank of Thailand](#); FSSIA's compilation**Exhibit 57: Loan breakdown, 1Q23**

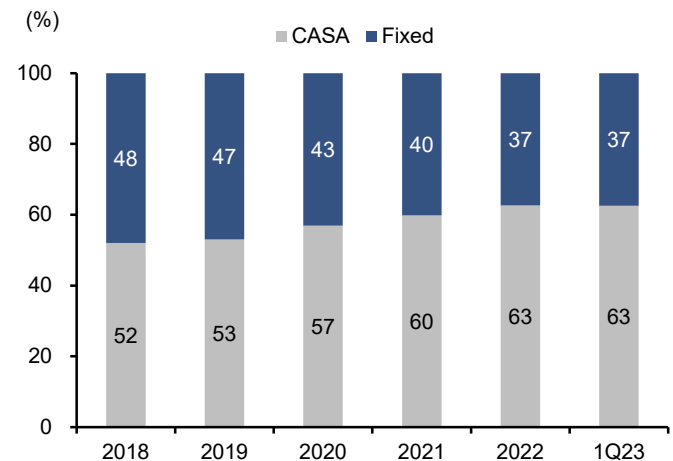
Sources: BBL; FSSIA's compilation

Exhibit 59: Deposit structure, 1Q23

Sources: BBL; FSSIA's compilation

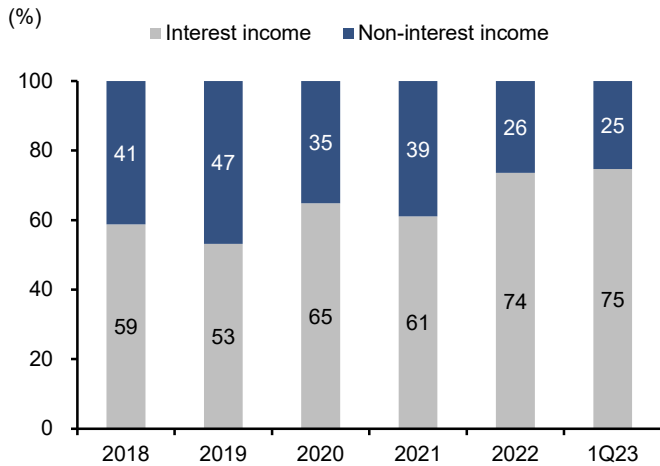
Exhibit 58: Loan breakdown, 2018 to 1Q23

Sources: BBL; FSSIA's compilation

Exhibit 60: Deposit structure, 2018 to 1Q23

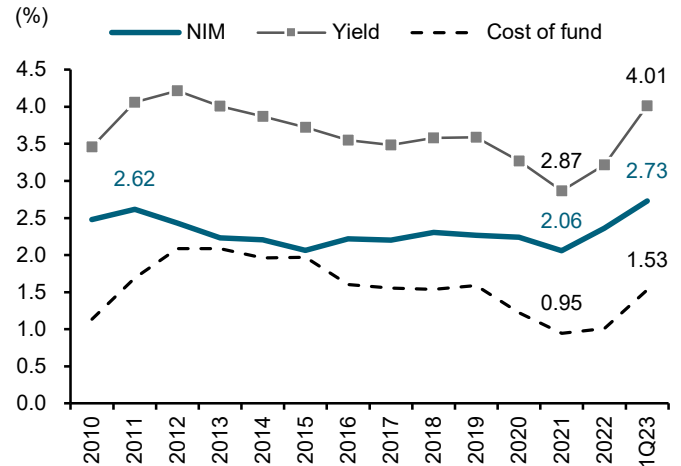
Sources: BBL; FSSIA's compilation

Exhibit 61: Revenue breakdown



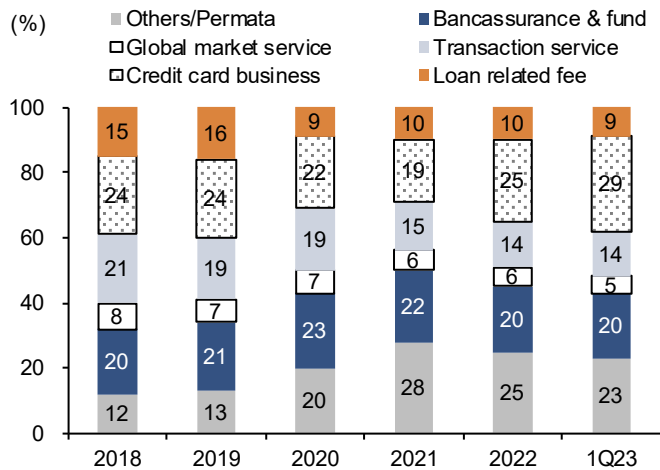
Sources: BBL; FSSIA's compilation

Exhibit 62: Yields, cost of funds, and NIM



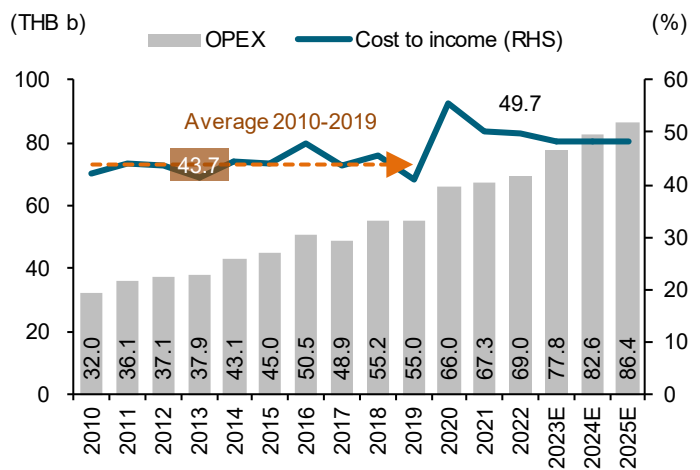
Sources: BBL; FSSIA's calculation

Exhibit 63: Fee income breakdown



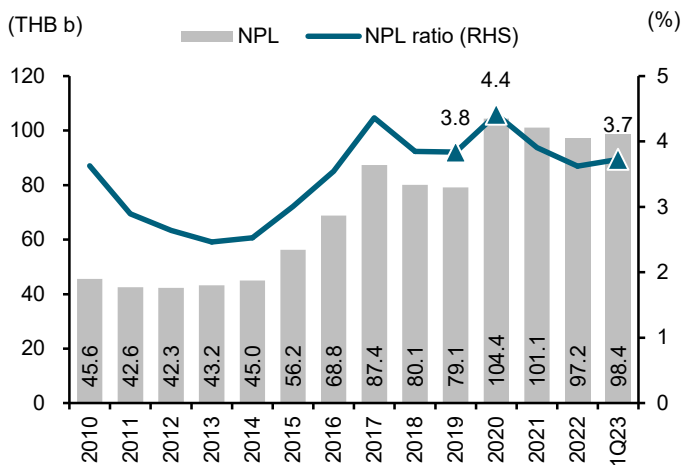
Sources: BBL; FSSIA's compilation

Exhibit 64: Cost to income



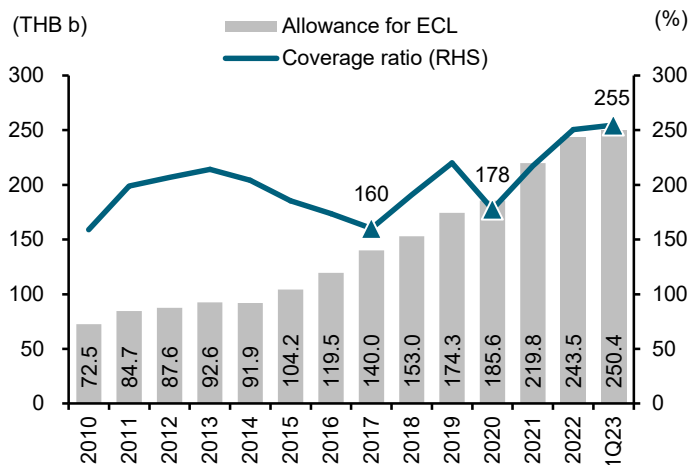
Sources: BBL; FSSIA estimates

Exhibit 65: NPL and NPL ratio*



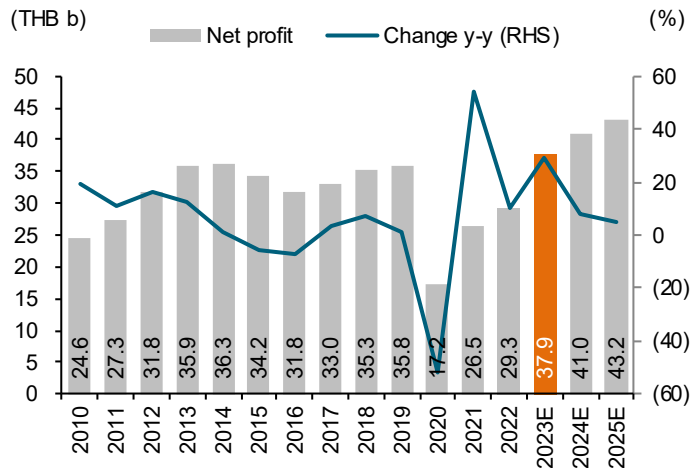
Sources: BBL; *FSSIA's calculation

Exhibit 66: Coverage ratio (allowance for ECL to NPL)*



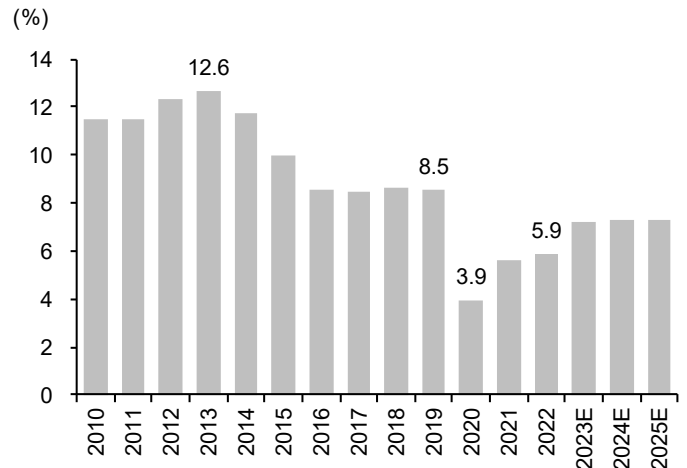
Sources: BBL; FSSIA's calculation

Exhibit 67: Net profit and growth



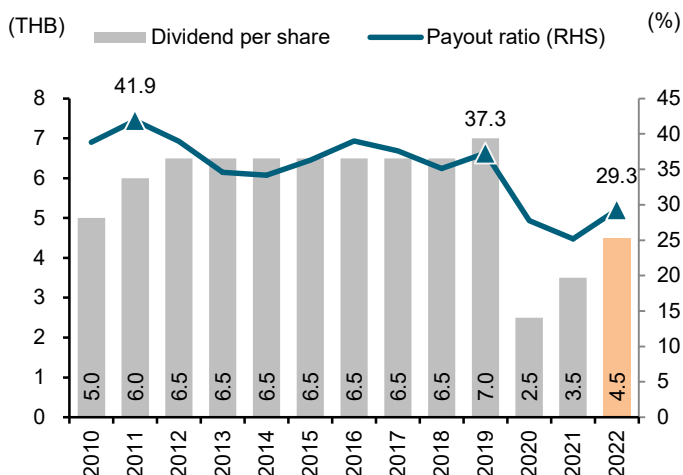
Sources: BBL; FSSIA estimates

Exhibit 68: ROE



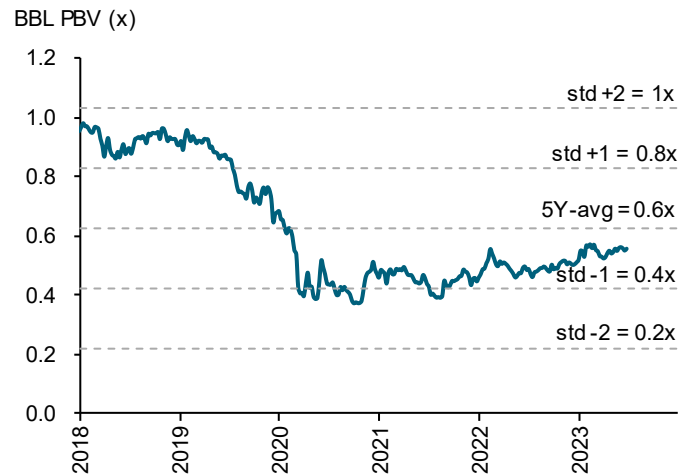
Sources: BBL; FSSIA estimates

Exhibit 69: Dividend and payout ratio



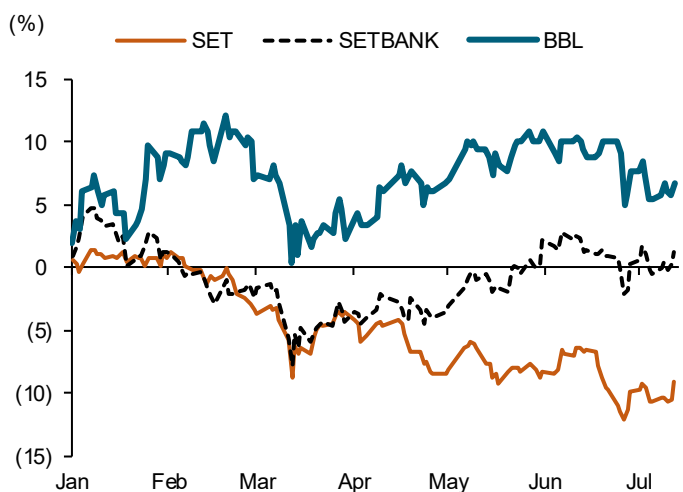
Sources: BBL; FSSIA's compilation

Exhibit 70: One-year forward rolling P/BV



Sources: Bloomberg; FSSIA estimates

Exhibit 71: Share price performance as close of 14 July 2023



Source: Bloomberg

Exhibit 72: 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)
TTB TB	(3.7)	11.4	10.6	39.3	10.6
SET Index	(2.7)	(5.2)	(9.7)	(1.0)	(9.0)
SETBANK Index	(0.2)	4.0	(1.3)	13.4	1.2

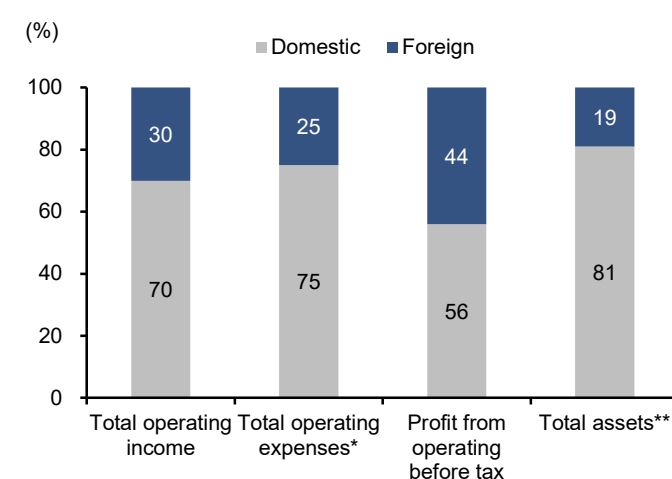
Source: Bloomberg

Exhibit 73: Network

	2018 (no.)	2019 (no.)	2020 (no.)	2021 (no.)	2022 (no.)	1Q23 (no.)
Branches	1,165	1,148	1,128	1,059	891	888
Change	(1)	(17)	(20)	(69)	(168)	(3)
ATMs	9,510	9,392	9,050	8,675	7,957	7,832
Change	28	(118)	(342)	(375)	(718)	(125)
CDMs	1,294	1,279	1,257	1,185	942	938
Change	(6)	(17)	(22)	(72)	(243)	(4)
Employees	25,413	25,043	24,359	22,692	21,294	20,824
Change	(599)	(370)	(684)	(1,667)	(1,398)	(470)

Sources: BBL; FSSIA's compilation

Exhibit 74: Operating profit by geographical area, 2022



* Including expected credit losses.

** Consisting of premises and equipment, net, and goodwill and other intangible assets, net.

Sources: BBL; FSSIA's compilation

Exhibit 75: 2Q23 earnings preview

Year end Dec 31	2Q22 (THB m)	1Q23 (THB m)	2Q23E (THB m)	---- Change ----		1H22 (THB m)	1H23E (THB m)	Change (y-y %)	% of 23E	2022 (THB m)	2023E (THB m)	Change (y-y %)
				(y-y%)	(q-q%)							
Net interest income	23,526	30,078	30,274	29	1	45,273	60,351	33	48	102,223	127,331	24
Non-interest income	10,666	10,215	9,545	(11)	(7)	20,030	19,760	(1)	57	36,672	33,482	(6)
Fee income - net	6,726	7,122	7,166	7	1	13,684	14,288	4	52	27,508	27,626	0
Total operating income	34,192	40,293	39,818	16	(1)	65,302	80,112	23	50	138,895	160,813	16
Total operating expenses	17,435	18,850	19,129	10	1	32,941	37,980	15	49	69,019	77,831	13
PPOP before tax	16,757	21,443	20,689	23	(4)	32,361	42,132	30	51	69,876	82,982	19
Expected credit loss	8,354	8,474	7,900	(5)	(7)	14,843	16,374	10	47	32,647	35,000	7
Income tax	1,319	2,728	2,686	104	(2)	3,195	5,413	69	56	7,484	9,596	28
Non-controlling interest	123	112	111	(10)	(1)	244	223	(9)	48	440	462	5
Net profit	6,961	10,129	9,992	44	(1)	14,079	20,122	43	53	29,306	37,924	29
EPS (THB)	3.65	5.31	5.23	44	(1)	7.38	10.54	43	53	15.35	19.87	29
Key ratios	2Q22	1Q23	2Q23E	----- Change -----		1H22	1H23E			2022	2023E	
Asset quality ratio	(%)	(%)	(%)	(y-y%)	(q-q%)	(%)	(%)			(%)	(%)	
Gross NPLs (THB m)	105,046	98,359	98,360	(6)	0	105,046	98,360			97,188	102,047	
Change (% from prior period)	2.6	1.2	0.0							(3.9)	5.0	
NPL ratios (%) - Reported	3.40	3.09	3.10							3.06		
NPL ratio (%)*	3.96	3.73	3.74			3.96	3.74			3.62	3.62	
Coverage ratio (%) - Reported	233	261								261		
Coverage ratio (%)*	223	258	265							251	252	
Credit cost (bp)	128	127	120							124	127	
Profitability ratio	(%)	(%)	(%)							(%)	(%)	
Cost to income ratio	51.0	46.8	48.0			50.4	47.4			49.7	48.4	
Average yield (%)	2.96	4.01	4.03			2.87	4.01			3.21	3.90	
Cost of funds (%)	0.93	1.53	1.56			0.91	1.55			1.01	1.29	
NIM (%) - Reported	2.24	2.84								2.42		
NIM (%)*	2.18	2.73	2.73			2.10	2.73			2.36	2.82	
Non-interest income/total income (%)	31.2	25.4	24.0			30.7	24.7			26.4	20.8	
Loan growth	(%)	(%)	(%)							(%)	(%)	
Year-to-date	2.5	(1.6)	(2.1)			2.5	(2.1)					
y-y	9.6	2.0	(1.0)							3.6	5.0	
q-q	2.5	(1.6)	(0.5)									

*FSSIA's calculation

Sources: BBL; FSSIA estimates

Exhibit 76: 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)
Thailand											
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
Thailand average			44.3	8.2	7.6	0.8	0.8	10.2	10.4	4.0	4.3
Hong Kong											
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
Hong Kong average			674.1	4.1	4.0	0.5	0.4	11.9	11.5	9.1	9.9
China											
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
China average			687.0	4.8	4.5	0.5	0.5	11.2	10.9	6.4	6.8
South Korea											
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
South Korea average			45.1	3.5	3.4	0.3	0.3	9.6	9.2	8.0	8.4
Indonesia											
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
Indonesia average			181.8	14.2	12.6	2.5	2.2	17.8	18.1	3.6	4.2
Malaysia											
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
Malaysia average			67.4	9.8	9.3	1.1	1.0	11.2	11.1	5.7	6.1
Singapore											
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
Singapore average			139.8	8.3	8.2	1.1	1.1	14.1	13.6	6.0	6.3
Regional average (excl. Thailand)			1,795.1	7.8	7.3	1.1	1.0	12.7	12.5	6.3	6.8
Total average (incl. Thailand)			1,839.4	7.9	7.3	1.0	0.9	12.3	12.2	6.2	6.6

*simple average

Sources: Bloomberg consensus; FSSIA estimates for Thai banks

Corporate Governance and ESG – BBL

Board structure, 2022 One report

Independent Directors (ID)	6/18 of board members, none is female
Percentage of IDs on the board	33.33%
ID attendance at board meetings	100%
ID in audit/remuneration committee	3/3 in audit committee and 2/3 in remuneration committee
ID terms	Nine-consecutive years

Additional information: On 22 Dec 2022, the Independent Directors held a meeting to discuss issues of interest without the participation of the management and reported the results of meeting to the President.

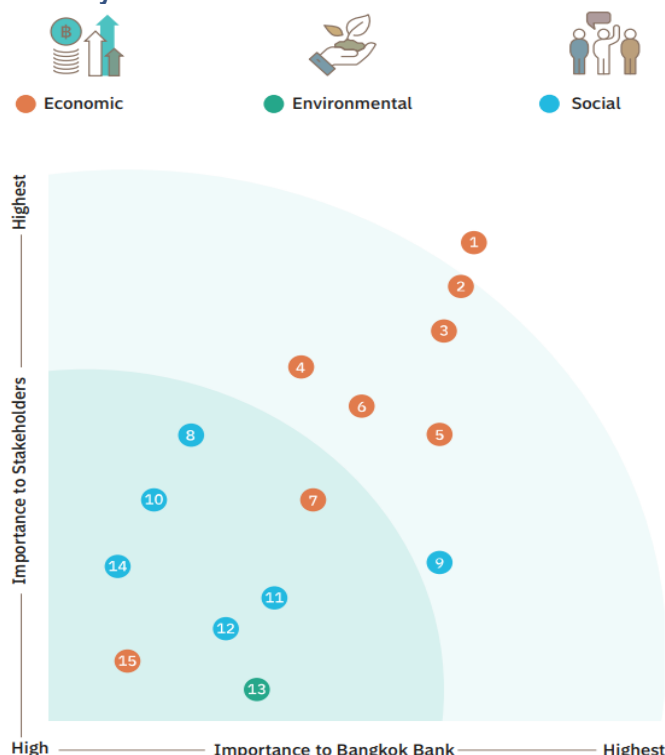
Compensation and remuneration

Directors' remuneration vs earnings/ROE/share performance	2022 = THB136.7m, 0.47% of net profits
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 be a bank which provides quality financial services in line with customers' requirements, and is well equipped with qualified human resources and world-class technology and working systems, while maintaining status as a well-established international bank and a leading Asian bank.

Materiality Matrix



1. Cybersecurity and customer data privacy protection
2. Digitalization and innovation
3. Risk and crisis management
4. Customer relationship management
5. Sustainable finance
6. Corporate governance
7. Code of conduct
8. Financial inclusion
9. Talent attraction and development
10. Financial literacy
11. Community development
12. Human rights
13. Mitigation of environmental footprint and climate impact
14. Employee welfare and well-being
15. Supply chain management

BBL weights digitalization an important part of sustainability. The company is increasingly digitalizing transactions and services and using advanced technologies such as block chain, AI and automation to reduce or replace paper-based systems, increase efficiency and lower costs while enabling staff to focus on more value-added work and delivering better customer service. Currently about 98 percent of consumer banking services are conducted via digital channels with the vast majority made through Bangkok Bank Mobile Banking.

BBL was the leading underwriter of green, social, sustainable, and sustainability-linked bonds in Thailand for the third consecutive year, underwriting more than 76 percent of the value of all such bonds issued in the market. The company was also a leading financier of renewable energy across ASEAN and elsewhere in Asia, as well as other environmentally important sectors such as electric vehicle manufacturing and Bangkok's mass transit system development.

Awards and Achievements

- Selected as a member of the Sustainability Yearbook 2023, S&P Global
- Rated as "Excellent" in the Corporate Governance Report of Thai Listed Companies (CGR) in 2022 by the Thai Institute of Directors (IOD)
- Received the Sustainability Disclosure Award 2022, Thaipat Institute
- Listed in the 2022 Thailand Sustainability Investment (THSI), the Stock Exchange of Thailand (SET)
- Included in the 2022 SET THSI Index, the Stock Exchange of Thailand (SET)
- Rated "Excellent" and received a full score of 100 in the quality assessment of the 2022 Annual Ordinary Meeting of Shareholders by the Thai Investors Association in collaboration with the SEC and the Thai Listed Companies Association
- Received a rating of BBB (on a scale of AAA to CCC) in the MSCI ESG Ratings Assessment
- Selected as a constituent of the FTSE4 Good Index Series by FTSE Russell

Additional information: [2022 Sustainable report](#), "Message from the Chairman, Executive Chairman and President";

Source: [BBL](#); FSSIA compilation

Audit Practices

Auditor	Deloitte Touche Tohmatsu Jaiyos Audit Co., Ltd
Length of service	More than five years
Reporting incidents	None
Fee track record	THB23.7m in
Policy on change of audit firm	To review every five years

Additional information: The Bank also incurred fees amounting to THB17.9m in the engagement of audit firms in other countries that are affiliated with Deloitte Touche Tohmatsu to provide audit services for international branches and subsidiaries.

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

Bangkok Bank

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Interest Income	114,313	139,088	175,894	190,768	203,027
Interest expense	(32,156)	(36,865)	(48,563)	(53,254)	(57,464)
Net interest income	82,156	102,223	127,331	137,515	145,563
Net fees & commission	29,209	27,508	27,626	27,903	28,182
Foreign exchange trading income	17,868	5,155	2,010	2,010	2,010
Securities trading income	1,225	(1,454)	(2,026)	0	0
Dividend income	2,252	2,306	2,422	2,543	2,670
Other income	1,831	3,156	3,450	3,668	3,900
Non interest income	52,385	36,672	33,482	36,123	36,762
Total income	134,541	138,895	160,813	173,638	182,325
Staff costs	(35,003)	(34,794)	(37,229)	(39,835)	(41,429)
Other operating costs	(32,263)	(34,225)	(40,601)	(45,408)	(48,297)
Operating costs	(67,266)	(69,019)	(77,831)	(85,243)	(89,726)
Pre provision operating profit	67,275	69,876	82,982	88,395	92,599
Expected credit loss	(34,134)	(32,647)	(35,000)	(36,500)	(38,000)
Other provisions	-	-	-	-	-
Operating profit	33,141	37,229	47,982	51,895	54,599
Recurring non operating income	0	0	0	0	0
Associates	-	-	-	-	-
Goodwill amortization	-	-	-	-	-
Non recurring items	0	0	0	0	0
Profit before tax	33,141	37,229	47,982	51,895	54,599
Tax	(6,189)	(7,484)	(9,596)	(10,379)	(10,920)
Profit after tax	26,952	29,746	38,386	41,516	43,679
Non-controlling interest	(445)	(440)	(462)	(485)	(509)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	26,507	29,306	37,924	41,031	43,170
Non recurring items & goodwill (net)	-	-	0	0	0
Recurring net profit	26,507	29,306	37,924	41,031	43,170
Per share (THB)					
Recurring EPS *	13.89	15.35	19.87	21.50	22.62
Reported EPS	13.89	15.35	19.87	21.50	22.62
DPS	3.50	4.50	5.80	6.30	6.60
Growth					
Net interest income (%)	6.6	24.4	24.6	8.0	5.9
Non interest income (%)	25.7	(30.0)	(8.7)	7.9	1.8
Pre provision operating profit (%)	27.5	3.9	18.8	6.5	4.8
Operating profit (%)	53.7	12.3	28.9	8.2	5.2
Reported net profit (%)	54.3	10.6	29.4	8.2	5.2
Recurring EPS (%)	54.3	10.6	29.4	8.2	5.2
Reported EPS (%)	54.3	10.6	29.4	8.2	5.2
Income Breakdown					
Net interest income (%)	61.1	73.6	79.2	79.2	79.8
Net fees & commission (%)	21.7	19.8	17.2	16.1	15.5
Foreign exchange trading income (%)	13.3	3.7	1.2	1.2	1.1
Securities trading income (%)	0.9	(1.0)	(1.3)	-	-
Dividend income (%)	1.7	1.7	1.5	1.5	1.5
Other income (%)	1.4	2.3	2.1	2.1	2.1
Operating performance					
Gross interest yield (%)	2.87	3.21	3.90	4.00	4.04
Cost of funds (%)	0.95	1.01	1.29	1.35	1.38
Net interest spread (%)	1.92	2.20	2.61	2.65	2.66
Net interest margin (%)	2.1	2.4	2.8	2.9	2.9
Cost/income(%)	50.0	49.7	48.4	49.1	49.2
Cost/assets(%)	1.7	1.6	1.7	1.8	1.8
Effective tax rate (%)	18.7	20.1	20.0	20.0	20.0
Dividend payout on recurring profit (%)	25.2	29.3	29.2	29.3	29.2
ROE (%)	5.6	5.9	7.2	7.3	7.3
ROE - COE (%)	(4.1)	(3.8)	(2.5)	(2.4)	(2.4)
ROA (%)	0.7	0.7	0.8	0.9	0.9
RORWA (%)	1.0	1.0	1.3	1.3	1.3

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Bangkok Bank; FSSIA estimates

Financial Statements

Bangkok Bank

Balance Sheet (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Gross customer loans	2,588,339	2,682,691	2,816,826	2,957,667	3,105,550
Allowance for expected credit loss	(219,801)	(243,474)	(257,474)	(270,249)	(283,549)
interest in suspense	7,489	10,138	5,352	5,620	5,901
Net customer loans	2,376,027	2,449,355	2,564,704	2,693,037	2,827,902
Bank loans	801,212	766,074	804,378	836,553	886,747
Government securities	-	-	-	-	-
Trading securities	-	-	-	-	-
Investment securities	889,306	926,608	1,028,534	1,100,532	1,166,564
Cash & equivalents	62,552	52,433	55,459	56,022	50,810
Other interesting assets	-	-	-	-	-
Tangible fixed assets	74,476	73,909	78,111	82,433	86,887
Associates	-	-	-	-	-
Goodwill	-	-	-	-	-
Other intangible assets	-	-	-	-	-
Other assets	129,707	153,373	155,115	156,944	158,864
Total assets	4,333,281	4,421,752	4,686,301	4,925,521	5,177,773
Customer deposits	3,156,940	3,210,896	3,371,440	3,540,012	3,717,013
Bank deposits	-	-	-	-	-
Other interest bearing liabilities	480,061	458,593	519,760	557,752	599,115
Non interest bearing liabilities	201,688	245,122	247,596	250,096	252,623
Hybrid Capital	-	-	-	-	-
Total liabilities	3,838,688	3,914,610	4,138,796	4,347,860	4,568,750
Share capital	19,088	19,088	19,088	19,088	19,088
Reserves	473,639	486,258	526,440	556,400	587,544
Total equity	492,727	505,346	545,529	575,488	606,632
Non-controlling interest	1,865	1,796	1,976	2,173	2,390
Total liabilities & equity	4,333,281	4,421,752	4,686,301	4,925,521	5,177,773
Supplementary items					
Risk weighted assets (RWA)	2,863,700	3,008,228	3,116,390	3,275,472	3,443,219
Average interest earning assets	3,989,281	4,327,116	4,512,556	4,772,245	5,026,806
Average interest bearing liabilities	3,397,538	3,658,397	3,757,909	3,942,673	4,164,812
CET 1 capital	433,699	447,199	474,052	503,057	533,629
Total capital	536,656	551,307	578,160	607,165	637,737
Gross non performing loans (NPL)	101,103	97,188	102,047	107,150	112,507
Per share (THB)					
Book value per share	258.13	264.74	285.79	301.49	317.80
Tangible book value per share	258.13	264.74	285.79	301.49	317.80
Growth					
Gross customer loans	9.5	3.6	5.0	5.0	5.0
Average interest earning assets	15.9	8.5	4.3	5.8	5.3
Total asset (%)	13.5	2.0	6.0	5.1	5.1
Risk weighted assets (%)	4.6	5.0	3.6	5.1	5.1
Customer deposits (%)	12.3	1.7	5.0	5.0	5.0
Leverage & capital measures					
Customer loan/deposits (%)	75.3	76.3	76.1	76.1	76.1
Equity/assets (%)	11.4	11.4	11.6	11.7	11.7
Tangible equity/assets (%)	11.4	11.4	11.6	11.7	11.7
RWA/assets (%)	66.1	68.0	66.5	66.5	66.5
CET 1 CAR (%)	15.1	14.9	15.2	15.4	15.5
Total CAR (%)	18.7	18.3	18.6	18.5	18.5
Asset Quality (FSSIA's calculation)					
Change in NPL (%)	(3.2)	(3.9)	5.0	5.0	5.0
NPL/gross loans (%)	3.9	3.6	3.6	3.6	3.6
Allowance for ECL/gross loans (%)	8.5	9.1	9.1	9.1	9.1
Allowance for ECL/NPL (%)	217.4	250.5	252.3	252.2	252.0
Valuation					
Recurring P/E (x) *	11.4	10.3	8.0	7.4	7.0
Recurring P/E @ target price (x) *	14.2	12.8	9.9	9.2	8.7
Reported P/E (x)	11.4	10.3	8.0	7.4	7.0
Dividend yield (%)	2.2	2.8	3.7	4.0	4.2
Price/book (x)	0.6	0.6	0.6	0.5	0.5
Price/tangible book (x)	0.6	0.6	0.6	0.5	0.5
Price/tangible book @ target price (x)	0.8	0.7	0.7	0.7	0.6

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Bangkok Bank; FSSIA estimates

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%

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

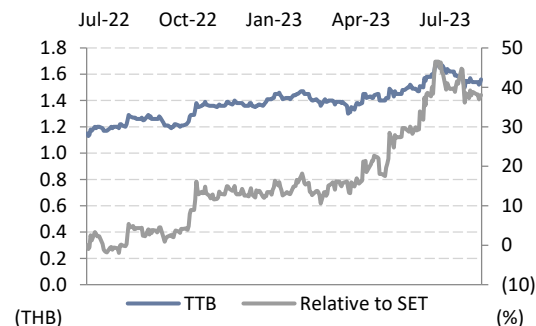
We are optimistic about the direction of profit growth over the next three years, which should rise at a 10.8% CAGR during 2023-25, driven by NII and fee income growth. However, we think TTB's target of 10% ROE in the next 3-5 years could be very challenging if it relies only on revenue growth instead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

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



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.

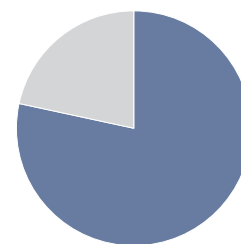
Company profile

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.ttbbank.com

Principal activities (revenue, 2022)

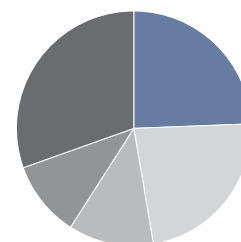
- Net interest income - 78.4 %
- Non-interest income - 21.6 %



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		
Loan growth	±2ppt	0	2	4
% change in net profit		(1)	-	+1
NIM (%)	±5bp	3.08	3.13	3.18
% change in net profit		(5)	-	+5
Credit cost (bp)	±10bp	125	135	145
% change in net profit		+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 77: Loan breakdown post-merger

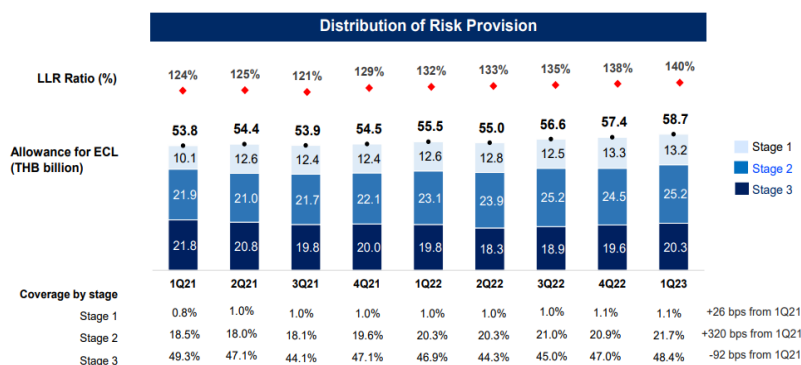
	Loans by customer segment					Contribution					Change				
	2019	2020	2021	2022	1Q23	2019	2020	2021	2022	1Q23	2020	2021	2022	3Y-CAGR	1Q23
	(THB b)	(THB b)	(THB b)	(THB b)	(THB b)	(%)	(%)	(%)	(%)	(%)	(y-y%)	(y-y%)	(y-y%)	(%)	(y-y%)
Corporate	501	515	480	440	435	36	37	35	32	32	2.9	(6.8)	(8.3)	-4.2%	(6.4)
Small SMEs	97	98	110	110	109	7	7	8	8	8	0.1	12.6	0.3	4.2%	(11.6)
Retail loans	793	780	782	826	815	57	56	57	60	60	(1.7)	0.3	5.6	1.3%	4.7
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)
Total	1,392	1,393	1,372	1,376	1,358	100	100	100	100	100	0.1	(1.5)	0.3	-0.4%	(0.6)

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 78: 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 79: 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 80: 2023 key financial guidance vs FSSIA estimates

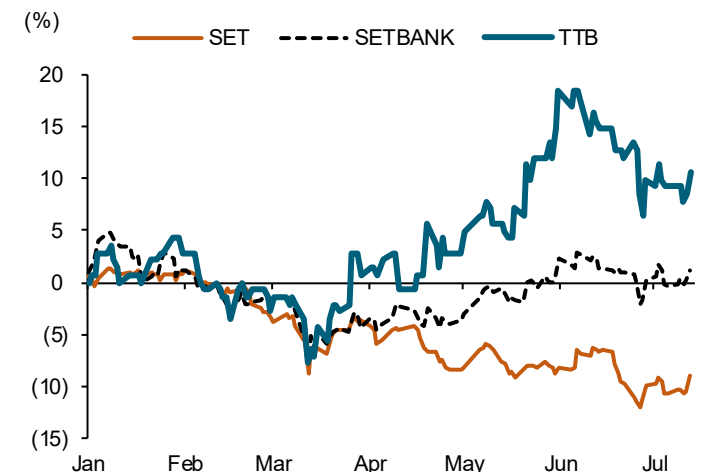
	TTB			FSSIA
	2022A	1Q23	2023E	2023E
Loan growth	0.40%	-1.3% ytd	~ 3%	1.50%
Deposit growth	4.50%	0.2% ytd	In line with loan growth	4.00%
Net interest margin	2.95%	3.08%	3.0-3.1%	3.13%
Non-interest income growth	-	0.10%	Low single digits	2.48%
Cost to income	45.0%	43.2%	Mid 40s	45.2%
% stage 3 loans	2.70%	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 81: 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 82: Share price performance as of close on 14 July 2023

Source: Bloomberg

Exhibit 83: Share price performance of Thai banks under coverage, as of 14 July 2023

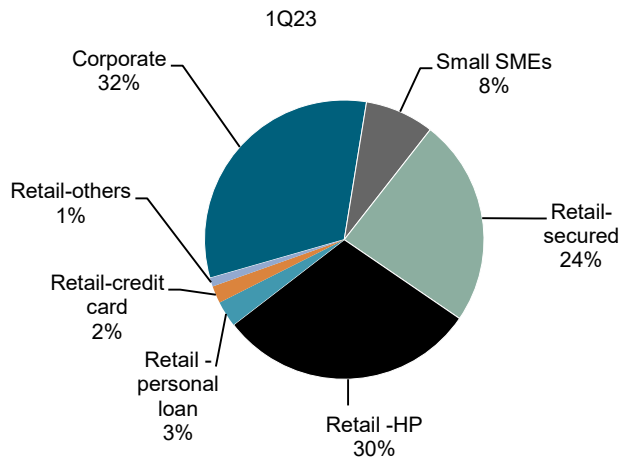
BBG	Price Performance				
	1M (%)	3M (%)	6M (%)	1Y (%)	YTD (%)
BBL TB	(2.5)	0.6	1.0	24.4	6.8
KBANK TB	1.5	(2.6)	(14.5)	(5.4)	(10.2)
KKP TB	(2.4)	(6.3)	(18.6)	(1.2)	(18.6)
KTB TB	1.0	14.0	10.7	35.2	10.7
SCB TB	1.4	2.8	(2.7)	15.4	1.4
TISCO TB	0.8	(4.2)	(6.0)	12.1	(2.0)
TTB TB	(3.7)	11.4	10.6	39.3	10.6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

Source: Bloomberg

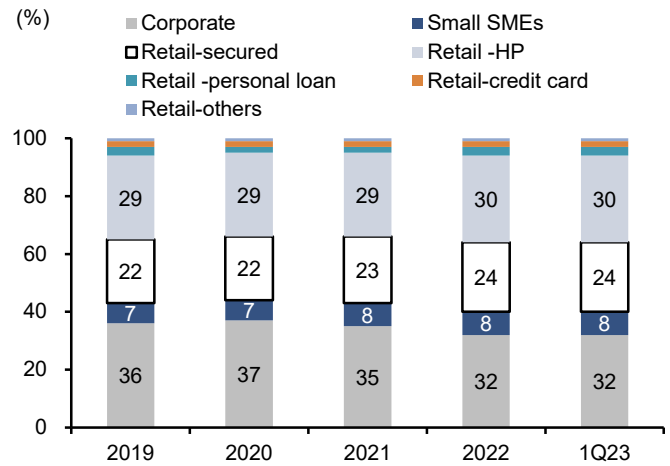
Exhibit 84: 2Q23 results preview

Year end Dec 31	2Q22 (THB m)	1Q23 (THB m)	2Q23E (THB m)	---- Change ----		1H23E (THB m)	Change (y-y %)	%of 23E	2022 (THB m)	2023E (THB m)	Change (y-y %)
				(q-q%)	(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
Key ratios	2Q22	1Q23	2Q23E	---- Change ----		1H23E	Change		2022	2023E	Change
	(%)	(%)	(%)	(q-q%)	(y-y%)	(THB m)	(y-y %)		(%)	(%)	(y-y %)
Asset quality ratio											
Gross NPLs (THB m)	41,331	42,006	42,007	0	2	42,007	2		41,707	42,090	
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		
NPL ratio (%)*	2.97	3.09	3.12			3.12			3.03	3.01	
Coverage ratio (%) - reported	133	140							138		
Coverage ratio (%)*	133	140	140			140			138	133	
Credit cost (bp)	127	125	127			125			134	135	
Profitability ratio	(%)	(%)	(%)			(%)			(%)	(%)	
Cost to income ratio	45.7	43.3	43.9			43.6			45.5	45.2	
Average yield (%)	3.62	4.15	4.24			4.22			3.76	4.28	
Cost of fund (%)	0.90	1.29	1.32			1.31			0.92	1.33	
NIM (%) - reported									2.95		
NIM (%)*	2.83	3.04	3.10			3.08			2.96	3.13	
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	

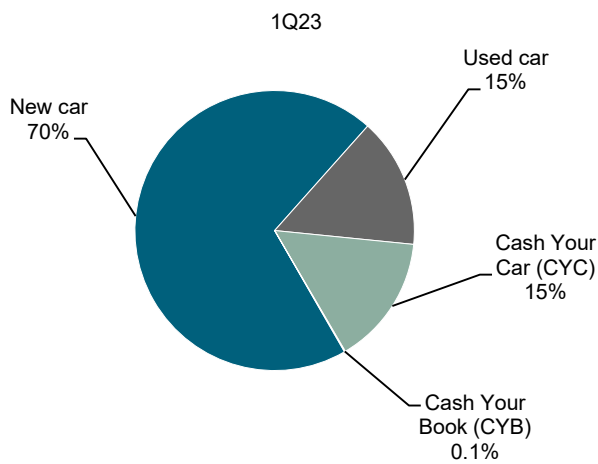
Sources: TTB; *FSSIA estimates

Exhibit 85: Loan breakdown, 1Q23

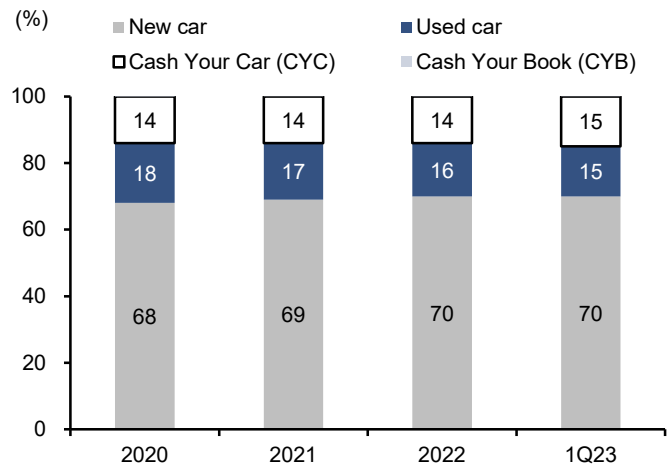
Sources: TTB; FSSIA's compilation

Exhibit 86: Loan breakdown, 2018-1Q23

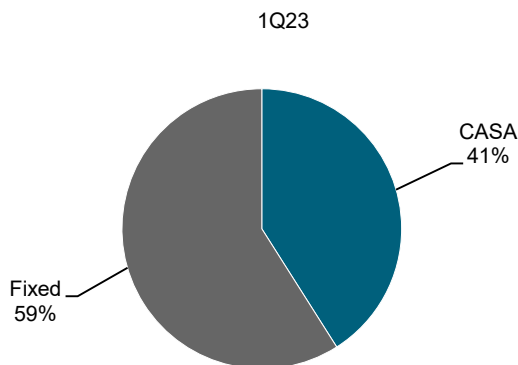
Sources: TTB; FSSIA's compilation

Exhibit 87: Breakdown of hire purchase (HP) loans, 1Q23

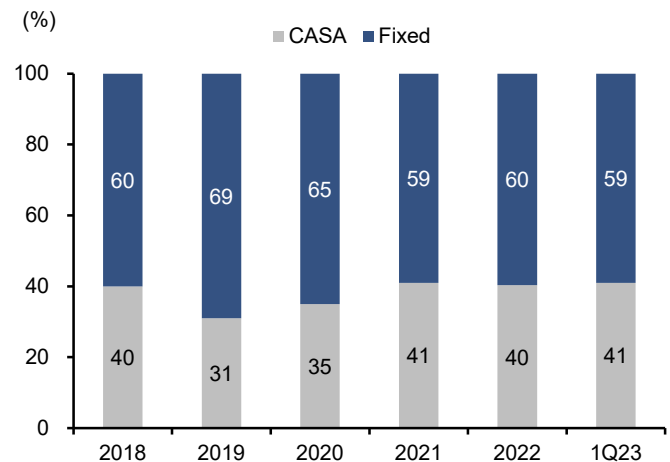
Source: TTB

Exhibit 88: Breakdown of HP loans, 2019-1Q23

Source: TTB

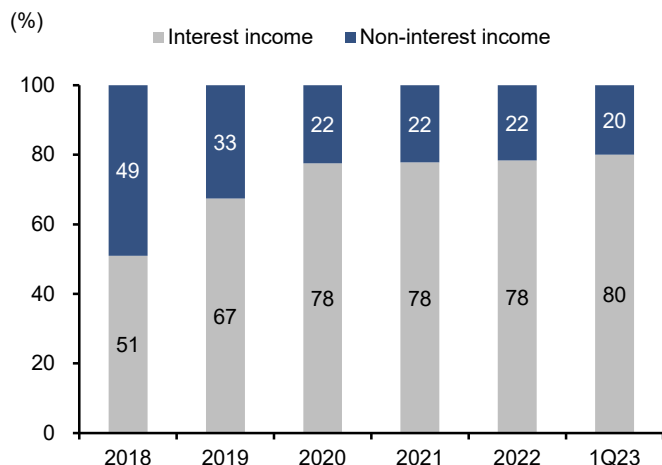
Exhibit 89: Deposit structure, 1Q23

Sources: TTB; FSSIA's compilation

Exhibit 90: Deposit structure, 2018-1Q23

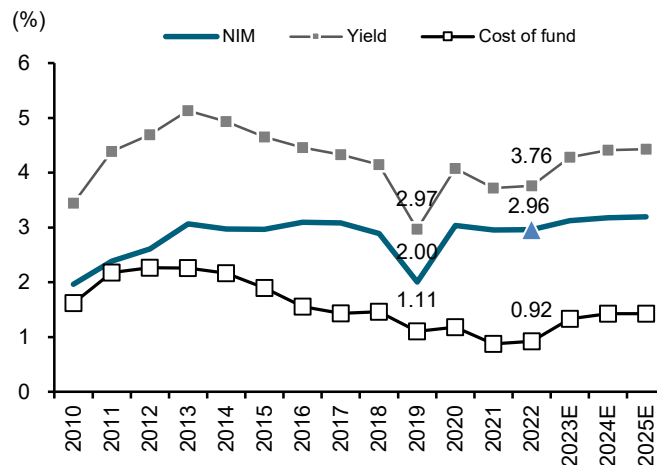
Sources: TTB; FSSIA's compilation

Exhibit 91: Revenue breakdown



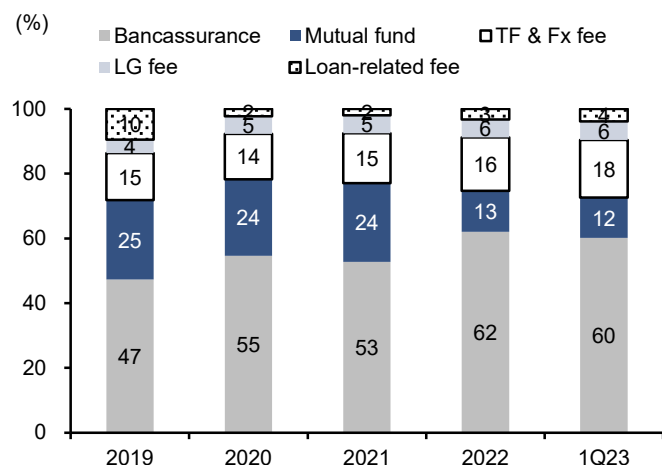
Sources: TTB; FSSIA's compilation

Exhibit 92: Yield, cost of funds, NIM



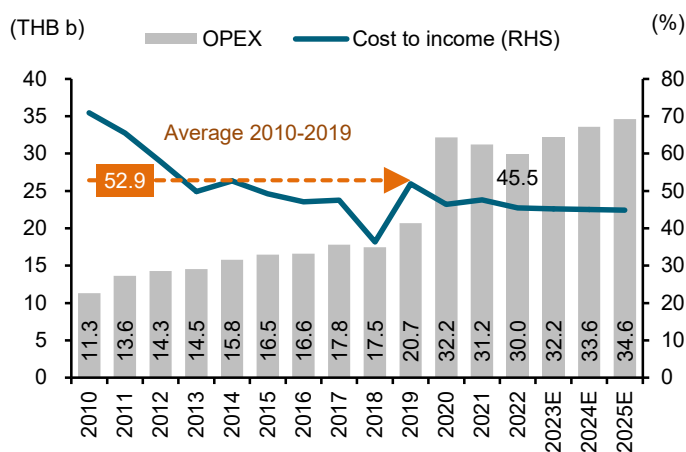
Sources: TTB; FSSIA's calculation

Exhibit 93: Fee income breakdown, 2018-1Q23



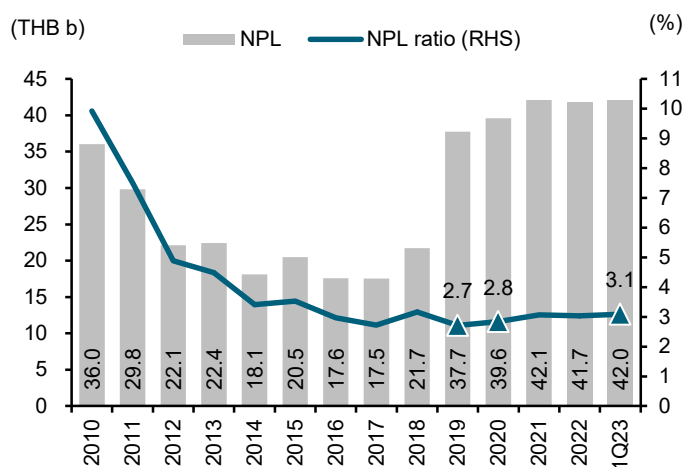
Sources: TTB; FSSIA's compilation

Exhibit 94: OPEX vs cost to income



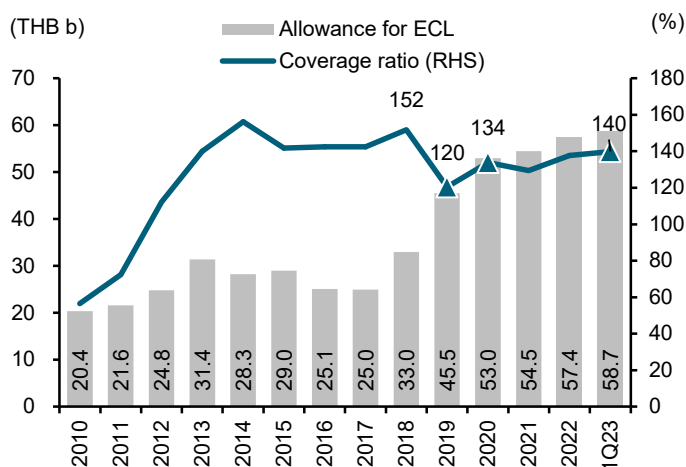
Sources: TTB; FSSIA estimates

Exhibit 95: NPL and NPL ratio*



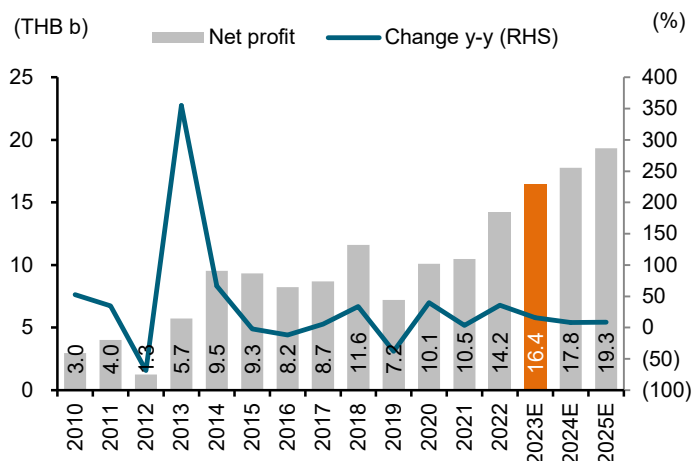
Sources: TTB; *FSSIA's calculation

Exhibit 96: Coverage ratio (allowance for ECL to NPL)*



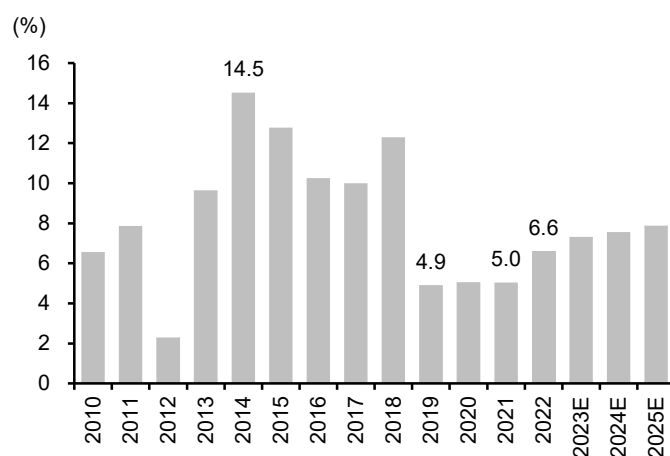
Sources: TTB; *FSSIA's calculation

Exhibit 97: Net profit and growth



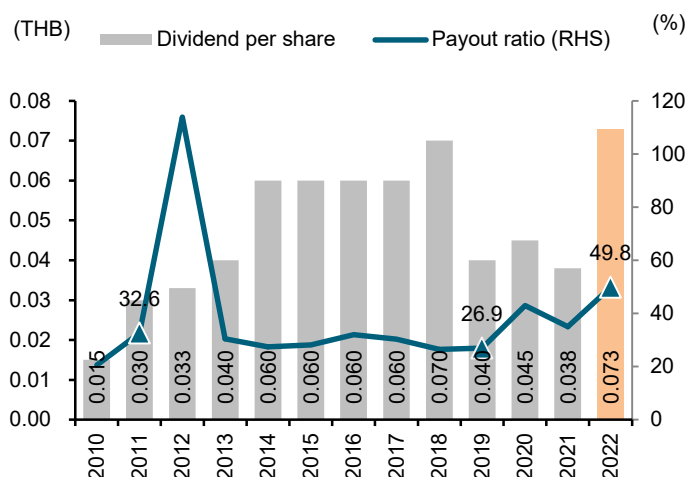
Sources: TTB; FSSIA estimates

Exhibit 98: ROE



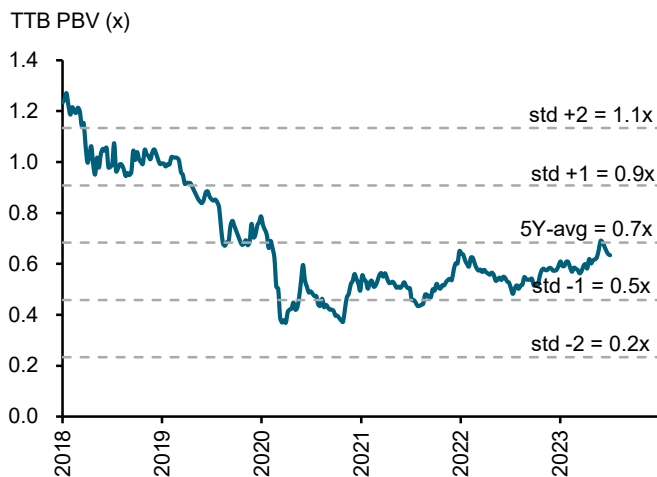
Sources: TTB; FSSIA estimates

Exhibit 99: Dividend and payout ratio



Sources: TTB; FSSIA's compilation

Exhibit 100: One-year forward rolling P/BV



Sources: Bloomberg; FSSIA estimates

Exhibit 101: Network before and after restructuring

	Before	After restructuring				
	2019 (no.)	1H21 (no.)	2021 (no.)	1H22 (no.)	2022 (no.)	1Q23 (no.)
TTB bank's employees	8,135	15,763	15,102	14,884	14,620	14,319
Change from prior period	(238)	7,628	(661)	(218)	(264)	(301)
Group employees	-	16,124	15,478	15,742	15,556	15,272
Change from prior period	-	-	(646)	264	(186)	(284)
Domestic branches	401	664	636	603	569	555
Change from prior period	-	263	(28)	(33)	(34)	(14)
ATM, ADM and All-in-One	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 102: Regional peers comparison as of 14 July 2023

Company	BBG	Share price (LCY)	Market Cap (USD b)	----- PE -----		----- PBV -----		----- ROE -----		----- Div yld -----	
				23E	24E	23E	24E	23E	24E	23E	24E
				(x)	(x)	(x)	(x)	(%)	(%)	(x)	(x)
Thailand											
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
Thailand average			44.3	8.2	7.6	0.8	0.8	10.2	10.4	4.0	4.3
Hong Kong											
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
Hong Kong average			674.1	4.1	4.0	0.5	0.4	11.9	11.5	9.1	9.9
China											
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
China average			687.0	4.8	4.5	0.5	0.5	11.2	10.9	6.4	6.8
South Korea											
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
South Korea average			45.1	3.5	3.4	0.3	0.3	9.6	9.2	8.0	8.4
Indonesia											
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
Indonesia average			181.8	14.2	12.6	2.5	2.2	17.8	18.1	3.6	4.2
Malaysia											
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
Malaysia average			67.4	9.8	9.3	1.1	1.0	11.2	11.1	5.7	6.1
Singapore											
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
Singapore average			139.8	8.3	8.2	1.1	1.1	14.1	13.6	6.0	6.3
Regional average (excl. Thailand)			1,795.1	7.8	7.3	1.1	1.0	12.7	12.5	6.3	6.8
Total average (incl. Thailand)			1,839.4	7.9	7.3	1.0	0.9	12.3	12.2	6.2	6.6

*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.

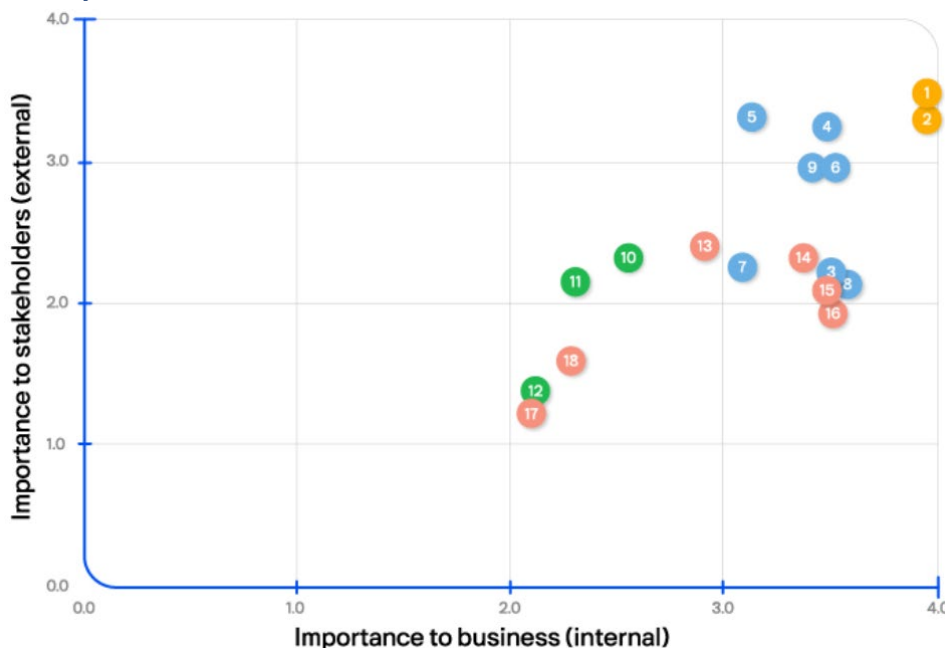
Compensation and remuneration

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

- Customer experience
- Digital transformation

Governance

- Corporate governance
- Customer privacy and data security
- Cybersecurity
- System availability and stability
- Risk management
- Market conduct
- Business ethics and integrity

Environment

- Responsible lending and investment
- Climate change risk and opportunity
- Our environmental impacts

Social

- Financial literacy and inclusion
- Human capital development
- Human capability and workforce planning
- Employee diversity, inclusion, and well-being
- Community investment and development
- 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

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
Per share (THB)					
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
Growth					
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
Income Breakdown					
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
Operating performance					
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
Net customer loans	1,324,201	1,326,505	1,348,614	1,377,664	1,407,614
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
Total assets	1,759,181	1,826,279	1,904,273	1,959,514	2,017,256
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	-	-	-	-	-
Total liabilities	1,548,345	1,607,271	1,674,102	1,719,480	1,766,457
Share capital	91,792	91,937	91,937	91,937	91,937
Reserves	119,043	127,069	138,232	148,096	158,861
Total equity	210,835	219,006	230,170	240,033	250,799
Non-controlling interest	1	1	1	1	1
Total liabilities & equity	1,759,181	1,826,279	1,904,273	1,959,514	2,017,257
Supplementary items					
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
Per share (THB)					
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
Growth					
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
Leverage & capital measures					
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
Asset Quality (FSSIA's calculation)					
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
Valuation					
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
* Pre-exceptional, pre-goodwill and fully diluted					

Sources: TMBThanachart Bank ; FSSIA estimates

17 JULY 2023

EQUITY RESEARCH - INITIATION REPORT

KRUNG THAI BANK KTB TB

THAILAND / BANKING

BUY

Continued growth with low risk

- We expect the positive trend for KTB's NIM to continue mainly from its portfolio rationalisation policy.
- Asset quality is manageable with a high coverage ratio.
- We initiate coverage of KTB with a BUY call. Our 2023 GGM-based TP of THB23.10 implies a P/BV of 0.81x.

Greater focus on private corporate and retail loans

We are optimistic about KTB's business strategy in 2023, based on its total loan growth target of 3-5% y-y, excluding government loans. The bank will focus more on growth in private corporate loans (low yield but still higher than government loans) and retail loans, mainly housing and personal loans (a low-risk, niche market composed of civil servants who are paid via the bank), which should push NIM higher. Moreover, KTB is another of the big banks that should benefit from interest rate hikes due to the favourable structure of its lending and funding sources and role as a net lender in money markets.

Strong 2Q23E profit growth on wider NIM

We expect a 2Q23 net profit of THB10.2b, up 1.3% q-q and 22.1% y-y, supported by net interest income growth (+3.7% q-q and 21.8% y-y). In contrast, we expect non-interest income to shrink by 7.7% q-q (but still increase by 16.5% y-y) mainly due to a decrease in other volatile income (FVTPL, capital gains, etc.). KTB's NIM should continue its positive trend in 2Q23 (+9bp to 3.06%) due to higher market interest rates. The cost-to-income ratio should remain stable from 1Q23 at around 38.6% (expected to accelerate in 2H23 in line with KTB's 2023 target of mid-40%). As for asset quality in 2Q23, we see no cause for concern, and expect the NPL/TL ratio to remain stable at around 3.22%, with credit cost flat at around 125bp, and LLR/NPL at 177% (FSSIA's calculation).

Manageable asset quality with a high coverage ratio

KTB's asset quality has not shown any signs of deterioration due to effective management. Evidence of positive results can be seen in the reported NPL/TL ratio, which has fallen below the 2023 target range of no more than 3.50% (down from 3.81% in 2020 to 3.22% at the end of 1Q23). Therefore, there has been no increased credit cost burden, despite being 124bp in 1H23E, lower than the target set in 2023 of ±170bp (we predict 125bp).

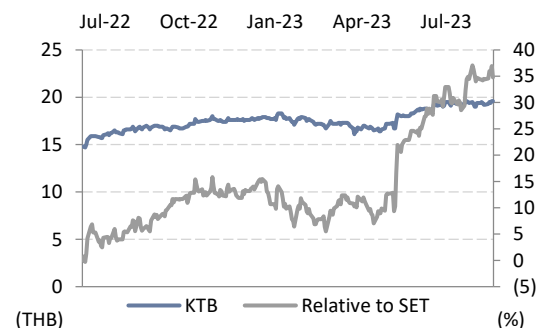
Initiate with BUY and a 2023 GGM-based TP of THB23.10

We initiate coverage of KTB with a BUY call. Our 2023 GGM-based TP of THB23.10 implies a P/BV of 0.81x, with a potential upside of 18% and attractive annual dividend yields of 4% during 2023-25.

TARGET PRICE THB23.10
CLOSE THB19.60
UP/DOWNSIDE +17.9%
TP vs CONSENSUS +8.7%

KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Operating profit	46,283	51,374	54,029	56,533
Net profit	33,698	37,796	39,929	41,941
EPS (THB)	2.41	2.70	2.86	3.00
vs Consensus (%)	-	(0.6)	0.9	2.4
Recurring net profit	33,698	37,796	39,929	41,941
Core EPS (THB)	2.41	2.70	2.86	3.00
EPS growth (%)	56.1	12.2	5.6	5.0
Core P/E (x)	8.1	7.2	6.9	6.5
Dividend yield (%)	3.5	4.0	4.2	4.4
Price/book (x)	0.7	0.7	0.6	0.6
ROE (%)	9.2	9.7	9.6	9.4
ROA (%)	1.0	1.1	1.2	1.2



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	0.5	14.0	34.2
Relative to country (%)	3.4	19.6	35.9
Mkt cap (USD m)	7,901		
3m avg. daily turnover (USD m)	28.3		
Free float (%)	45		
Major shareholder	FIDF (55%)		
12m high/low (THB)	19.70/14.30		
Issued shares (m)	13,976		

Sources: Bloomberg consensus; FSSIA estimates



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Investment thesis

We initiate coverage with a BUY call on KTB for the following reasons:

- We expect net profit to grow at an 8% CAGR during 2023-25, driven by KTB's stepped up focus on the low-risk lending segment (more corporate loans to replace government loans) that offers higher yields, NIM, and a greater focus on unique consumer loans that offer better asset quality.
- We have yet to see a significant contribution to fee income from its digital banking channels, Pao Tang and KTB Next. Instead, we think this should benefit the bank's data acquisition efforts and drive future product cross-sales.
- Currently, its share price is still trading at only 0.68x 2023E P/BV with a potential upside of 18%, while offering attractive dividend yields in 2023-25.

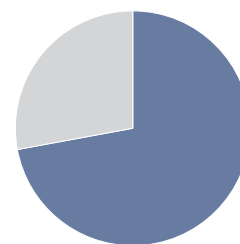
Company profile

Krung Thai Bank began operations in 1966 and in 1989 was the first privatised state enterprise to be listed on the SET. At end-2022, KTB was the largest Thai bank in terms of lending, and ranked third by total assets.

www.ktb.co.th

Principal activities (revenue, 2022)

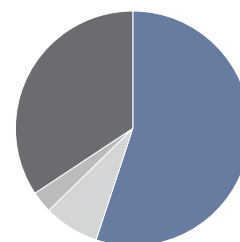
- Net interest income - 72.1 %
- Non-interest income - 27.9 %



Source: Krung Thai Bank

Major shareholders

- FIDF - 55.1 %
- Thai NVDR - 7.6 %
- EGAT Saving and Credit Cooperative Limited - 3.0 %
- Others - 34.3 %



Source: Krung Thai Bank

Catalysts

Potential share price catalysts for KTB include:

- Higher utilisation of data acquisition from KTB's digital channels;
- Lower credit cost from a better-than-expected new NPL rate;
- Better operating cost control.

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
21 Jul 2023	2Q23 results announcement

Key assumptions

	2023E (%)	2024E (%)	2024E (%)
Net profit (THB m)	37,796	39,929	41,941
Net profit growth	12.2	5.6	5.0
NIM	3.07	3.14	3.15
Loan growth	2.0	3.0	3.0
Fee growth	2.0	1.5	1.5
Non-NII growth	4.3	6.3	3.6
Credit cost (bp)	125.0	125.0	125.0
Cost to income	41.1	41.4	41.3

Source: FSSIA estimates

Earnings sensitivity

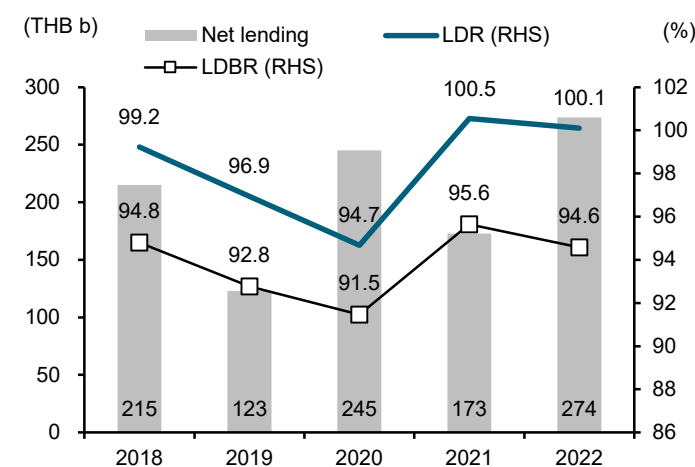
		2023E	
Loan growth (%)	±2ppt	0	2
% change in net profit		(2)	+2
NIM (%)	±5bp	3.02	3.07
% change in net profit		(4)	+4
Credit cost (bp)	±10bp	115	125
% change in net profit		+6	(6)

Source: FSSIA estimates

Greater focus on private corporate and retail loans

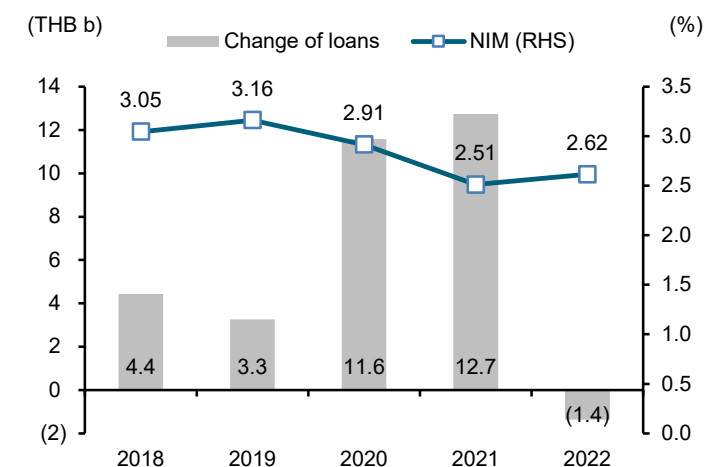
We are optimistic about KTB's business strategy in 2023 based on its total loan growth target of 3-5% y-y, excluding government loans. The bank will focus more on growth in private corporate loans (low yield but still higher than government loans) and retail loans, mainly housing and personal loans (a low-risk, niche market composed mainly of civil servants who are paid via the bank), which should push NIM higher. While the target for 2023 of more than 2.80% was already exceeded in 1Q23 at 2.97%, the recovery follows the continual contraction seen during Covid-19 (3.16% in 2019 to 2.62% in 2022) under pressure from aggressive government loan growth (total loans grew at an average 8% CAGR during 2020-22 – higher than the sector's average, which grew at a 6% CAGR during the same period). Moreover, we think KTB is one of the major banks that should benefit from interest rate hikes as 1) more than 57% of its loans are structured at a floating rate; and 2) it enjoys a net lender status in the money market, although the positive results are not likely to be as significant as those of BBL, KBANK, and SCB due to the recent continued rise in its LDBR (loan to deposit and borrowing ratio) to near the pre-Covid level of 94.6%.

Exhibit 103: KTB's net lending position, LDR and LDBR



Sources: KTB; FSSIA's compilation

Exhibit 104: Change of loans vs NIM



Sources: KTB; FSSIA's compilation

Impressive 2Q23E profit growth on wider NIM

We expect a 2Q23 net profit of THB10.2b, up 1.3% q-q and 22.1% y-y, supported by net interest income growth (+3.7% q-q and 21.8% y-y). In contrast, we expect non-interest income to shrink by 7.7% q-q (but still increase by 16.5% y-y) mainly due to a decrease in other volatile income (FVTPL, capital gains, etc.). KTB's NIM should continue its positive trend in 2Q23 (+9bp to 3.06%) due to higher market interest rates. The cost-to-income ratio should remain stable from 1Q23 at around 38.6% and accelerate in 2H23 in line with KTB's 2023 target of mid-40%. As for asset quality in 2Q23, we see no cause for concern and expect the NPL/TL ratio to remain stable at the 1Q23 level of around 3.22% with credit cost flat at around 125bp and LLR/NPL at 177% (FSSIA's calculation).

Manageable asset quality with a high coverage ratio

KTB's asset quality has not shown any signs of deterioration thanks to effective management. In our view, positive results are reflected in the declining NPL/TL ratio. Already at 3.22% by the end of 1Q23, it has fallen below the 2023 target range of no more than 3.50%, and down from 3.81% in 2020. This has avoided further burdening credit cost, which we expect to be 125bp lower than the ±170bp target set in 2023.

Exhibit 105: Loans by stage and allowance for ECL

	Loans by stage				Allowance for ECL			
	2020 (THB b)	2021 (THB b)	2022 (THB b)	1Q23 (THB b)	2020 (THB b)	2021 (THB b)	2022 (THB b)	1Q23 (THB b)
Stage 1 (Performing)	2,013	2,306	2,290	2,277	32.1	44.7	44.7	46.6
Stage 2 (Underperforming)	224	228	218	218	41.6	48.9	52.5	55.1
Stage 3 (Non performing)	109	111	109	111	74.2	77.3	76.5	79.1
Lifetime ECL-Simplified approach	5	3	2	3	2.6	2.3	0.6	0.7
Net loan and accrued interest	2,351	2,650	2,618	2,609	150.5	173.3	174.4	181.6
	Staged loans as % of total loans				Allowance for ECL to respective loans			
	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)
Stage 1 (Performing)	85.6	87.1	87.4	87.3	1.6	1.9	2.0	2.0
Stage 2 (Underperforming)	9.5	8.6	8.3	8.3	18.6	21.4	24.1	25.4
Stage 3 (Non performing)	4.7	4.2	4.2	4.3	67.8	69.4	70.4	71.3
Lifetime ECL-Simplified approach	0.2	0.1	0.1	0.1	54.7	73.2	25.5	21.2
Net loan and accrued interest	100.0	100.0	100.0	100.0	6.4	6.5	6.7	7.0
NPL					107.1	106.8	101.1	102.5
LLR/NPL					140	162	172	177

Sources: KTB; FSSIA's compilation

Exhibit 106: KTB's schedule of interest rates

KTB	Saving (%)	MOR (%)	MLR (%)	MRR (%)	Ceiling (%)	Default (%)
1Q22	0.250	5.820	5.250	6.220	16.220	28.000
2Q22	0.250	5.820	5.250	6.220	16.220	28.000
3Q22	0.250	5.820	5.250	6.220	16.220	28.000
4Q22	0.250	6.320	5.750	6.370	16.370	28.000
1Q23	0.250	6.870	6.350	6.870	16.870	28.000
2Q23	0.300	7.270	6.800	7.320	17.320	28.000
Chg from 1Q22	0.050	1.450	1.550	1.100	1.100	0.000

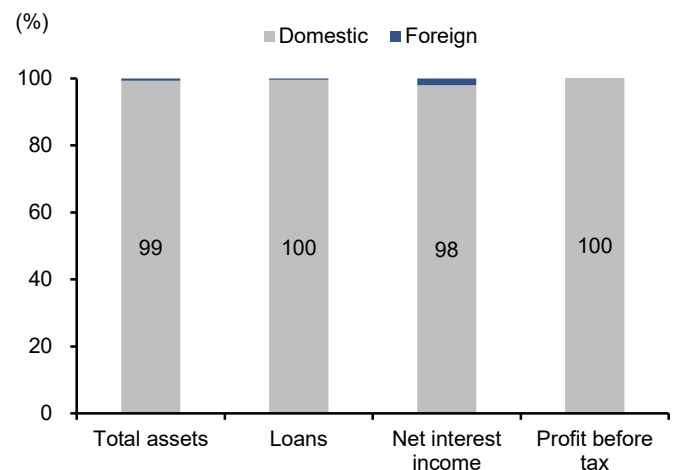
Sources: [Bank of Thailand](#)

Exhibit 108: KTB - GGM-based TP

Target price	THB 23.10
Sustainable ROE	9.0%
g	1.0%
ROE-g	8.0%
Beta	1.05
RF	2.5%
MRP	8.0%
COE	10.9%
COE-g	9.9%
ROE-g / COE-g (PBV)	0.81x

Source: FSSIA estimates

Exhibit 107: KTB's operations by geographical segment



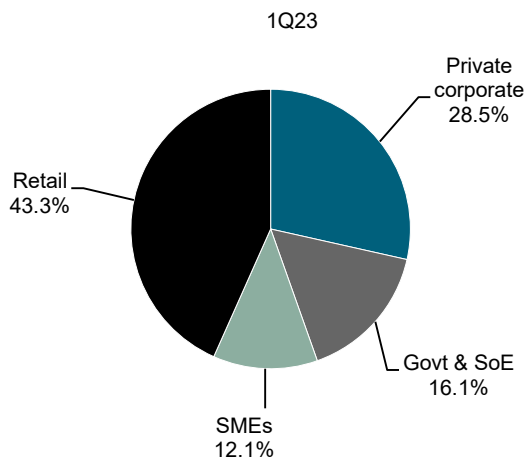
Sources: KTB; FSSIA's compilation

Exhibit 109: 2023 key financial guidance vs FSSIA estimates

	KTB 2022	KTB 2023E	FSSIA 2023E
Loan growth	4.3%	3-5%	2.0%
NIM	2.60%	> 2.80%	3.02%
Fee income growth	1.5%	Low single digits	2.0%
Cost to income	43.7%	≤ Mid 40s	42.6%
NPL	3.26%	< 3.5%	3.85%
Coverage ratio	179.7%	c170% ±	177.4%

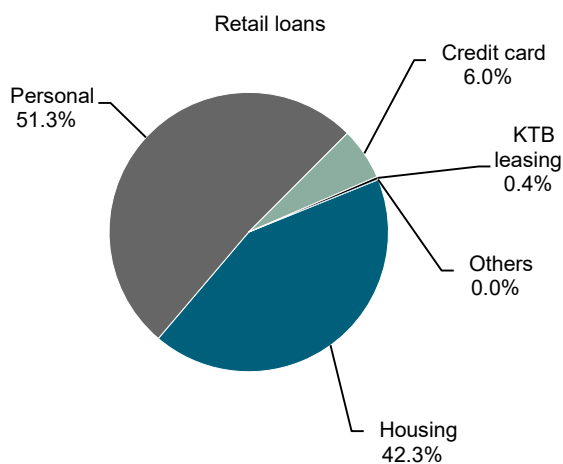
Sources: KTB; FSSIA estimates

Exhibit 110: Loan breakdown, 1Q23



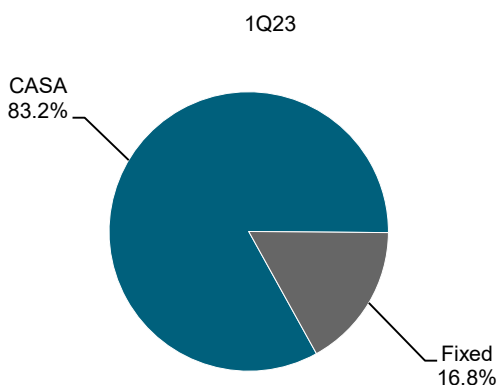
Sources: KTB; FSSIA's compilation

Exhibit 112: Retail loan breakdown, 1Q23



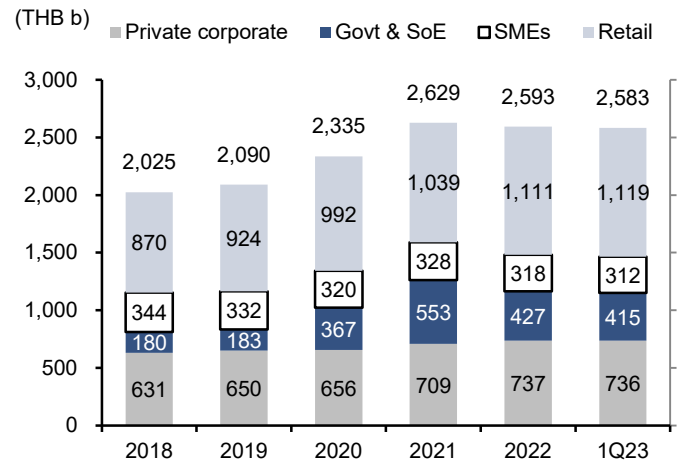
Sources: KTB; FSSIA's compilation

Exhibit 114: Deposit structure, 1Q23



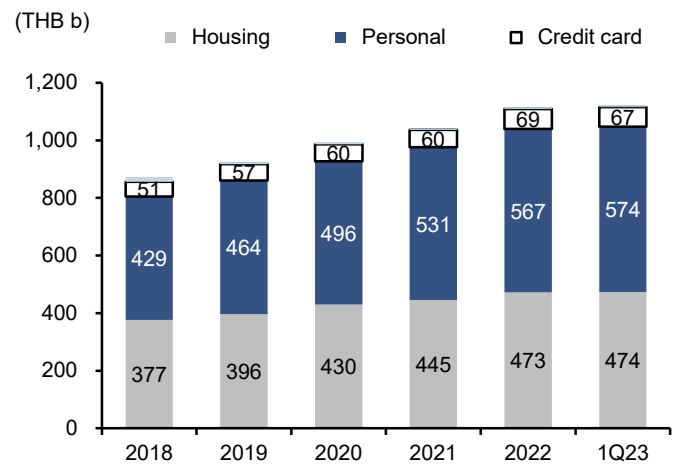
Sources: KTB; FSSIA's compilation

Exhibit 111: Loan breakdown, 2018 to 1Q23



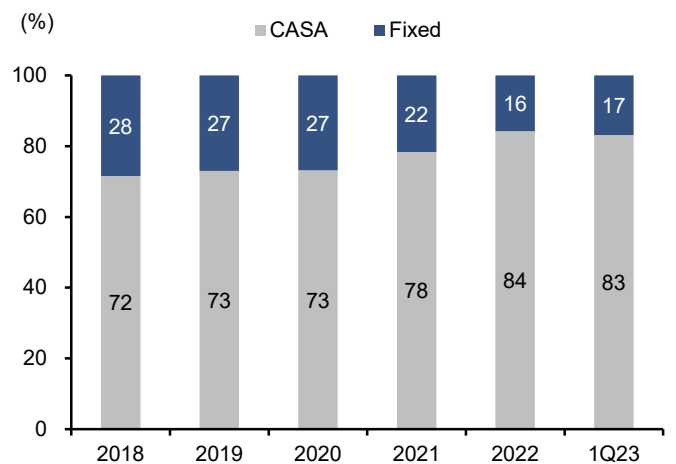
Sources: KTB; FSSIA's compilation

Exhibit 113: Retail loan breakdown, 2018 to 1Q23



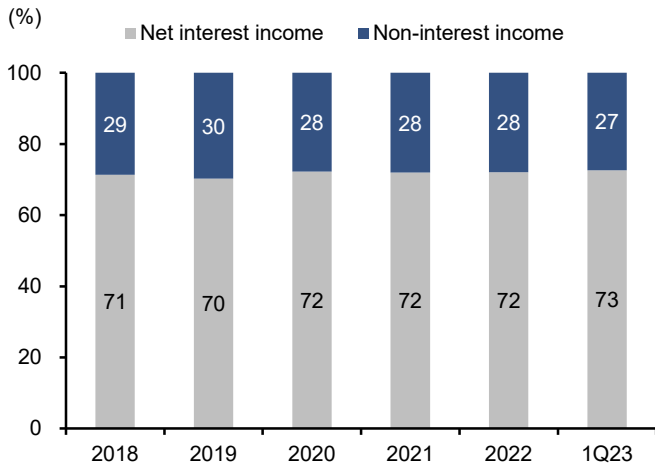
Sources: KTB; FSSIA's compilation

Exhibit 115: Deposit structure, 2018 to 1Q23



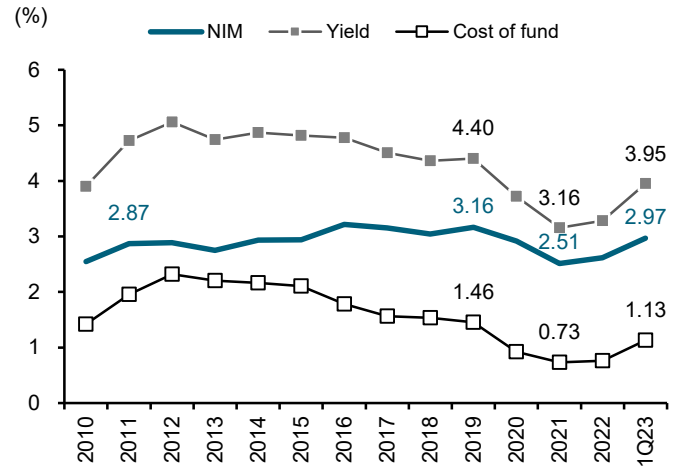
Sources: KTB; FSSIA's compilation

Exhibit 116: Revenue breakdown



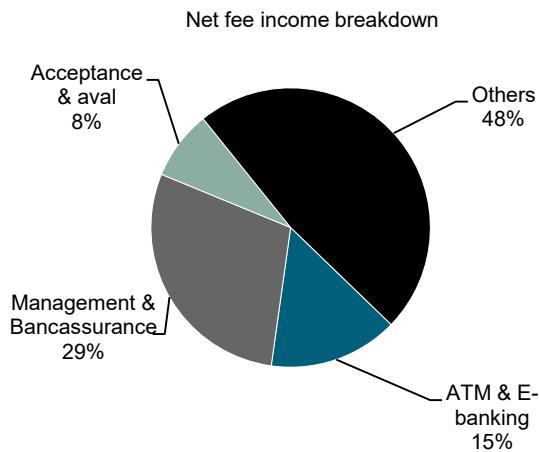
Sources: KTB; FSSIA's compilation

Exhibit 117: Yield, cost of funds, and NIM



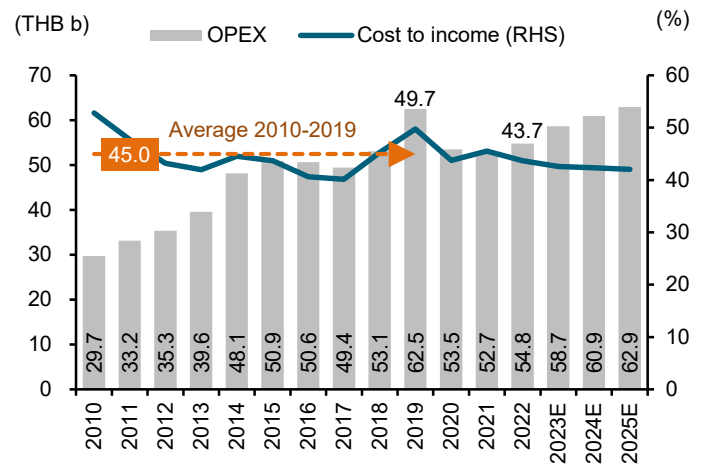
Sources: KTB; FSSIA's calculation

Exhibit 118: Net fee income breakdown, 1Q23



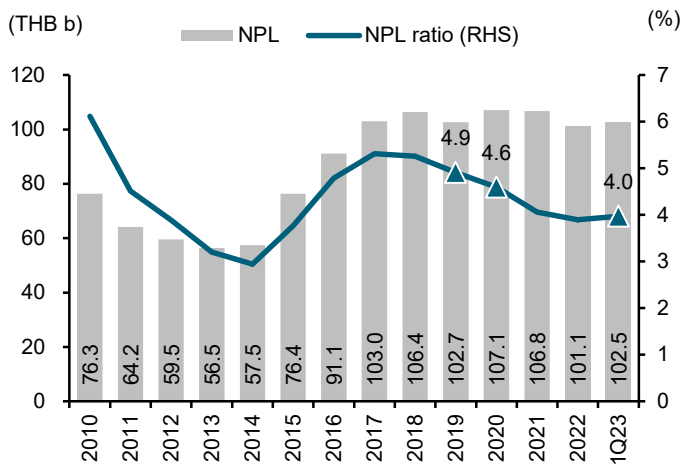
Sources: KTB; FSSIA's compilation

Exhibit 119: Operating expenses vs cost to income



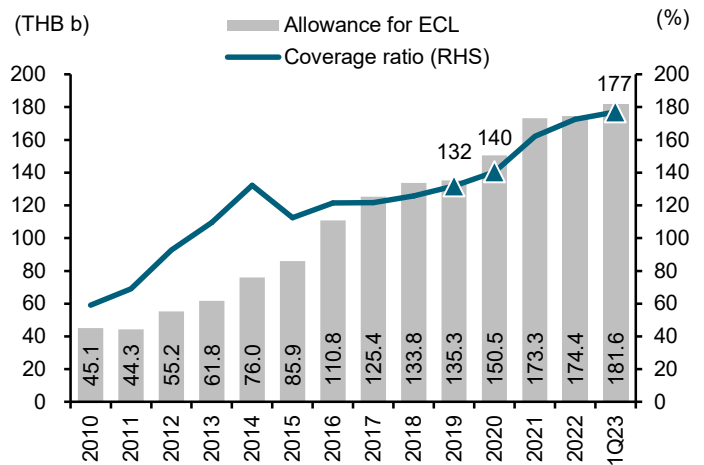
Sources: KTB; FSSIA estimates

Exhibit 120: NPL and NPL ratio*



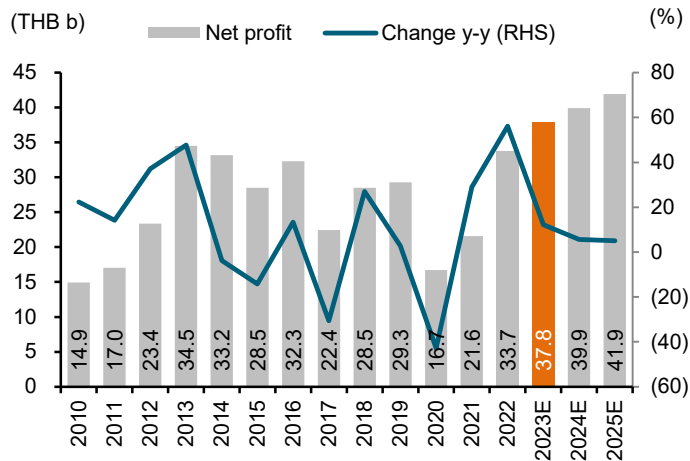
Sources: KTB; *FSSIA's calculation

Exhibit 121: Coverage ratio (allowance for ECL to NPL)*



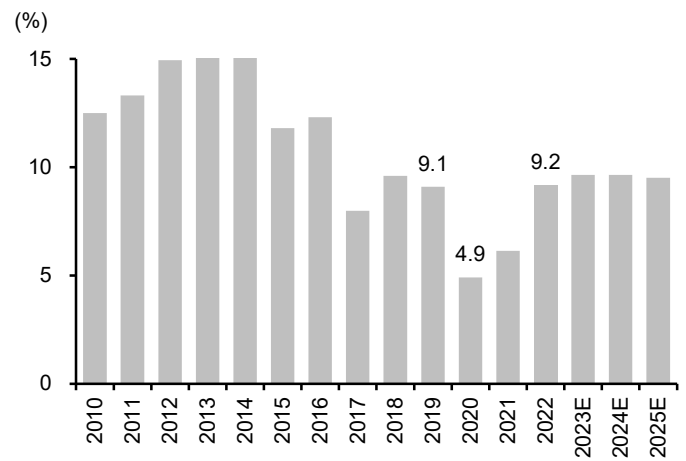
Sources: KTB; *FSSIA's calculation

Exhibit 122: Net profit and growth



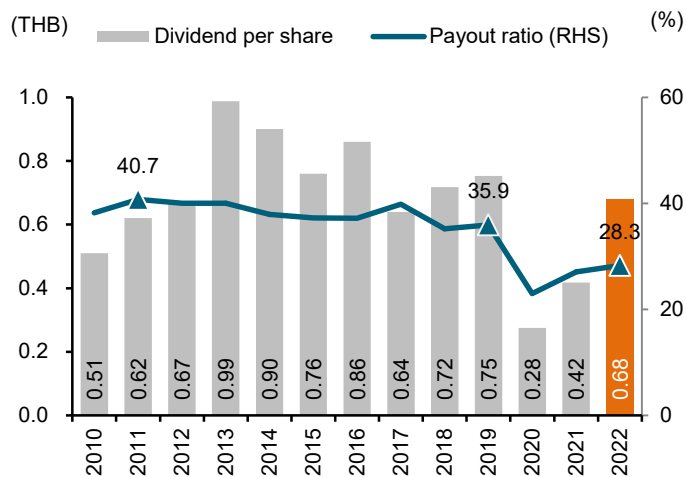
Sources: KTB; FSSIA estimates

Exhibit 123: ROE



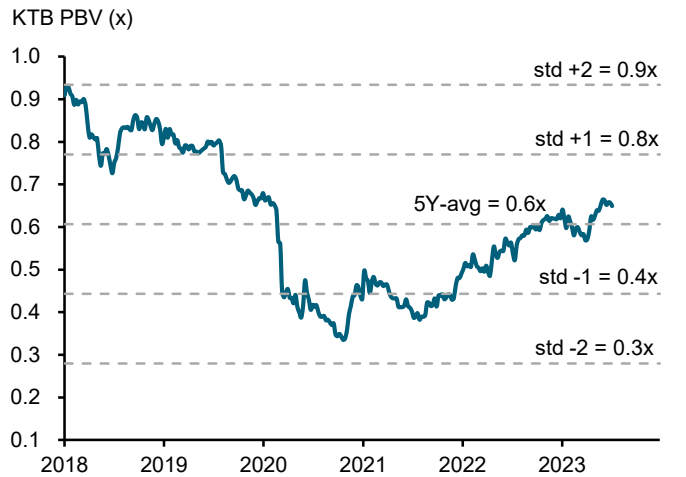
Sources: KTB; FSSIA estimates

Exhibit 124: Dividend and payout ratio



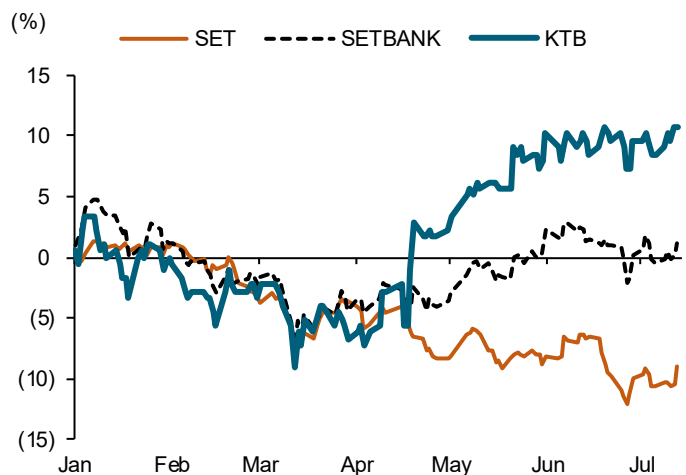
Sources: KTB; FSSIA's compilation

Exhibit 125: One-year forward rolling P/BV



Sources: Bloomberg; FSSIA estimates

Exhibit 126: Share price performance as of close on 14 July 2023



Source: Bloomberg

Exhibit 127: 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)
TTB TB	(3.7)	11.4	10.6	39.3	10.6
SET Index	(2.7)	(5.2)	(9.7)	(1.0)	(9.0)
SETBANK Index	(0.2)	4.0	(1.3)	13.4	1.2

Source: Bloomberg

Exhibit 128: Network development

	Network						Change				
	2018 (no.)	2019 (no.)	2020 (no.)	2021 (no.)	2022 (no.)	1Q23 (no.)	2019 (no.)	2020 (no.)	2021 (no.)	2022 (no.)	1Q23 (no.)
Branch	1,120	1,066	1,024	1,028	995	984	(54)	(42)	4	(33)	(11)
Upcountry	764	747	723	724	703	696	(17)	(24)	1	(21)	(7)
Metro	356	319	301	304	292	288	(37)	(18)	3	(12)	(4)
ATM	8,836	8,618	8,493	8,173	7,461	7,426	(218)	(125)	(320)	(712)	(35)
Upcountry	6,438	6,352	6,290	6,149	5,782	5,757	(86)	(62)	(141)	(367)	(25)
Metro	2,398	2,266	2,203	2,024	1,679	1,669	(132)	(63)	(179)	(345)	(10)

Sources: KTB; FSSIA's compilation

Exhibit 129: KTB - 2Q23 results preview

Year-end Dec 31	2Q22 (THB m)	1Q23 (THB m)	2Q23E (THB m)	---- Change ----		1H23E (THB m)	Change (y-y%)	% of 23E	2022 (THB m)	2023E (THB m)	Change (y-y%)
				(q-q%)	(y-y%)						
Net interest income	21,818	25,619	26,578	4	22	52,197	22	49	90,405	106,274	18
Non-interest income	7,646	9,653	8,911	(8)	17	18,563	14	51	34,986	36,496	4
Fee income - net	4,911	5,139	5,241	2	7	10,379			20,316	20,715	2
Total operating income	29,464	35,272	35,488	1	20	70,760	20	50	125,391	142,770	14
Total operating expenses	12,517	13,650	13,708	0	10	27,358	10	47	54,771	58,661	7
PPOP before tax	16,947	21,622	21,780	1	29	43,402	26	52	70,620	84,109	19
Expected credit loss	5,669	8,104	8,100	(0)	43	16,204	45	49	24,338	32,735	35
Income tax	1,996	2,531	2,558	1	28	5,089	18	51	9,077	10,069	11
Non-controlling interest	924	921	920	(0)	(0)	1,840	2	52	3,508	3,509	0
Net profit	8,358	10,067	10,202	1	22	20,269	18	54	33,698	37,796	12
EPS (THB)	0.60	0.72	0.73	1	22	1.45	18	54	2.41	2.70	12
Key ratios	2Q22	1Q23	2Q23E	---- Change ----		1H23E	Change		2022	2023E	
Asset quality ratio	(%)	(%)	(%)	(q-q%)	(y-y%)	(THB m)	(y-y%)		(%)	(%)	
Gross NPLs (THB m)	104,434	102,542	105,042	2	1	105,042	1		101,096	101,821	
Change (% from prior period)	(2.0)	1.4	2.4			0.6			(5.3)	0.7	
NPL ratios (%) - reported	3.32	3.22							3.26		
NPL ratio (%)	3.96	3.97	4.03			4.03			3.90	3.85	
Coverage ratio (%) - reported	174	183							180		
Coverage ratio (%)	168	177	177			177			172	182	
Credit cost (bp)	86	125	125			124			93	125	
Profitability ratio	(%)	(%)	(%)			(%)			(%)	(%)	
Cost to income ratio	42.5	38.7	38.6			38.7			43.7	41.1	
Average yield (%)	3.14	3.95	4.11			4.02			3.28	4.15	
Cost of funds (%)	0.71	1.13	1.22			1.18			0.76	1.23	
NIM (%) - reported	2.44	2.80	3.00						2.60		
NIM (%)	2.51	2.97	3.06			3.01			2.62	3.07	
Non-interest income/total income (%)	25.9	27.4	25.1			26.2			27.9	25.6	
Liquidity ratio	(%)	(%)	(%)			(%)			(%)	(%)	
Loan to deposit	101.2	98.5	99.7			99.7			100.1	100.1	
Loan to deposit & borrowing (LDBR)	95.5	93.2	94.2			94.2			94.6	94.6	
Capital adequacy ratio	(%)	(%)	(%)						(%)	(%)	
CAR	20.1	19.9	19.6						19.8	20.5	
CET 1/ Risk assets	15.1	15.8	15.6						15.7	16.5	
Tier 2 / Risk assets	4.2	3.1	3.1						3.1	3.1	
Loan growth	(%)	(%)	(%)			(%)			(%)	(%)	
Year-to-date	0.2	(0.4)	0.6			0.6					
q-q	(0.9)	(0.4)	1.0								
y-y	6.0	(2.9)	(1.0)						(1.4)	2	

Sources: KTB; FSSIA estimates

Exhibit 130: Regional peers comparison as of 14 July 2023

Company	BBG	Share price (LCY)	Market Cap (USD b)	----- PE -----		----- PBV -----		----- ROE -----		----- Div yld -----	
				23E	24E	23E	24E	23E	24E	23E	24E
				(x)	(x)	(x)	(x)	(%)	(%)	(x)	(x)
Thailand											
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
Thailand average			44.3	8.2	7.6	0.8	0.8	10.2	10.4	4.0	4.3
Hong Kong											
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
Hong Kong average			674.1	4.1	4.0	0.5	0.4	11.9	11.5	9.1	9.9
China											
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
China average			687.0	4.8	4.5	0.5	0.5	11.2	10.9	6.4	6.8
South Korea											
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
South Korea average			45.1	3.5	3.4	0.3	0.3	9.6	9.2	8.0	8.4
Indonesia											
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
Indonesia average			181.8	14.2	12.6	2.5	2.2	17.8	18.1	3.6	4.2
Malaysia											
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
Malaysia average			67.4	9.8	9.3	1.1	1.0	11.2	11.1	5.7	6.1
Singapore											
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
Singapore average			139.8	8.3	8.2	1.1	1.1	14.1	13.6	6.0	6.3
Regional average (excl. Thailand)			1,795.1	7.8	7.3	1.1	1.0	12.7	12.5	6.3	6.8
Total average (incl. Thailand)			1,839.4	7.9	7.3	1.0	0.9	12.3	12.2	6.2	6.6

*simple average

Sources: Bloomberg consensus; FSSIA estimates for Thai banks

Corporate Governance and ESG – KTB

Board structure, 2022 One report

Independent Directors (ID)	6/12 of board members, 1 female
Percentage of IDs on the board	50%
ID attendance at board meetings	96.1%
ID in audit/remuneration committee	3/3 in audit committee and 2/3 in remuneration committee
ID terms	Not exceed nine consecutive years; eligible to be re-appointed*; if terminated from the appointment as director, manager, management authority, advisor or staff member of the Bank and the Bank's

* Must terminate from the appointment as director, manager, management authority, advisor or staff member of the Bank and the Bank's Financial Business Group for at least 2 years before the date of submission for directorship approval to the Bank of Thailand

Compensation and remuneration

Directors' remuneration vs earnings/ROE/share performance	In 2022, THB30.2m, 0.09% 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

Mission: The Bank is committed to developing financial technology and innovation on the Thailand Open Digital Platform to enhance the quality of life for all groups of customers and people in various dimensions, such as helping grassroots people learn how to take advantage of technology, helping reduce inequality in accessing digital economy infrastructure and income distribution gap, contributing to driving Thai society toward becoming a cashless, digital society, as well as aiming to create financial equality for Thai people, such as improving access to financing, financial literacy, fundamental rights for government services, and income equality, in order to support the achievement of the Bank's new mission.

Materiality Matrix



"Several contextual changes are found to affect the focus on each sustainability issue, such as the recovery dynamic of the post-pandemic market, the uncertainty in global economy and politics, technological and digital transition, rising concerns on data privacy and cybersecurity, and the more imminent impact of climate change on environment and humanity, which lead to consumers' awareness and behaviour shifts towards choosing greener options. As a result, this year's materiality matrix significantly differs from the previous year due to the GRI Standards guideline revised in 2021. The impact that the Bank has on the economy, environment, and people in terms of each material aspect was considered and classified into 5 levels of importance. The stakeholders are encouraged to consider all-round impacts, whether they have already occurred or have yet to occur, positive or negative, intentional or unintentional by the Bank, and short-term or long-term."

Awards and recognitions

- Listed on the Stock Exchange of Thailand's Thailand Sustainability Investment (THSI) list
- Most Sustainable Bank Thailand 2022 from World Economic Magazine, USA
- Best Sustainable & Business Solutions Bank Award 2021 from The European Magazine, United Kingdom
- The Asset ESG Corporate 2021, Platinum Award from The Asset Magazine, Hong Kong, at The Asset Asian Awards 2021
- Best Digital Bank Thailand Award 2022 from World Economic Magazine, USA
- Best Digital Transformation Bank Award 2022
- Most Innovative Digital Banking Platform Award 2022 from the Global Business Outlook Magazine, United Kingdom
- Most Innovative Banking Initiatives – Thailand 2022 from The Global Economics Magazine, United Kingdom
- Most Innovative Retail Bank-Thailand 2022 from International Finance Magazine, United Kingdom
- Best Digital Wallet in Thailand from The Asian Banker Magazine
- Cybersecurity Excellence Award (Capacity Development) from the Office of the National Cyber Security Commission at Thailand Cybersecurity Excellence Awards 2022

Additional information: [KTB Sustainability Report](#)
Source: FSSIA compilation

Financial Statements

Krungr Thai Bank

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Interest Income	104,832	113,475	143,521	151,245	158,565
Interest expense	(21,460)	(23,070)	(37,246)	(40,619)	(43,628)
Net interest income	83,372	90,405	106,274	110,626	114,937
Net fees & commission	20,022	20,316	20,715	21,026	21,341
Foreign exchange trading income	3,467	5,233	5,000	6,000	6,000
Securities trading income	711	239	220	220	220
Dividend income	379	352	385	424	466
Other income	7,835	8,847	10,176	11,130	12,177
Non interest income	32,414	34,986	36,496	38,800	40,204
Total income	115,786	125,391	142,770	149,426	155,142
Staff costs	(27,311)	(25,763)	(28,340)	(29,190)	(30,065)
Other operating costs	(25,420)	(29,007)	(30,322)	(32,652)	(33,982)
Operating costs	(52,731)	(54,771)	(58,661)	(61,842)	(64,048)
Pre provision operating profit	63,055	70,620	84,109	87,584	91,094
Expected credit loss	(32,524)	(24,338)	(32,735)	(33,555)	(34,561)
Other provisions	-	-	-	-	-
Operating profit	30,531	46,283	51,374	54,029	56,533
Recurring non operating income	0	0	0	0	0
Associates	-	-	-	-	-
Goodwill amortization	-	-	-	-	-
Non recurring items	0	0	0	0	0
Profit before tax	30,531	46,283	51,374	54,029	56,533
Tax	(5,975)	(9,077)	(10,069)	(10,590)	(11,080)
Profit after tax	24,556	37,206	41,305	43,440	45,452
Non-controlling interest	(2,968)	(3,508)	(3,509)	(3,510)	(3,511)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	21,588	33,698	37,796	39,929	41,941
Non recurring items & goodwill (net)	-	-	0	0	0
Recurring net profit	21,588	33,698	37,796	39,929	41,941
Per share (THB)					
Recurring EPS *	1.54	2.41	2.70	2.86	3.00
Reported EPS	1.54	2.41	2.70	2.86	3.00
DPS	0.42	0.68	0.78	0.83	0.87
Growth					
Net interest income (%)	(5.6)	8.4	17.6	4.1	3.9
Non interest income (%)	(4.4)	7.9	4.3	6.3	3.6
Pre provision operating profit (%)	(8.3)	12.0	19.1	4.1	4.0
Operating profit (%)	27.9	51.6	11.0	5.2	4.6
Reported net profit (%)	29.0	56.1	12.2	5.6	5.0
Recurring EPS (%)	29.0	56.1	12.2	5.6	5.0
Reported EPS (%)	29.0	56.1	12.2	5.6	5.0
Income Breakdown					
Net interest income (%)	72.0	72.1	74.4	74.0	74.1
Net fees & commission (%)	17.3	16.2	14.5	14.1	13.8
Foreign exchange trading income (%)	3.0	4.2	3.5	4.0	3.9
Securities trading income (%)	0.6	0.2	0.2	0.1	0.1
Dividend income (%)	0.3	0.3	0.3	0.3	0.3
Other income (%)	6.8	7.1	7.1	7.4	7.8
Operating performance					
Gross interest yield (%)	3.16	3.28	4.15	4.29	4.35
Cost of funds (%)	0.73	0.76	1.23	1.33	1.39
Net interest spread (%)	2.43	2.52	2.92	2.96	2.96
Net interest margin (%)	2.5	2.6	3.1	3.1	3.2
Cost/income (%)	45.5	43.7	41.1	41.4	41.3
Cost/assets (%)	1.5	1.5	1.6	1.7	1.7
Effective tax rate (%)	19.6	19.6	19.6	19.6	19.6
Dividend payout on recurring profit (%)	27.1	28.3	29.0	29.0	29.0
ROE (%)	6.1	9.2	9.7	9.6	9.4
ROE - COE (%)	(3.8)	(0.8)	(0.2)	(0.3)	(0.5)
ROA (%)	0.7	1.0	1.1	1.2	1.2
RORWA (%)	1.2	1.8	1.9	2.0	2.0
* Pre-exceptional, pre-goodwill and fully diluted					

Sources: Krungr Thai Bank; FSSIA estimates

Financial Statements

Krung Thai Bank

Balance Sheet (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Gross customer loans	2,628,963	2,592,838	2,644,695	2,724,036	2,805,757
Allowance for expected credit loss	(173,322)	(174,379)	(185,114)	(193,668)	(204,229)
interest in suspense	20,579	25,373	26,976	27,785	28,619
Net customer loans	2,476,220	2,443,832	2,486,557	2,558,153	2,630,146
Bank loans	469,216	550,941	583,997	601,517	619,562
Government securities	-	-	-	-	-
Trading securities	-	-	-	-	-
Investment securities	382,055	322,942	264,204	283,246	310,891
Cash & equivalents	63,544	61,591	68,059	69,908	65,477
Other interesting assets	-	-	-	-	-
Tangible fixed assets	70,745	72,029	73,374	74,750	76,160
Associates	-	-	-	-	-
Goodwill	-	-	-	-	-
Other intangible assets	-	-	-	-	-
Other assets	94,963	141,075	148,497	157,816	167,900
Total assets	3,556,745	3,592,410	3,624,688	3,745,389	3,870,137
Customer deposits	2,614,747	2,590,236	2,642,041	2,721,302	2,802,941
Bank deposits	-	-	-	-	-
Other interest bearing liabilities	434,372	433,289	381,043	388,716	396,544
Non interest bearing liabilities	133,514	176,321	185,137	188,840	192,617
Hybrid Capital	-	-	-	-	-
Total liabilities	3,182,633	3,199,847	3,208,222	3,298,858	3,392,102
Share capital	72,005	72,005	72,005	72,005	72,005
Reserves	288,048	304,291	327,381	356,591	387,199
Total equity	360,053	376,296	399,386	428,596	459,204
Non-controlling interest	14,059	16,267	17,081	17,935	18,831
Total liabilities & equity	3,556,744	3,592,410	3,624,688	3,745,389	3,870,137
Supplementary items					
Risk weighted assets (RWA)	2,065,348	2,131,788	2,169,544	2,242,043	2,320,842
Average interest earning assets	3,320,300	3,456,331	3,460,467	3,523,490	3,643,074
Average interest bearing liabilities	2,934,632	3,031,708	3,018,211	3,061,305	3,149,347
CET 1 capital	328,180	335,601	357,192	385,783	415,808
Total capital	395,476	401,825	423,899	453,229	484,014
Gross non performing loans (NPL)	106,809	101,096	101,821	103,513	106,619
Per share (THB)					
Book value per share	25.76	26.92	28.57	30.66	32.85
Tangible book value per share	25.76	26.92	28.57	30.66	32.85
Growth					
Gross customer loans	12.7	(1.4)	2.0	3.0	3.0
Average interest earning assets	9.5	4.1	0.1	1.8	3.4
Total asset (%)	6.9	1.0	0.9	3.3	3.3
Risk weighted assets (%)	3.3	3.2	1.8	3.3	3.5
Customer deposits (%)	6.2	(0.9)	2.0	3.0	3.0
Leverage & capital measures					
Customer loan/deposits (%)	94.7	94.3	94.1	94.0	93.8
Equity/assets (%)	10.1	10.5	11.0	11.4	11.9
Tangible equity/assets (%)	10.1	10.5	11.0	11.4	11.9
RWA/assets (%)	58.1	59.3	59.9	59.9	60.0
CET 1 CAR (%)	15.9	15.7	16.5	17.2	17.9
Total CAR (%)	19.1	18.8	19.5	20.2	20.9
Asset Quality (FSSIA's calculation)					
Change in NPL (%)	(0.3)	(5.3)	0.7	1.7	3.0
NPL/gross loans (%)	4.1	3.9	3.9	3.8	3.8
Allowance for ECL/gross loans (%)	6.6	6.7	7.0	7.1	7.3
Allowance for ECL/NPL (%)	162.3	172.5	181.8	187.1	191.6
Valuation					
Recurring P/E (x) *	12.7	8.1	7.2	6.9	6.5
Recurring P/E @ target price (x) *	15.0	9.6	8.5	8.1	7.7
Reported P/E (x)	12.7	8.1	7.2	6.9	6.5
Dividend yield (%)	2.1	3.5	4.0	4.2	4.4
Price/book (x)	0.8	0.7	0.7	0.6	0.6
Price/tangible book (x)	0.8	0.7	0.7	0.6	0.6
Price/tangible book @ target price (x)	0.9	0.9	0.8	0.8	0.7

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Krung Thai Bank; FSSIA estimates

17 JULY 2023

EQUITY RESEARCH - COMPANY REPORT

TISCO FINANCIAL
 THAILAND / BANKING

TISCO TB

Growth strategy to continue in 2023

- Stay-the-course growth strategy to target more high-yield lending to offset the impact of rate hikes.
- NPLs are likely to rise, but TISCO expects this to be manageable.
- BUY with 2023 GGM-based TP of THB111 implies a P/BV of 2.02x.

More high-yield loans targeted in 2023

We are optimistic about TISCO's 2023 business strategy, which aims to continue 2022's growth rate via a high-yield lending policy. In addition, we have seen significant growth in high-yield loans, especially Auto Cash, with the proportion rising to 17% of total loans at the end of 2022 from 11% at the end of 2017. We think this strategy should improve NIM against potential rising interest rates as much of its portfolio is fixed-rate loans (73%), while most of its deposits are poised to rise within a year.

2H23 NIM likely weaker due to rising cost of funds

The overall message from the analyst meeting (13 July) confirms our view on the growth of high-yield loans, rising corporate loans (floating interest rate) along with the rising interest rate, rising cost of funds to impact its NIM in 2H23, and rising NPLs under manageable credit cost. In addition, management guided that in 2H23: 1) rising cost of funds should push TISCO's NIM lower (we have already factored this into our forecast); 2) credit cost should be stable at a very low level; and 3) loans through the "Somwang" channel grew by 5.3% q-q in 2Q23 and accounted for 64% of total loans against auto licenses despite the new branch target falling short.

2H23 outlook still positive in our view

We are still positive with its business outlook in 2H23. Most revenue contributions would still come from its banking business (accounted for 70% of total operating revenue in 1H23). TISCO should see lending growth in the high-yield segment along with a low credit cost policy. Though the impact from the rising interest rate would increase in 2H23, we believe the bank can manage its overall performance to be in line with its guidance and our 2023 forecast.

BUY with TP THB111

We have a BUY call and GGM-based TP of THB111, which implies a P/BV of 2.02x. We like TISCO for 1) its effective management of the impacts on its NIM by growing the high-yield loan segment; 2) its strategy of front-loading ECL during the Covid-19 pandemic; and 3) its attractive annual dividend yields projected at c8-9% during 2023-25.


Usanee Liurut, CISA

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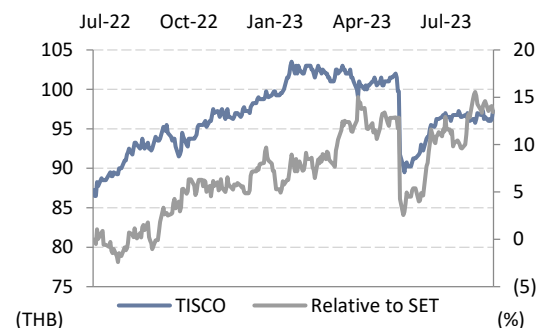
BUY

UNCHANGED

TARGET PRICE	THB111.00
CLOSE	THB97.25
UP/DOWNSIDE	+14.1%
PRIOR TP	THB111.00
CHANGE IN TP	UNCHANGED
TP vs CONSENSUS	+2.4%

KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Operating profit	8,988	9,328	9,851	10,425
Net profit	7,222	7,462	7,881	8,340
EPS (THB)	9.02	9.32	9.84	10.42
vs Consensus (%)	-	0.8	1.9	2.1
Recurring net profit	7,222	7,462	7,881	8,340
Core EPS (THB)	9.02	9.32	9.84	10.42
Chg. In EPS est. (%)	-	-	-	-
EPS growth (%)	6.4	3.3	5.6	5.8
Core P/E (x)	10.8	10.4	9.9	9.3
Dividend yield (%)	8.0	8.2	8.5	8.7
Price/book (x)	1.8	1.8	1.7	1.7
ROE (%)	17.2	17.2	17.8	18.3
ROA (%)	2.8	2.7	2.7	2.6



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	0.3	(4.2)	12.8
Relative to country (%)	3.1	0.5	14.2
Mkt cap (USD m)	2,246		
3m avg. daily turnover (USD m)	11.9		
Free float (%)	80		
Major shareholder	Thai NVDR (11%)		
12m high/low (THB)	104.00/86.00		
Issued shares (m)	801		

Sources: Bloomberg consensus; FSSIA estimates

Investment thesis

We like TISCO despite its exposure to the upward trend in interest rates due to:

- 1) We think the bank should be able to efficiently manage the potential impact on its net interest margin (NIM) by growing its balance sheet in the high-yield loan segment.
- 2) Its competitive strength. TISCO created a sufficient coverage ratio via front loading during the Covid pandemic. This should help reduce its expected credit loss (ECL) burden during a period when non-performing loans (NPLs) may accelerate.

TISCO is still trading at only 1.76x 2023E P/BV while offering very attractive dividend yields.

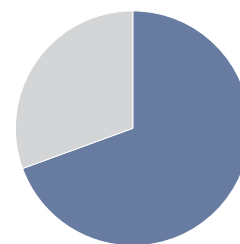
Company profile

TISCO was the first Thai investment bank (in 1969) and the first finance company to be upgraded to a commercial bank (in 2005). At present, TISCO is a financial group holding company with a sustainable development operating framework. TISCO's businesses are both retail banking and corporate banking.

www.tisco.co.th

Principal activities (revenue, 2022)

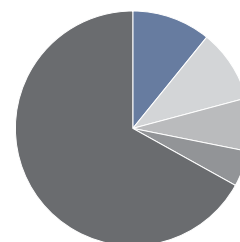
- Net interest income - 69.4 %
- Non-interest income - 30.6 %



Source: Tisco Financial

Major shareholders

- Thai NVDR - 10.8 %
- CDIB & Partners Investment Holding - 10.0 %
- South East Asia UK (Type C) Nominees - 7.3 %
- Tokyo Century Corp - 4.9 %
- Others - 66.9 %



Source: Tisco Financial

Catalysts

Potential share price catalysts for TISCO include:

- Aggressive growth in high-yield Auto Cash loans;
- A higher dividend payout ratio;
- A lower-than-expected credit cost.

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
12 Oct 2023	3Q23 results announcement

Key assumptions

	2023E	2024E	2025E
	(%)	(%)	(%)
Net profit (THB m)	7,462	7,881	8,340
Net profit growth (%)	3.3	5.6	5.8
NIM (%)	4.89	4.90	4.91
Loan growth (%)	8.0	8.0	8.0
Fee growth (%)	1.1	1.0	1.0
Non-interest income growth (%)	0.7	1.3	1.3
Credit cost (bp)	30.0	30.0	30.0
Cost to income (%)	47.6	47.5	47.5

Source: FSSIA estimates

Earnings sensitivity

		2023E		
Loan growth (%)	±2ppt	6	8	10
% change in net profit		(2)		+2
NIM (%)	±5bp	4.84	4.89	4.94
% change in net profit		(2)		+2
Credit cost (bp)	±10bp	20	30	40
% change in net profit		+2		(2)

Source: FSSIA estimates

Growth strategy to continue in 2023

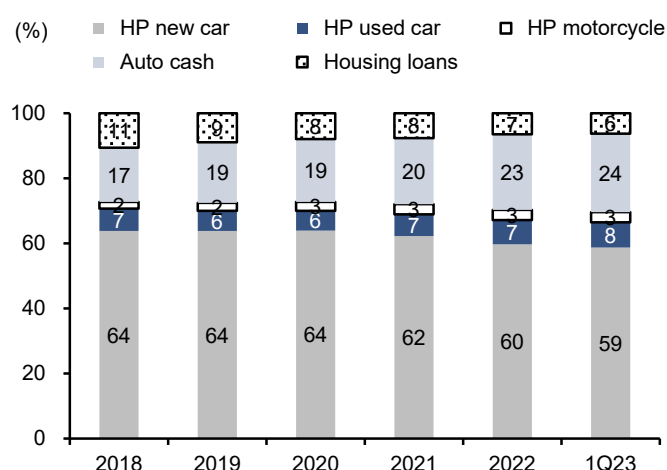
We are optimistic about TISCO's 2023 business strategy of continuing the growth seen in 2022 via a high-yield lending policy. Its average net loan growth during 2020-21 was -9% CAGR, with a consistent decline in the low-yield (corporate, hire purchase and housing) and high-risk (commercial) segments. Meanwhile, we have seen significant growth in high-yield loans, especially Auto Cash, with the proportion rising to 17% of total loans at the end of 2022 from 11% at the end of 2017. We think this strategy should favour NIM improvement during a period of rising interest rates (the 2023 NIM target is a reduction of no more than 50bp from 5% last year) as much of its portfolio is fixed-rate loans (73%), while most of its deposits are poised to rise within a year.

Exhibit 131: Loan growth (five-year CAGR during 2018-22)

	2019	2020	2021	2Y-CAGR (2020-21)	2022	Change (2022/21)
	(THB b)	(THB b)	(THB b)	(%)	(THB B)	(y-y %)
Corporate	37	37	36	-1%	44	24%
Commercial	13	10	8	-20%	14	69%
Retail & others	193	177	159	-9%	160	1%
HP	138	127	112	-10%	110	-2%
Housing	17	14	12	-16%	10	-14%
Auto title	36	34	32	-6%	36	15%
Others	4	2	3	-23%	3	31%
Total	243	225	203	-9%	219	8%

Sources: TISCO; FSSIA's compilation

Exhibit 132: Retail loan portfolio breakdown



Sources: TISCO; FSSIA's compilation

Exhibit 133: Loan classification breakdown

	Loan classification							% of total gross loans					
	2018	2019	2020	2021	2022	5Y-CAGR	1Q23	2018	2019	2020	2021	2022	1Q23
	(THB b)	(THB b)	(THB b)	(THB b)	(THB b)	(%)	(THB b)	(%)	(%)	(%)	(%)	(%)	(%)
Stage 1 - Performing	217.8	220.2	189.7	175.8	192.3	-3.4%	194.0	90.5	90.7	84.4	86.6	87.8	88.2
Stage 2 - Under-performing	16.0	16.8	29.5	22.2	22.1	5.8%	21.4	6.6	6.9	13.1	10.9	10.1	9.7
Stage 3 - Non-performing	6.9	5.8	5.6	5.0	4.6	-4.7%	4.7	2.9	2.4	2.5	2.4	2.1	2.1
Total	240.7	242.8	224.8	202.9	219.0	-2.7%	220.1	100.0	100.0	100.0	100.0	100.0	100.0

Sources: TISCO; FSSIA's compilation

Exhibit 134: Allowance for ECL breakdown by stage

	Allowance for ECL							% of gross loans*					
	2018	2019	2020	2021	2022	5Y-CAGR	1Q23	2018	2019	2020	2021	2022	1Q23
	(THB b)	(THB b)	(THB b)	(THB b)	(THB b)	(%)	(THB b)	(%)	(%)	(%)	(%)	(%)	(%)
Stage 1 - Performing	6.1	6.2	6.5	6.7	7.0	3.0%	6.8	2.5	2.6	2.9	3.3	3.2	3.1
Stage 2 - Under-performing	3.2	2.5	3.7	3.3	3.1	-3.1%	3.0	1.3	1.0	1.6	1.6	1.4	1.4
Stage 3 - Non-performing	2.4	2.0	1.7	1.7	1.8	1.0%	1.9	1.0	0.8	0.8	0.8	0.8	0.9
Total	11.7	10.7	11.8	11.7	11.8	0.9%	11.6	4.8	4.4	5.3	5.8	5.4	5.3

Sources: TISCO; FSSIA's compilation

Exhibit 135: TISCO's GGM-based TP

Target price	THB 111.00
Sustainable ROE	17.8%
g	1.0%
ROE-g	16.8%
Beta	0.85
RF	2.5%
MRP	8.0%
COE	9.3%
COE-g	8.3%
ROE-g/COE-g (PBV)	2.02x

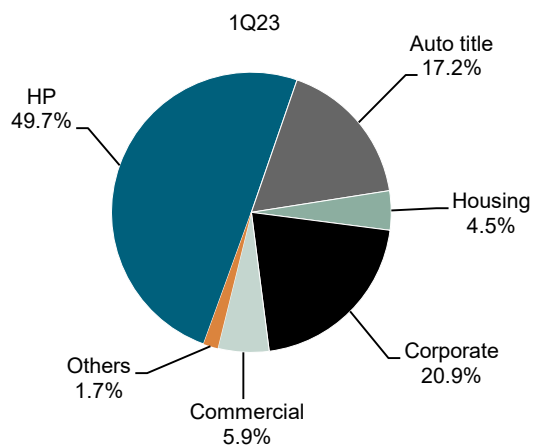
Source: FSSIA estimates

Exhibit 136: TISCO's 2023 financial guidance vs FSSIA's forecasts

	TISCO 2023E	FSSIA 2023E
Loan growth	5-10%	8.0%
NPL ratio (gross)	< 2.5%	2.1%
Net interest margin	~ 4.6%	4.89%
Net fee income growth	Stable	1.1%
Cost to income	~ 50%	47.6%
Credit cost	34	30

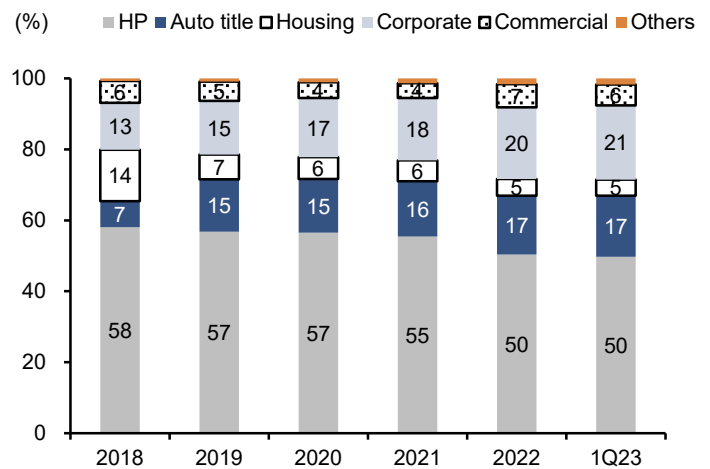
Sources: BBL; FSSIA estimates

Exhibit 137: Loan breakdown, 1Q23



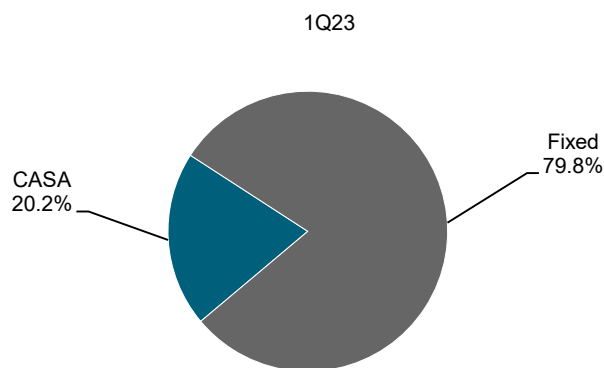
Sources: TISCO; FSSIA's compilation

Exhibit 138: Loan breakdown, 2018-1Q23



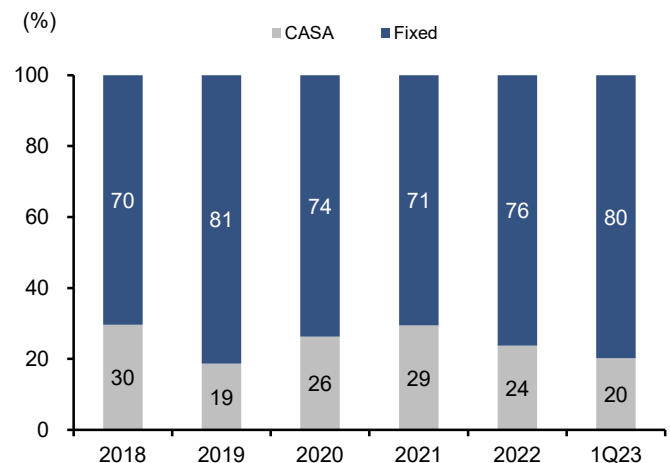
Sources: TISCO; FSSIA's compilation

Exhibit 139: Deposit structure, 1Q23

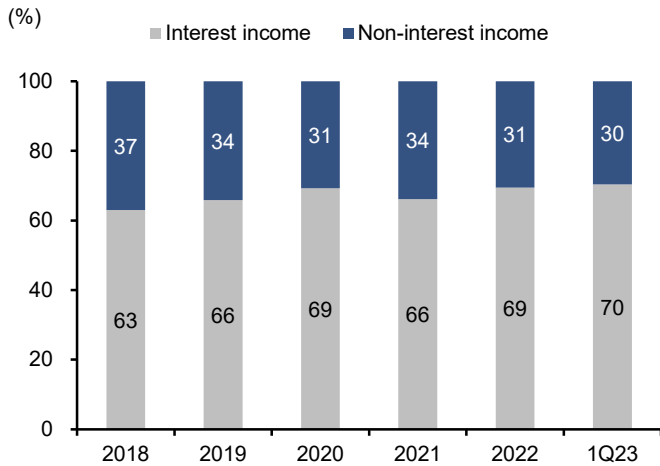


Sources: TISCO; FSSIA's compilation

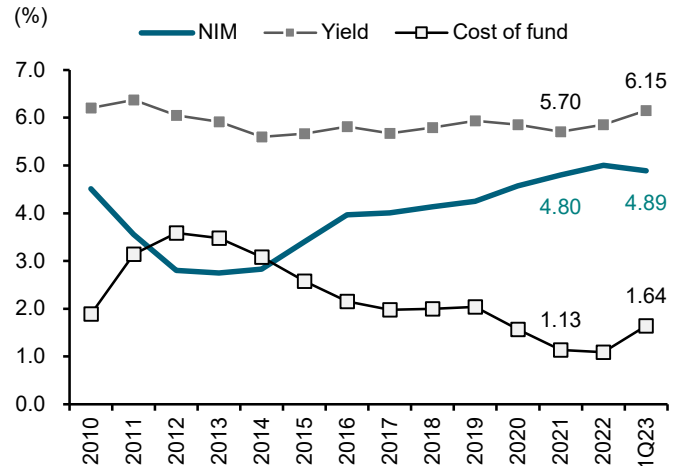
Exhibit 140: Deposit structure, 2018-1Q23



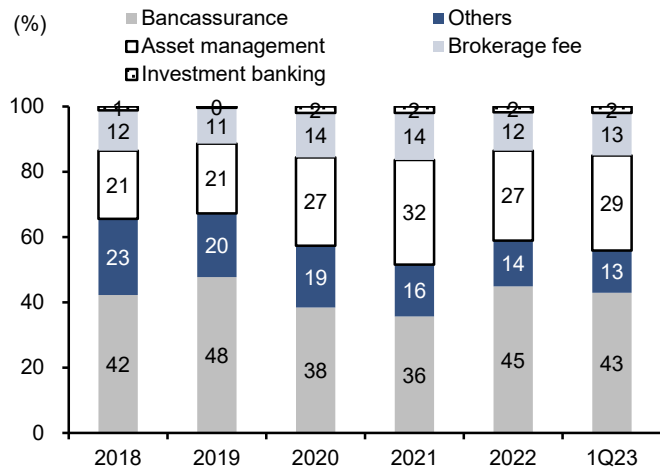
Sources: TISCO; FSSIA's compilation

Exhibit 141: Revenue breakdown

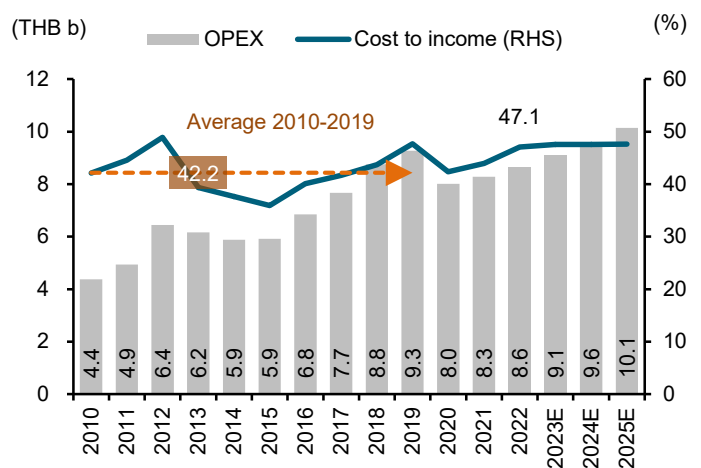
Sources: TISCO; FSSIA's compilation

Exhibit 142: NIM, yield, and cost of funds

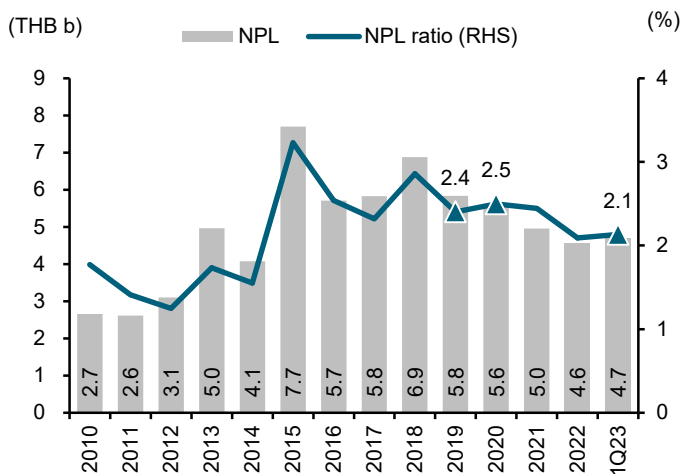
Sources: TISCO; FSSIA's calculation

Exhibit 143: Fee income breakdown

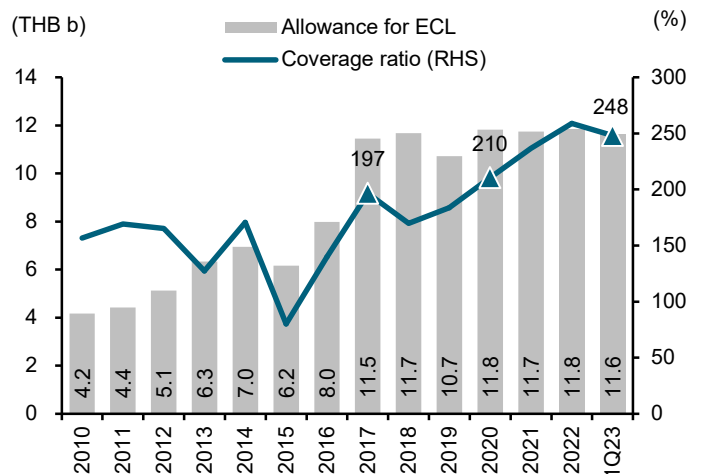
Sources: TISCO; FSSIA's compilation

Exhibit 144: Cost to income

Sources: TISCO; FSSIA estimates

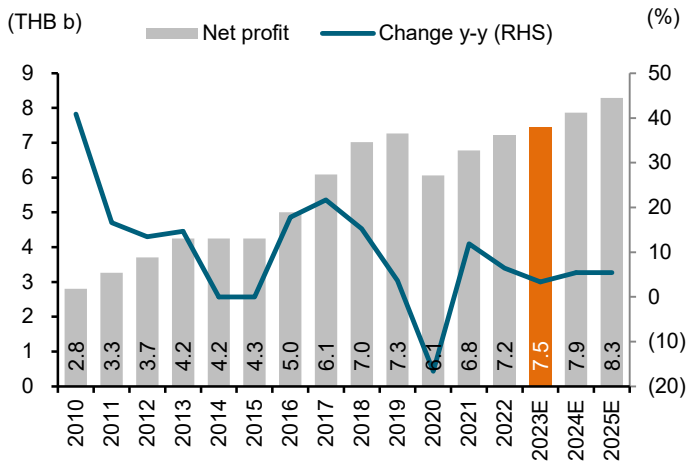
Exhibit 145: NPLs and NPL ratio*

Sources: TISCO; *FSSIA's calculation

Exhibit 146: Coverage ratio

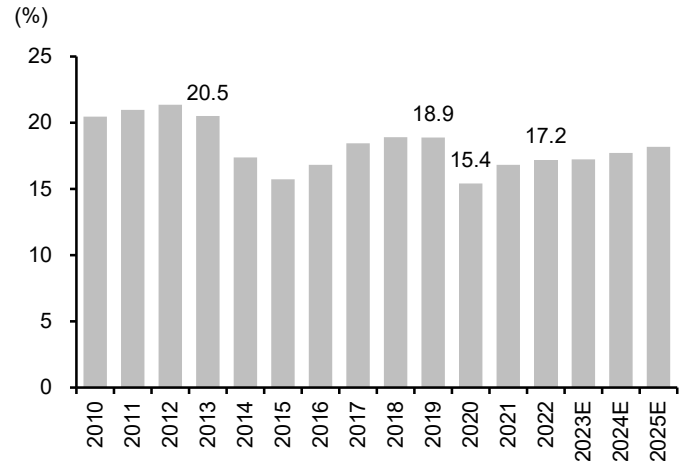
Sources: TISCO; FSSIA's calculation

Exhibit 147: Net profit and growth



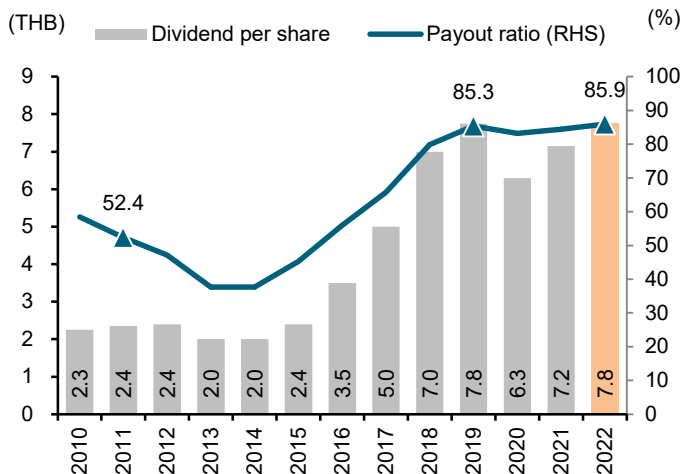
Sources: TISCO; FSSIA estimates

Exhibit 148: ROE



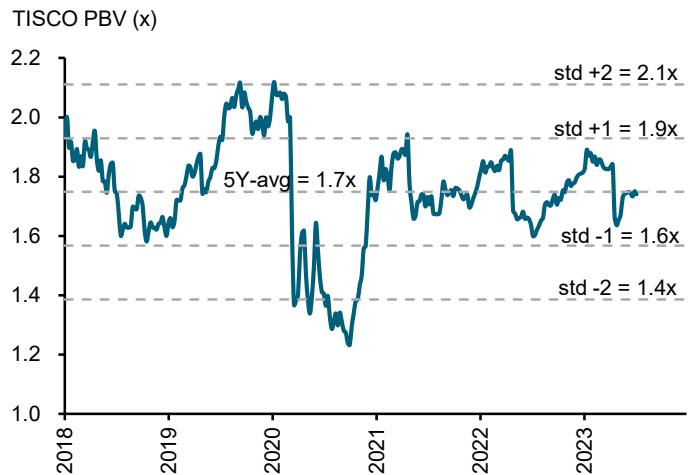
Sources: TISCO; FSSIA estimates

Exhibit 149: Dividend and payout ratio



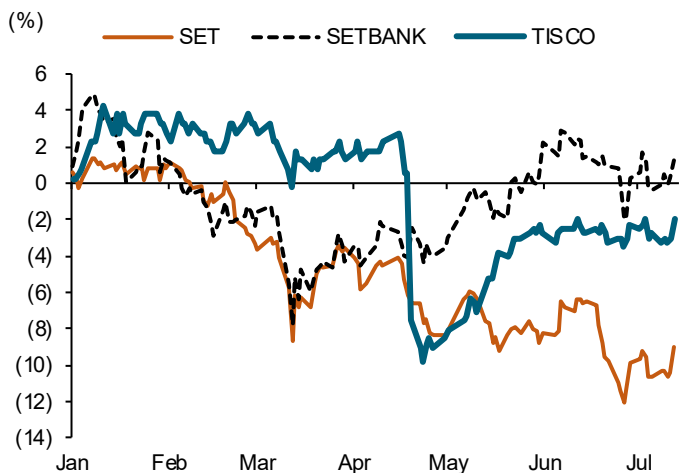
Sources: TISCO; FSSIA's compilation

Exhibit 150: One-year forward rolling P/BV



Sources: Bloomberg; FSSIA estimates

Exhibit 151: Share price performance as of close on 14 July 2023



Source: Bloomberg

Exhibit 152: 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)
TTB TB	(3.7)	11.4	10.6	39.3	10.6
SET Index	(2.7)	(5.2)	(9.7)	(1.0)	(9.0)
SETBANK Index	(0.2)	4.0	(1.3)	13.4	1.2

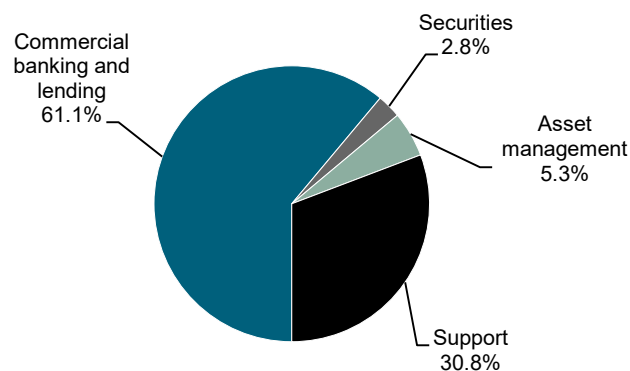
Source: Bloomberg

Exhibit 153: Network expansion

	2018	2019	2020	2021	2022	1Q23
	(no.)	(no.)	(no.)	(no.)	(no.)	(no.)
Branches	299	347	405	411	504	538
Change y-y (RHS)	46	48	58	6	93	34
- Bank	61	60	58	55	54	54
Change y-y (RHS)	1	(1)	(2)	(3)	(1)	0
- Somwang*	238	287	347	356	450	484
Change y-y (RHS)	45	49	60	9	94	34
Employees	4,837	5,031	5,013	4,879	5,090	5,112
Change y-y (RHS)	241	194	(18)	(134)	211	22

* Somwang provides Auto Cash loans
Sources: TISCO; FSSIA's compilation

Exhibit 154: Total operating income by business*, 2022



* Before eliminations
Sources: TISCO; FSSIA's compilation

Exhibit 155: Segment operations, 2022

	Business type				Total (THB m)	Eliminations (THB m)	Total (THB m)
	Commercial banking & lending	Securities	Asset management	Support			
	(THB m)	(THB m)	(THB m)	(THB m)			
Reported revenues	17,025	785	1,482	8,573	27,865	(9,560)	18,305
Operating income							
Net interest	12,703	16	4	8	12,731	3	12,734
Net fees & services	3,810	744	1,467	1,146	7,167	(2,121)	5,046
Others	512	25	11	7,419	7,967	(7,442)	525
Total operating income	17,025	785	1,482	8,573	27,865	(9,560)	18,305
Profit before income tax	7,091	193	829	6,117	14,230	(5,239)	8,991
% of segment revenue	42%	25%	56%	71%	51%	55%	49%
% of total revenues	79%	2%	9%	68%	158%	-58%	100%
Total assets	258,872	3,111	1,534	33,943	297,460	(32,046)	265,414
% of total assets	98%	1%	1%	13%	112%	-12%	100%

Sources: TISCO; FSSIA's compilation

Exhibit 156: TISCO's 2Q23 operations summary

Year end Dec 31	2Q22	1Q23	2Q23	---- Change ----		1H23	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	3,107	3,287	3,420	4	10	6,707	9	50	12,734	13,451	6
Non-interest income	1,457	1,384	1,324	(4)	(9)	2,707	(4)	48	5,607	5,644	1
Fee income - net	1,168	1,266	1,152	(9)	(1)	2,418	(1)	47	5,081	5,137	1
Total operating income	4,564	4,671	4,743	2	4	9,414	5	49	18,341	19,094	4
Total operating expenses	2,125	2,282	2,378	4	12	4,659	10	51	8,630	9,083	5
PPOP before tax	2,439	2,389	2,366	(1)	(3)	4,755	(0)	47	9,711	10,011	3
Expected credit loss	140	155	63	(59)	(55)	218	(3)	32	723	683	(5)
Income tax	451	441	449	2	(1)	889	(0)	48	1,766	1,866	6
Non-controlling interest	0	0	0			0			0	0	
Net profit	1,848	1,793	1,854	3	0	3,646	0	49	7,222	7,462	3
EPS (THB)	2.31	2.24	2.32	3	0	4.55	0	49	9.02	9.32	3
Key ratios	2Q22	1Q23	2Q23	---- Change ----		1H23	Change		2022	2023E	Change
Asset quality ratio	(%)	(%)	(%)	(q-q%)	(y-y%)	(THB m)	(y-y %)		(%)	(%)	(y-y %)
Gross NPLs (THB m)	4,464	4,694	5,065	8	13	5,065	13		4,577	5,034	10
Change (% from prior period)	1.8	2.6	7.9			13.5			(7.7)	10.0	
NPL ratios (%) - reported	2.20	2.13	2.20						2.09		
NPL ratio (%)*	2.20	2.13	2.20			2.20			2.09	2.13	
Coverage ratio (%) - reported	253	248	224			224			259	231	
Coverage ratio (%)*	253	248	224			224			259	231	
Credit cost (bp)	28	28	11			19			34	30	
Profitability ratio	(%)	(%)	(%)			(%)			(%)	(%)	
Cost to income ratio	46.5	48.9	50.1			49.5			47.1	47.6	
Average yield (%)	5.88	6.15	6.44			6.58			5.86	6.18	
Cost of funds (%)	1.06	1.60	1.80			1.77			1.09	1.63	
NIM (%) - reported	5.05	4.98	5.02			5.02			5.09		
NIM (%)*	5.05	4.89	5.01			5.17			5.00	4.89	
Non-int inc/total income (%)	31.9	29.6	27.9			28.8			30.6	29.6	
Liquidity ratio	(%)	(%)	(%)						(%)	(%)	
Loan/deposit	120.4	111.9	115.6						116.3	116.9	
Loan/deposit & borrowing (LDBR)	109.3	106.0	108.0						107.3	108.2	
Capital adequacy ratio	(%)	(%)	(%)						(%)	(%)	
CAR	22.2	20.6	20.2						20.6	21.1	
CET 1/ Risk assets	18.2	17.2	16.9						17.2	17.9	
Tier 2 / Risk assets	4.0	3.5	3.3						3.5	3.2	
Loan growth	(%)	(%)	(%)			(%)			(%)	(%)	
Year-to-date	0.2	0.5	5.2			5.2					
q-q	(0.1)	0.5	4.7								
y-y	(5.0)	8.1	13.4						7.9	8.0	

* FSSIA's calculation

Sources: TISCO; FSSIA estimates

Exhibit 157: Regional peers comparison as of 14 July 2023

Company	BBG	Share price (LCY)	Market Cap (USD b)	----- PE -----		----- PBV -----		----- ROE -----		----- Div yld -----	
				23E	24E	23E	24E	23E	24E	23E	24E
				(x)	(x)	(x)	(x)	(%)	(%)	(x)	(x)
Thailand											
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
Thailand average			44.3	8.2	7.6	0.8	0.8	10.2	10.4	4.0	4.3
Hong Kong											
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
Hong Kong average			674.1	4.1	4.0	0.5	0.4	11.9	11.5	9.1	9.9
China											
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
China average			687.0	4.8	4.5	0.5	0.5	11.2	10.9	6.4	6.8
South Korea											
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
South Korea average			45.1	3.5	3.4	0.3	0.3	9.6	9.2	8.0	8.4
Indonesia											
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
Indonesia average			181.8	14.2	12.6	2.5	2.2	17.8	18.1	3.6	4.2
Malaysia											
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
Malaysia average			67.4	9.8	9.3	1.1	1.0	11.2	11.1	5.7	6.1
Singapore											
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
Singapore average			139.8	8.3	8.2	1.1	1.1	14.1	13.6	6.0	6.3
Regional average (excl. Thailand)			1,795.1	7.8	7.3	1.1	1.0	12.7	12.5	6.3	6.8
Total average (incl. Thailand)			1,839.4	7.9	7.3	1.0	0.9	12.3	12.2	6.2	6.6

*simple average

Sources: Bloomberg consensus; FSSIA estimates for Thai banks

Corporate Governance and ESG – TISCO

Board structure, 2022

Independent Directors (ID)	5 of 13 board members, 3 female
Percentage of IDs on the board	38.5%
ID attendance at board meetings	100%
ID in audit/remuneration committee	3/3 in audit committee and 2/4* in remuneration committee
ID terms	Nine-consecutive years

Additional information: 1) Chairman of the Board is a non-executive director, and not a member in any other committee; 2) the Board comprised four executive directors (31%); 3) number of independent non-executive directors is set to be more than executive directors; 4) the two non-ID audit committee are non-executive directors.

Compensation and remuneration

Directors' remuneration vs earnings/ROE/share performance	In 2022, THB20.27m, or 0.28% 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

E/S/G	2022 Indicators	2022 sustainability achievement	2023-2025 sustainability target
Environment	Power consumption efficiency	207.48 KW-Hour per square metre	Under 250 KW/Hour per square metre, and over 3% reduction from 2022
	Water consumption	30,320 cubic metres per year	Under 30,000 cubic metres per year and over 5% reduction from 2022
	Paper consumption	83 tonnes, a 24.55% reduction from the previous year	Under 100 tonnes per year. and over 3% reduction from 2022
	Greenhouse gas emissions from head office building (Scope 1&2)	19.37% reduction in Greenhouse gas emissions from head office building (Scope 1&2) from the base year	Over 14% reduction in Greenhouse gas emissions from head office building (Scope 1&2) from the base year (2017)
	Lending service for EV	Extending loans for 1,325 EV cars, representing 13.69% of the newly registered EVs	Loans for over 10% of newly registered EVs
	Support for large-scale environmentally friendly lending projects	20.99% of large-scale lending projects	Over 20% of large-scale lending projects
Social	Customer satisfaction (Net Promoter Score - NPS)	37%	45%
	Educating interested customers and general public with financial knowledge	526,954 persons	Over 500,000 persons per year
	Building financial skills in the young generations to support growth in the "Somwang Ngern Sang Dai" brand	"Karn Ngern Som Wang Camp" Project, with 31 children participation	At least 1 project per year
	Providing educational opportunities to children	TISCO Ruam Jai 12 Project saw the construction of a building and canteen for Ban Khlong Sipsam School, Sakaew, with a total value of THB9.3m	At least 1 project per year
	Investment in communities	Total investment of THB44.9m	Ongoing projects
	Creating a happy organisation	87% employee satisfaction 93.4% retention rate Zero complaints related to labour issues and human rights	Over 85% employee satisfaction Over 90% retention rate Zero complaints related to labour issues and human rights
Governance	Corporate governance and upholding good and accepted business ethics	Excellent CG assessment of 96 out of 100 points from the Institute of Directors	Excellent evaluation scores by external agencies
	Data breach cases with customer impact	Zero cases	Zero cases
	Promoting sustainability with partners	Conduct a safety driving training program with partners who provide document delivery services	Conduct a safety driving training program with partners who provide document delivery services
	Implementation of responsible lending guidelines	All corporate financial loans are assessed for social and environmental impact	100% of corporate financial loans are assessed for social and environmental impact

Additional information: None
Source: [TISCO](#); FSSIA's compilation

Audit Practices

Auditor	EY Office Limited
Length of service	More than five years
Reporting incidents	None
Fee track record	THB10.93m, +2.8% from 2021
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

Tisco Financial

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Interest Income	14,792	14,904	17,002	18,382	19,821
Interest expense	(2,332)	(2,171)	(3,551)	(3,914)	(4,248)
Net interest income	12,460	12,734	13,451	14,467	15,573
Net fees & commission	5,615	5,081	5,137	5,189	5,240
Foreign exchange trading income	0	0	0	0	0
Securities trading income	410	89	89	90	90
Dividend income	70	73	77	81	85
Other income	281	363	340	358	377
Non interest income	6,376	5,607	5,644	5,717	5,792
Total income	18,836	18,341	19,094	20,184	21,365
Staff costs	(5,727)	(6,107)	(6,351)	(6,605)	(6,869)
Other operating costs	(2,552)	(2,523)	(2,732)	(2,990)	(3,274)
Operating costs	(8,279)	(8,630)	(9,083)	(9,595)	(10,143)
Pre provision operating profit	10,557	9,711	10,011	10,589	11,222
Expected credit loss	(2,064)	(723)	(683)	(738)	(797)
Other provisions	-	-	-	-	-
Operating profit	8,493	8,988	9,328	9,851	10,425
Recurring non operating income	0	0	0	0	0
Associates	-	-	-	-	-
Goodwill amortization	-	-	-	-	-
Non recurring items	0	0	0	0	0
Profit before tax	8,493	8,988	9,328	9,851	10,425
Tax	(1,708)	(1,766)	(1,866)	(1,970)	(2,085)
Profit after tax	6,785	7,222	7,462	7,881	8,340
Non-controlling interest	0	0	0	0	0
Preferred dividends	-	-	-	-	-
Other items	0	0	0	0	0
Reported net profit	6,785	7,222	7,462	7,881	8,340
Non recurring items & goodwill (net)	-	-	0	0	0
Recurring net profit	6,785	7,222	7,462	7,881	8,340
Per share (THB)					
Recurring EPS *	8.47	9.02	9.32	9.84	10.42
Reported EPS	8.47	9.02	9.32	9.84	10.42
DPS	7.15	7.75	8.00	8.25	8.50
Growth					
Net interest income (%)	(4.9)	2.2	5.6	7.6	7.6
Non interest income (%)	9.8	(12.1)	0.7	1.3	1.3
Pre provision operating profit (%)	(3.1)	(8.0)	3.1	5.8	6.0
Operating profit (%)	12.3	5.8	3.8	5.6	5.8
Reported net profit (%)	11.9	6.4	3.3	5.6	5.8
Recurring EPS (%)	11.9	6.4	3.3	5.6	5.8
Reported EPS (%)	11.9	6.4	3.3	5.6	5.8
Income Breakdown					
Net interest income (%)	66.1	69.4	70.4	71.7	72.9
Net fees & commission (%)	29.8	27.7	26.9	25.7	24.5
Foreign exchange trading income (%)	-	-	-	-	-
Securities trading income (%)	2.2	0.5	0.5	0.4	0.4
Dividend income (%)	0.4	0.4	0.4	0.4	0.4
Other income (%)	1.5	2.0	1.8	1.8	1.8
Operating performance					
Gross interest yield (%)	5.70	5.86	6.18	6.23	6.25
Cost of funds (%)	1.13	1.09	1.63	1.67	1.69
Net interest spread (%)	4.57	4.77	4.55	4.56	4.56
Net interest margin (%)	4.8	5.0	4.9	4.9	4.9
Cost/income(%)	44.0	47.1	47.6	47.5	47.5
Cost/assets(%)	3.2	3.4	3.3	3.2	3.2
Effective tax rate (%)	20.1	19.6	20.0	20.0	20.0
Dividend payout on recurring profit (%)	84.4	85.9	85.8	83.8	81.6
ROE (%)	16.8	17.2	17.2	17.8	18.3
ROE - COE (%)	6.0	6.4	6.4	7.0	7.5
ROA (%)	2.6	2.8	2.7	2.7	2.6
RORWA (%)	3.8	4.0	3.8	3.7	3.7

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Tisco Financial; FSSIA estimates

Financial Statements

Tisco Financial

Balance Sheet (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Gross customer loans	202,950	219,004	236,524	255,446	275,882
Allowance for expected credit loss	(11,740)	(11,845)	(11,628)	(12,566)	(13,563)
interest in suspense	1,713	1,722	1,892	2,044	2,207
Net customer loans	192,922	208,881	226,788	244,924	264,526
Bank loans	30,489	40,272	42,165	44,105	46,178
Government securities	-	-	-	-	-
Trading securities	-	-	-	-	-
Investment securities	2,891	3,045	2,699	2,816	2,938
Cash & equivalents	1,103	1,005	1,249	1,129	1,001
Other interesting assets	8,043	3,990	4,189	4,399	4,619
Tangible fixed assets	2,781	2,786	2,926	3,072	3,225
Associates	-	-	-	-	-
Goodwill	131	100	100	100	100
Other intangible assets	-	-	-	-	-
Other assets	5,262	5,334	5,571	5,802	6,047
Total assets	243,622	265,414	285,687	306,346	328,634
Customer deposits	166,542	188,266	202,386	219,589	238,693
Bank deposits	8,081	6,195	7,187	7,546	7,923
Other interest bearing liabilities	15,236	16,014	16,692	15,602	14,445
Non interest bearing liabilities	12,563	12,148	15,580	18,651	21,263
Hybrid Capital	-	-	-	-	-
Total liabilities	202,422	222,623	241,845	261,387	282,324
Share capital	8,007	8,007	8,007	8,007	8,007
Reserves	33,191	34,782	35,832	36,949	38,299
Total equity	41,197	42,788	43,839	44,955	46,305
Non-controlling interest	3	3	4	4	4
Total liabilities & equity	243,622	265,414	285,687	306,346	328,634
Supplementary items					
Risk weighted assets (RWA)	174,636	188,747	203,164	217,856	233,706
Average interest earning assets	259,356	254,501	275,059	295,259	317,251
Average interest bearing liabilities	205,845	199,901	218,010	234,015	251,365
CET 1 capital	32,421	32,372	36,410	37,326	38,476
Total capital	40,481	38,920	42,823	43,940	45,290
Gross non performing loans (NPL)	4,957	4,577	5,034	5,638	6,315
Per share (THB)					
Book value per share	51.45	53.44	54.75	56.15	57.83
Tangible book value per share	51.29	53.32	54.63	56.02	57.71
Growth					
Gross customer loans	(9.7)	7.9	8.0	8.0	8.0
Average interest earning assets	(9.4)	(1.9)	8.1	7.3	7.4
Total asset (%)	(11.6)	8.9	7.6	7.2	7.3
Risk weighted assets (%)	(5.7)	8.1	7.6	7.2	7.3
Customer deposits (%)	(18.2)	13.0	7.5	8.5	8.7
Leverage & capital measures					
Customer loan/deposits (%)	115.8	111.0	112.1	111.5	110.8
Equity/assets (%)	16.9	16.1	15.3	14.7	14.1
Tangible equity/assets (%)	16.9	16.1	15.3	14.6	14.1
RWA/assets (%)	71.7	71.1	71.1	71.1	71.1
CET 1 CAR (%)	18.6	17.2	17.9	17.1	16.5
Total CAR (%)	23.2	20.6	21.1	20.2	19.4
Asset Quality (FSSIA's calculation)					
Change in NPL (%)	(11.8)	(7.7)	10.0	12.0	12.0
NPL/gross loans (%)	2.4	2.1	2.1	2.2	2.3
Allowance for ECL/gross loans (%)	5.8	5.4	4.9	4.9	4.9
Allowance for ECL/NPL (%)	236.8	258.8	231.0	222.9	214.8
Valuation					
Recurring P/E (x) *	11.5	10.8	10.4	9.9	9.3
Recurring P/E @ target price (x) *	13.1	12.3	11.9	11.3	10.7
Reported P/E (x)	11.5	10.8	10.4	9.9	9.3
Dividend yield (%)	7.4	8.0	8.2	8.5	8.7
Price/book (x)	1.9	1.8	1.8	1.7	1.7
Price/tangible book (x)	1.9	1.8	1.8	1.7	1.7
Price/tangible book @ target price (x)	2.2	2.1	2.0	2.0	1.9

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Tisco Financial; FSSIA estimates

17 JULY 2023

EQUITY RESEARCH - INITIATION REPORT

SCB X **SCB TB**
 THAILAND / BANKING

FINANSIA
 FSS INTERNATIONAL INVESTMENT ADVISORY
BUY

New business trajectory is on track

- Gen 1 & Gen 2 businesses growing as planned under new policy.
- We project 2023-24 net profits to grow by 17.8% y-y and 8.4% y-y, with ROE expected to rise to 9.7% in 2024.
- We initiate coverage of SCB with a BUY rating. Our 2023 GGM-based TP of THB123 implies a P/BV of 0.85x.

Business restructuring remains on track

We are optimistic about SCB's new business structure, which reflects its growth direction under a simplified business arrangement. After the completion of SCBX's restructuring in 2022, the business trajectory remains on track. For the banking business (Gen 1), the ongoing plan of implementing a digital wealth model has had good progress under the bank's new focus on wealth customers while reducing its focus on growth in traditional loans (corporate and SME). For other retail loans, the bank will focus on low-risk groups, especially mortgage loans. For Gen 2, CardX (4.8% of total loans) and autoX (0.5% of total loans) have delivered solid growth under prudent provisions and asset quality amid the current market situation.

Higher NIM and lower credit cost to benefit 2Q23 profit

We expect a 2Q23 net profit of THB11,173m (+11 y-y, +2% q-q), with an improvement in SCB's net interest income (NII) and net interest margin (NIM), driven by 1) an increase in interest rates for most types of loans, as opposed to savings rates (77% of total deposits), which remained flat during the same period; and 2) an increase in interbank and investment returns following the policy rate hikes. Besides this, we expect credit cost to fall by 17 bps to 1.49% in 2Q23 (the upper bound of its 2023 target), with less concern over asset quality from its NPL (stage 2&3) movement.

Expect earnings growth momentum in the next two years

The overall performance in 3Q23 should remain positive, as in 2Q23E, driven by strong NII, a rising NIM, and stable credit costs. Overall, we project SCB's net profit in 2023-24 to grow by 17.8% y-y and 8.4% y-y, respectively, with ROE expected to rise to 9.7% in 2024. We give credit to Gen 1's earnings contribution to the group's profit, which benefited from the rising interest rate, while Gen 2, despite seeing strong growth, has yet provided very low earnings contributions.

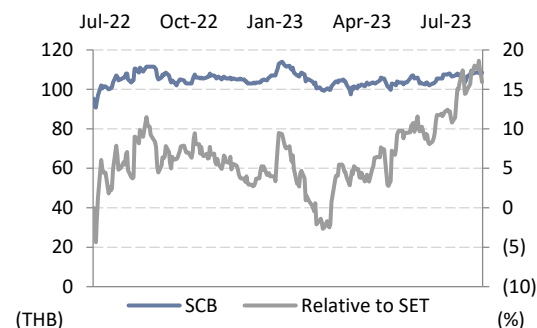
Initiate with BUY; low valuation with attractive dividend yields

We initiate coverage of SCB with a BUY call. Our 2023 GGM-based TP of THB123 implies a P/BV of 0.85x, with a potential upside of 13% and very attractive dividend yields at 6-7% pa during 2023-25.

TARGET PRICE	THB123.00
CLOSE	THB108.50
UP/DOWNSIDE	+13.4%
TP vs CONSENSUS	-4.1%

KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Operating profit	50,718	56,913	60,975	65,087
Net profit	37,546	44,242	47,960	51,208
EPS (THB)	11.15	13.14	14.24	15.21
vs Consensus (%)	-	1.5	1.0	(0.7)
Recurring net profit	37,546	44,242	47,960	51,208
Core EPS (THB)	11.15	13.14	14.24	15.21
EPS growth (%)	6.4	17.8	8.4	6.8
Core P/E (x)	9.7	8.3	7.6	7.1
Dividend yield (%)	6.2	6.7	6.9	7.4
Price/book (x)	0.8	0.8	0.7	0.7
ROE (%)	8.3	9.4	9.7	9.8
ROA (%)	1.1	1.3	1.3	1.3



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	0.5	2.8	14.2
Relative to country (%)	3.3	7.9	15.6
Mkt cap (USD m)	10,538		
3m avg. daily turnover (USD m)	35.8		
Free float (%)	53		
Major shareholder	King Rama X (24%)		
12m high/low (THB)	114.00/89.75		
Issued shares (m)	3,399		

Sources: Bloomberg consensus; FSSIA estimates



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Investment thesis

- We are optimistic about SCB's new business structure, which reflects its growth direction under a simplified business arrangement.
- Its successful transformation will allow it to penetrate the high-risk-reward lending industry and capture the digital industry's high growth potential.
- SCB is another big bank that should enjoy the benefit of rising interest rates due primarily to the good composition of its loan and deposit mix.
- Asset quality is manageable with no alarming signs of rising credit cost.
- Current share price is still trading at only 0.76x 2023E P/BV with a potential upside of 13%, while offering very attractive dividend yields in 2023-25.

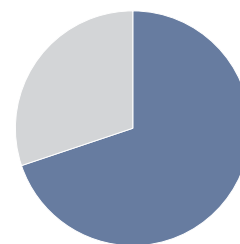
Company profile

SCB is the first commercial bank in Thailand, established in 1906. It is ranked the fourth largest in terms of total loans, the fourth largest for deposits and the fourth largest for total assets as of end-2021. It had a total of 718 branches, with 20m digital users at end-2021.

www.scb.co.th

Principal activities (revenue, 2022)

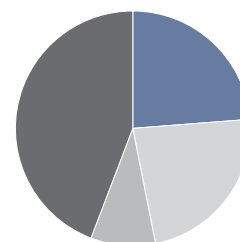
- Net interest income - 69.9 %
- Non-interest income - 30.1 %



Source: SCB X

Major shareholders

- King Rama X - 23.8 %
- Vayupak Fund - 23.1 %
- Thai NVDR - 8.9 %
- Others - 44.2 %



Source: SCB X

Catalysts

Potential share price catalysts for SCB include:

- 1) Higher interest rate rises than we expect;
- 2) Higher growth contribution from Gen 2 business;
- 3) Lower credit cost mainly from better asset quality;
- 4) Lower cost-to-income ratio than expected due to better cost control.

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
20-21 July 2023	2Q23 results announcement

Key assumptions

	2023E	2024E	2025E
Year-to-Dec	(%)	(%)	(%)
Net profit (THB m)	44,242	47,960	51,208
Net profit growth (%)	17.8	8.4	6.8
NIM (%)	3.60	3.70	3.72
Loan growth (%)	5.0	5.0	5.0
Fee growth (%)	1.8	2.0	3.0
Non-NII growth (%)	2.9	(2.3)	4.9
Credit cost (bp)	150.0	140.0	140.0
Cost to income (%)	45.1	45.5	44.9

Source: FSSIA estimates

Earnings sensitivity

			2023E	
Loan growth	±2ppt	3	5	7
% change in net profit			-	
NIM (%)	±5bp	3.55	3.60	3.65
% change in net profit			-	
Credit cost (bp)	±10bp	140	150	160
% change in net profit		3	5	7

Source: FSSIA estimates

Business restructuring remains on track

We are optimistic about SCB's new business structure, which reflects its growth direction under a simplified business arrangement. After the completion of SCBX's restructuring in 2022, the business trajectory remains on track. For the banking business (Gen 1), the ongoing plan of implementing a digital wealth model has had good progress under the bank's new focus on wealth customers while reducing its focus on growth in traditional loans (corporate and SME). It is also expanding to other retail loans with a focus on low-risk groups, especially mortgage loans. For Gen 2, CardX (4.8% of total loans) and autoX (0.5% of total loans) have delivered solid growth under prudent provisions and asset quality amid the current market situation.

Exhibit 158: Operational performance by segment, 2022

2022	Before restructuring					After restructuring				
	Gen 1	Gen 2	Gen 3	Inter	Total	Gen 1	Gen 2	Gen 3	Inter	Total
	Banking services	Consumer & digital financial services	Platforms & digital assets	transactions & others		Banking services	Consumer & digital financial services	Platforms & digital assets	transactions & others	
	(THB b)	(THB b)	(THB b)	(THB b)	(THB b)	(THB b)	(THB b)	(THB b)	(THB b)	(THB b)
Net interest income	81	14	(0)	0	95	91	18	0	(2)	108
Fees and others	39	12	5	(9)	47	39	4	7	(5)	45
Investment & trading income	4	(0)	4	(0)	8	12	-	1	(11)	2
Total operating income	124	26	9	(9)	150	142	22	8	(17)	154
Total operating expenses	(53)	(11)	(5)	5	(64)	(53)	(12)	(8)	3	(70)
Profit before ECL & tax	71	15	5	(4)	87	88	10	0	(14)	85
Expected credit loss (ECL)					(42)					(34)
Income tax expense					(9)					(14)
Net profit					35					37
Loans to customers	2,299	5	2	(5)	2,302	2,307	133	4	(66)	2,377
Total assets	3,324	7	37	(52)	3,315	3,384	134	45	(108)	3,454
Total liabilities	2,874	5	13	(20)	2,872	2,952	113	13	(91)	2,988

	Change of contribution			
	Before restructuring		After restructuring	
	(%)	(%)	(%)	(%)
Profit before ECL & income tax	78.0	16.9	5.1	100.0
Loans to customers	99.7	0.2	0.1	100.0
Total assets	98.7	0.2	1.1	100.0

Sources: SCBX; FSSIA's compilation

Exhibit 159: Loan breakdown – before and after business restructuring

	Before	After		Change		
	1Q22	4Q22	1Q23			
	(THB m)	(THB m)	(THB m)	(q-q %)	(y-y %)	(ytd %)
Corporate	854,161	857,736	852,635	(0.6)	(0.2)	(0.6)
SME	407,809	407,355	416,180	2.2	2.1	2.2
Retail	950,556	975,946	987,146	1.1	3.8	1.1
- Housing	700,043	729,555	739,986	1.4	5.7	1.4
- Auto	210,859	188,765	184,984	(2.0)	(12.3)	(2.0)
- Unsecured	31,408	45,028	43,873	(2.6)	39.7	(2.6)
- Others	8,246	12,599	18,303	45.3	122.0	45.3
- Loan under subsidiaries	113,870	136,178	143,262	5.2	25.8	5.2
- CARDX	104,966	114,044	115,173	1.0	9.7	1.0
- AUTOX	n/a	7,495	12,399	65.4	n/a	65.4
- Other subsidiaries	8,904	14,639	15,690	7.2	76.2	7.2
Total loans	2,326,396	2,377,216	2,399,223	0.9	3.1	0.9

Sources: SCB; FSSIA's compilation

Exhibit 160: SCB's change of interest rates

SCB	Saving (%)	MOR (%)	MLR (%)	MRR (%)	Ceiling (%)	Default (%)
1Q22	0.250	5.845	5.250	5.995	28.000	29.625
2Q22	0.250	5.845	5.250	5.995	28.000	29.625
3Q22	0.250	5.845	5.250	5.995	28.000	29.625
4Q22	0.250	6.345	5.750	6.120	28.000	29.750
1Q23	0.250	6.895	6.350	6.620	28.000	30.250
2Q23	0.300	7.325	6.800	7.050	28.000	30.680
Change from 1Q22	0.050	1.480	1.550	1.055	0.000	1.055

Sources: [Bank of Thailand](#); FSSIA's compilation**Exhibit 161: SCBX's 2023 financial guidance**

----- 2023E* -----						
	2022*	SCBX Group	Gen 1 Banking services	Gen 2 Consumer & digital financial services	Gen 3 Platforms & digital assets	1Q23*
Total loan growth	3%	5-8%	< 5%	>40%	-	3.10%
Net interest margin	3.30%	> 3.5%	~3%	Mid-teens	-	3.46%
Total income growth	3%	> 10%	-	-	-	8.50%
Cost/income ratio	45%	Mid 40s	~40%	High 40s	-	41%
Credit cost (bp)	145	120-140	~100	600-650	-	166
Customers (m)	29	35	18	13	4	

Sources: * SCB as of 21 Apr 2023; FSSIA estimates

Higher NIM and lower credit cost to benefit 2Q23 profit

We expect a net profit for 2Q23 of THB11,173m (+11 y-y, +2% q-q), with an improvement in NII and NIM driven by 1) an increase in interest rates for most types of loans, as opposed to savings rates (77% of total deposits), remaining virtually flat during the same period; and 2) an increase in interbank and investment returns following the policy rate hikes. Meanwhile, overall loan growth did not accelerate much on the back of its loan optimisation strategy. We estimate operating expenses to remain high in line with subsidiaries' investments, which still need to grow continuously according to the business plan. We forecast NPLs to remain relatively stable at 3.95% in 2Q23. Furthermore, we expect credit cost to fall by 17 bps to 1.49% (the upper bound of its 2023 target).

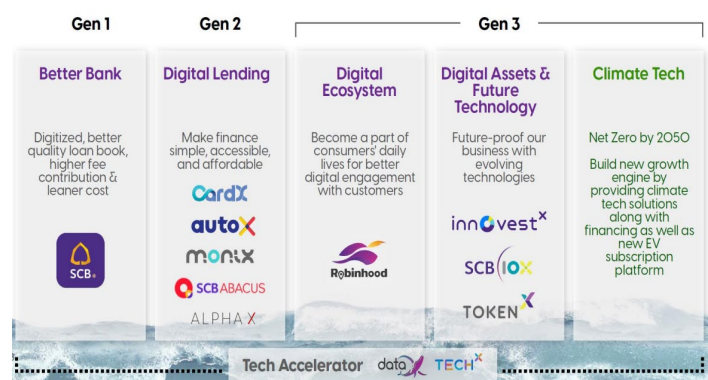
Exhibit 162: 2Q23 results preview

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	26,068	28,942	29,701	3	14	58,643	15	48	107,865	122,406	13
Non-interest income	12,634	11,958	10,746	(10)	(15)	22,704	(11)	47	46,555	47,898	3
<i>Fee income - net</i>	9,347	8,909	8,852	(1)	(5)	17,761			37,148	37,812	2
Total operating income	38,702	40,900	40,447	(1)	5	81,347	6	48	154,420	170,304	10
Total operating expenses	15,938	16,757	17,028	2	7	33,785	5	44	69,874	76,842	10
PPOP before tax	22,764	24,143	23,419	(3)	3	47,562	7	51	84,547	93,462	11
Expected credit loss	10,250	9,927	9,000	(9)	(12)	18,927	(0)	52	33,829	36,550	8
Income tax	2,681	3,147	3,172	1	18	6,320	14	50	13,592	12,521	(8)
Non-controlling interest	(217)	73	74	1	(134)	147	(147)	98	(421)	150	(136)
Net profit	10,051	10,995	11,173	2	11	22,168	10	50	37,546	44,242	18
Net EPS (THB)	2.98	3.27	3.32	2	11	6.58	11	50	11.15	13.14	18
Key ratios	2Q22	1Q23	2Q23E	----- Change -----		1H23E	Change		2022	2023E	Change
	(%)	(%)	(%)	(q-q%)	(y-y%)	(THB m)	(y-y%)		(%)	(%)	(y-y%)
Asset quality ratio											
Gross NPLs (THB m)	102,538	95,153	95,753	1	(7)	95,753	(7)		95,329	99,329	
<i>Change (% from prior period)</i>	(3.5)	(0.2)	0.6			(6.6)			(12.6)	4.2	
NPL ratios (%) - reported	3.58	3.32							3.34		
NPL ratio (%)*	4.34	3.97	3.95			3.95			4.01	3.98	
Coverage ratio (%) - reported	153	164							160		
Coverage ratio (%)*	148	158	157			157			156	154	
Credit cost (bp)	175	166	149			158			145	150	
Profitability ratio	(%)	(%)	(%)			(%)			(%)	(%)	
Cost to income ratio	41.2	41.0	42.1			41.5			45.2	45.1	
Average yield (%)	3.71	4.44	4.52			4.50			3.87	4.61	
Cost of funds (%)	0.65	1.17	1.19			1.19			0.69	1.22	
NIM (%) - reported	3.17	3.46							3.29		
NIM (%)*	3.17	3.46	3.54			3.52			3.29	3.60	
Non-interest income/total income (%)	32.6	29.2	26.6			27.9			30.1	28.1	
Liquidity ratio	(%)	(%)	(%)			(%)			(%)	(%)	
Loan to deposit	93.5	95.6	97.1			97.1			93.0	95.7	
Loan to deposit & borrowing (LDBR)	90.6	92.9	94.9			94.9			84.6	86.9	
Capital adequacy ratio	(%)	(%)	(%)						(%)	(%)	
CAR	18.7	18.6							18.9	19.1	
CET 1/ Risk assets	17.5	17.5							17.7	18.0	
Tier 2 / Risk assets	1.1	1.1							1.1	1.1	
Loan growth	(%)	(%)	(%)			(%)			(%)	(%)	
Year-to-date	2.5	0.9	2.0			2.0					
q-q	1.4	0.9	1.1								
y-y	2.8	3.1	2.8						3.3	5	

* FSSIA's calculation

Sources: SCBX; FSSIA estimates

Exhibit 163: SCBX's five strategic themes



Source: SCB

Exhibit 164: SCB - GGM-based TP

Target price	THB 123.00
Sustainable ROE	9.6%
g	1.0%
ROE-g	8.6%
Beta	1.1
RF	2.5%
MRP	8.0%
COE	11.1%
COE-g	10.1%
ROE-g / COE-g (PBV)	0.85x

Sources: SCB; FSSIA's estimates

Exhibit 165: SCB's loans by stage and allowance for ECL

Loans by stage				Allowance for ECL			
	2021*	2022*	1Q23	2021	2022	1Q23	
	(THB b)	(THB b)	(THB b)	(THB b)	(THB b)	(THB b)	
Stage 1 (Performing)	2,003	2,103	2,123	43.6	44.7	47.7	
Stage 2 (Underperforming)	190	179	181	40.0	44.3	45.1	
Stage 3 (Non-performing)	109	95	95	62.0	56.6	57.5	
Gross loans	2,302	2,377	2,399	145.7	145.6	150.3	
% of total loans				Allowance for ECL for respective loans			
Stage 1 (Performing)	87.0	88.5	88.5	2.2	2.1	2.2	
Stage 2 (Underperforming)	8.2	7.5	7.5	21.1	24.8	25.0	
Stage 3 (Non-performing)	4.7	4.0	4.0	56.8	59.4	60.5	
Total	100.0	100.0	100.0	6.3	6.1	6.3	
NPL				109.1	95.3	95.2	
LLR/NPL for gross loans (%)				133%	153%	158%	

* 2021 = before restructuring, 2022 onwards = after restructuring

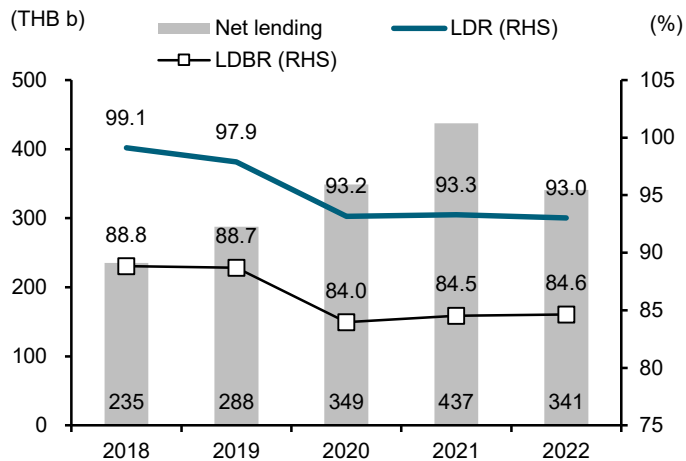
Sources: SCB; FSSIA's compilation

Exhibit 166: Loans by business type and stage

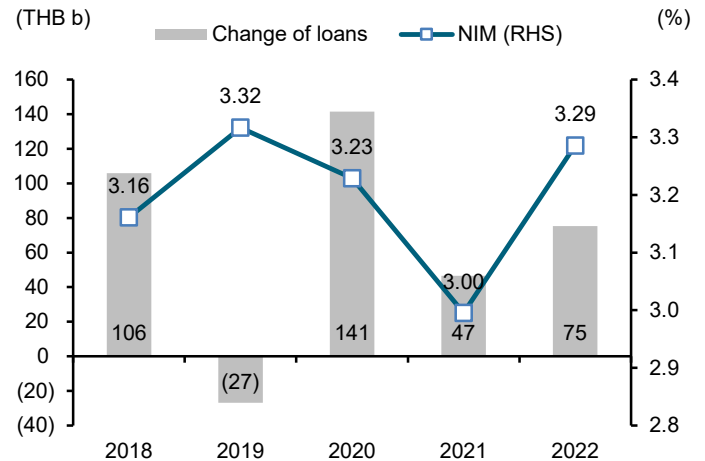
	2021 (Before restructuring)				2022				1Q23			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	(THB b)	(THB b)	(THB b)	(THB b)	(THB b)	(THB b)	(THB b)	(THB b)	(THB b)	(THB b)	(THB b)	(THB b)
Agriculture and mining	8.9	1.0	3.8	13.6	7.6	0.5	1.2	9.2	11.4	0.5	1.2	13.0
Manufacturing & commercial	536.6	47.3	47.9	631.8	553.6	63.4	44.4	661.4	557.8	64.1	42.2	664.1
Real estate and construction	152.0	7.7	18.5	178.2	149.1	8.6	10.6	168.3	155.6	6.8	10.1	172.6
Utilities and services	357.2	37.5	13.5	408.2	389.2	24.5	13.0	426.6	382.2	25.2	12.8	420.2
Housing loans	526.9	34.3	15.2	576.4	558.0	26.4	13.0	597.4	560.4	27.3	13.3	601.0
Others	421.6	61.8	10.3	493.7	446.0	55.1	13.1	514.3	456.0	56.8	15.5	528.3
Total gross loans*	2,003.1	189.6	109.1	2,301.8	2,103.4	178.5	95.3	2,377.2	2,123.5	180.6	95.2	2,399.2
% of respective stage loans												
	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)
Agriculture and mining	0.4	0.5	3.5	0.6	0.4	0.3	1.2	0.4	0.5	0.3	1.2	0.5
Manufacturing & commercial	26.8	24.9	43.9	27.4	26.3	35.5	46.6	27.8	26.3	35.5	44.4	27.7
Real estate and construction	7.6	4.1	16.9	7.7	7.1	4.8	11.1	7.1	7.3	3.8	10.6	7.2
Utilities and services	17.8	19.8	12.3	17.7	18.5	13.7	13.6	17.9	18.0	13.9	13.5	17.5
Housing loans	26.3	18.1	13.9	25.0	26.5	14.8	13.7	25.1	26.4	15.1	14.0	25.1
Others	21.0	32.6	9.5	21.4	21.2	30.9	13.8	21.6	21.5	31.4	16.3	22.0
Total gross loans*	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

* Excludes accrued interest receivables and undue interest receivables

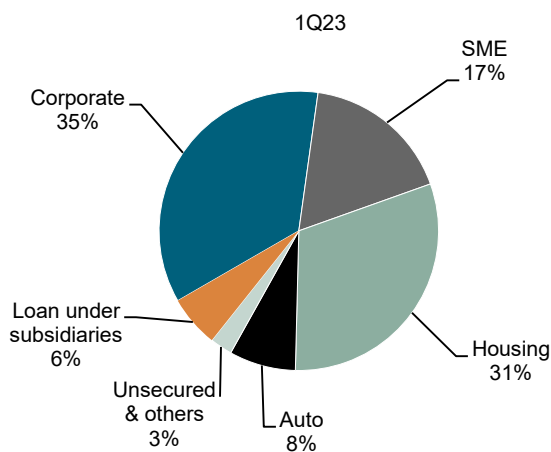
Sources: SCB; FSSIA's compilation

Exhibit 167: SCB's net lending position, LDR and LDBR

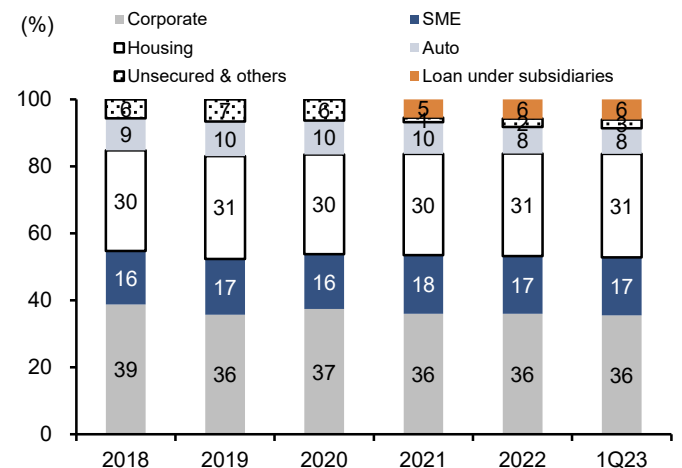
Sources: SCB; FSSIA's compilation

Exhibit 168: Change of loans vs NIM

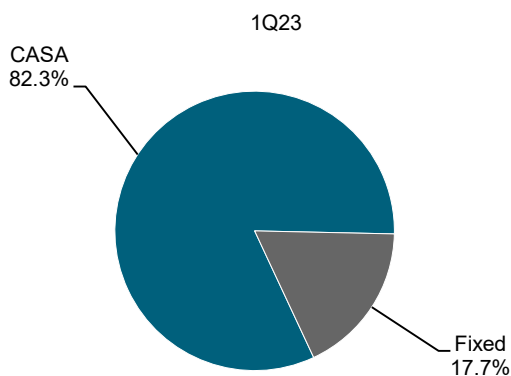
Sources: SCB; FSSIA's compilation

Exhibit 169: Loan breakdown, 1Q23

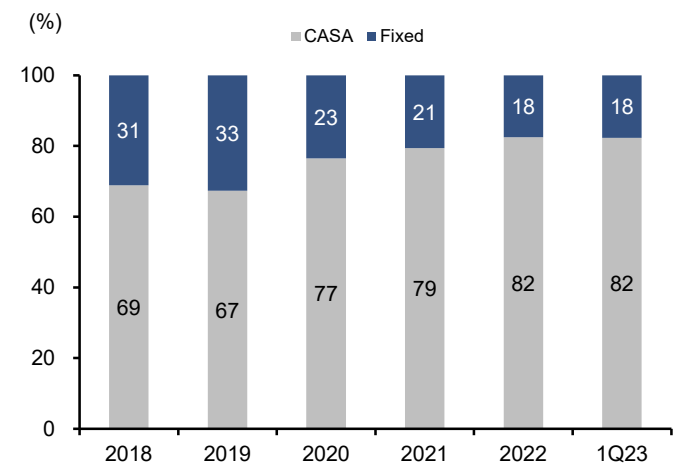
Sources: SCB; FSSIA's compilation

Exhibit 170: Loan breakdown, 2018-1Q23

Sources: SCB; FSSIA's compilation

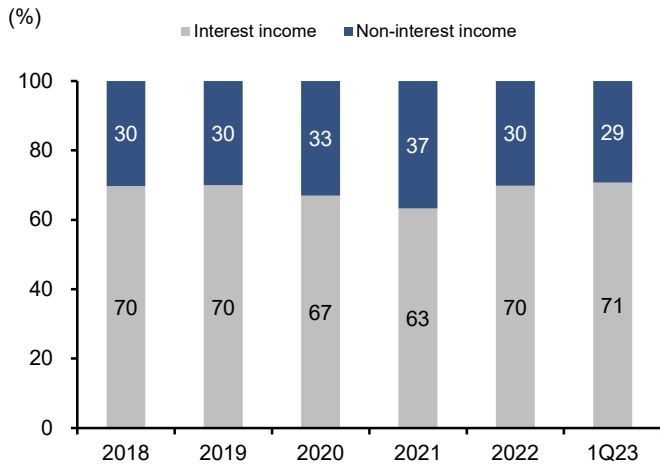
Exhibit 171: Deposit structure, 1Q23

Sources: SCB; FSSIA's compilation

Exhibit 172: Deposit structure, 2018-1Q23

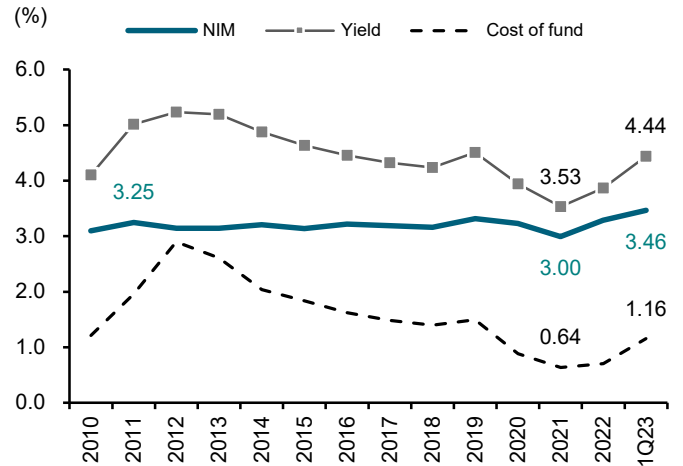
Sources: SCB; FSSIA's compilation

Exhibit 173: Revenue breakdown



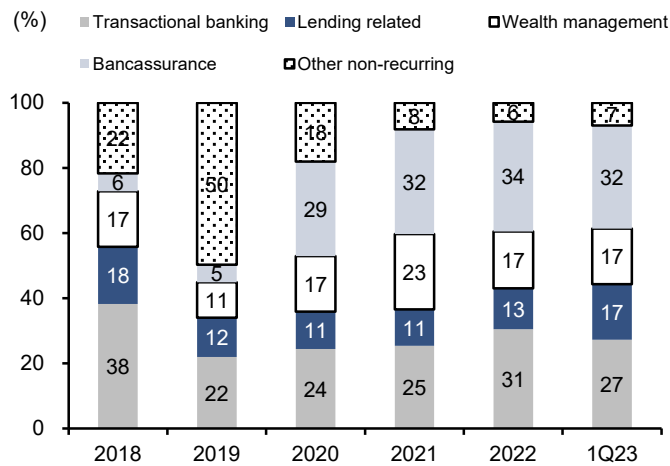
Sources: SCB; FSSIA's compilation

Exhibit 174: Yield, cost of funds, and NIM



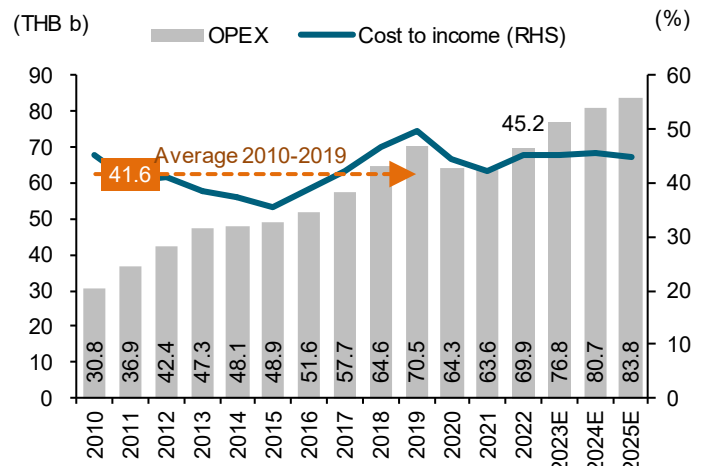
Sources: SCB; FSSIA's calculation

Exhibit 175: Fee income breakdown



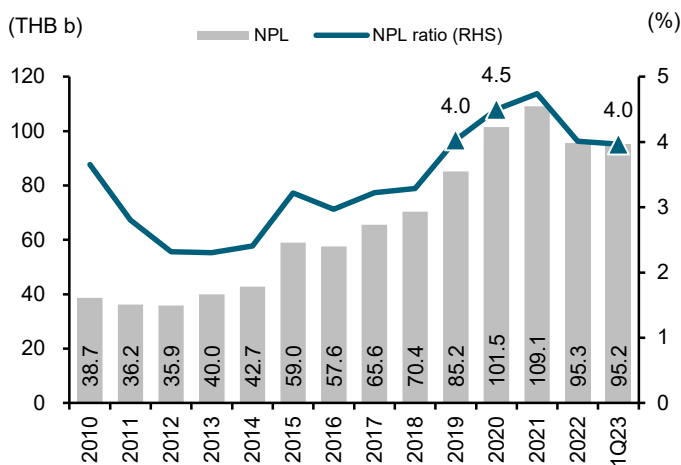
Sources: SCB; FSSIA's compilation

Exhibit 176: OPEX vs cost to income



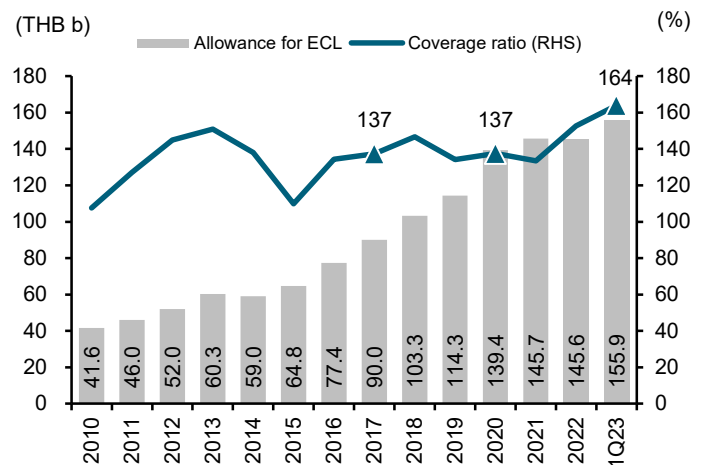
Sources: SCB; FSSIA estimates

Exhibit 177: NPL and NPL ratio*



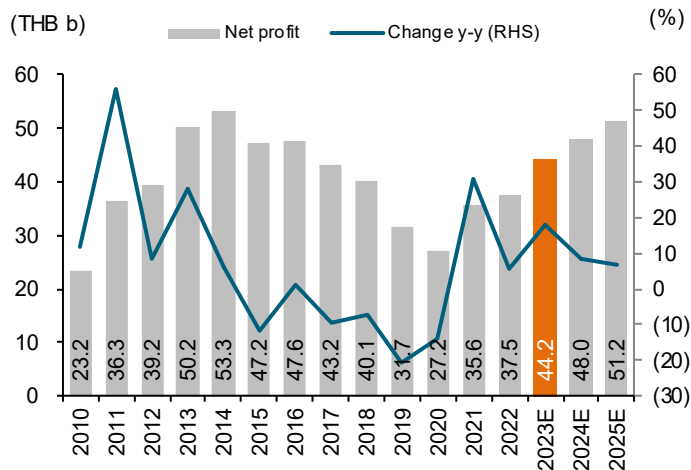
Sources: SCB; *FSSIA's calculation

Exhibit 178: Coverage ratio (allowance for ECL to NPL)*



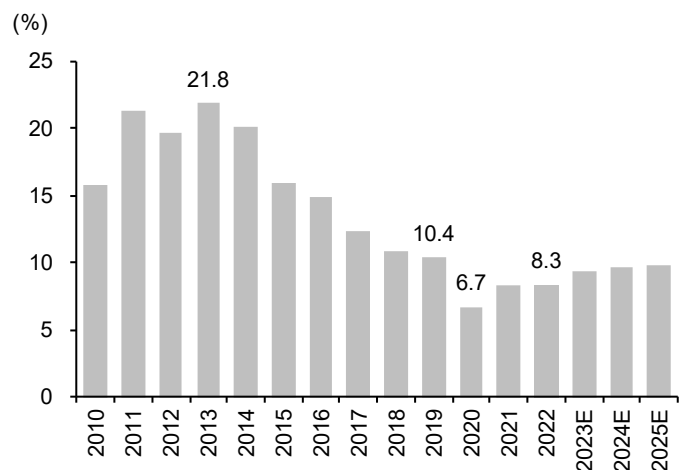
Sources: SCB; *FSSIA's calculation

Exhibit 179: Net profit and growth



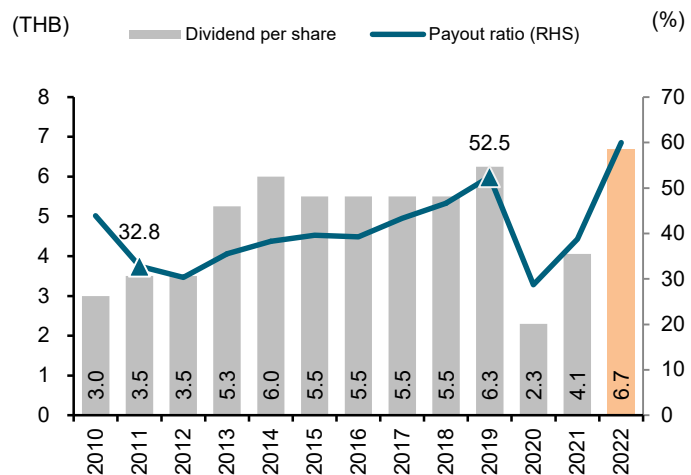
Sources: SCB; FSSIA estimates

Exhibit 180: ROE



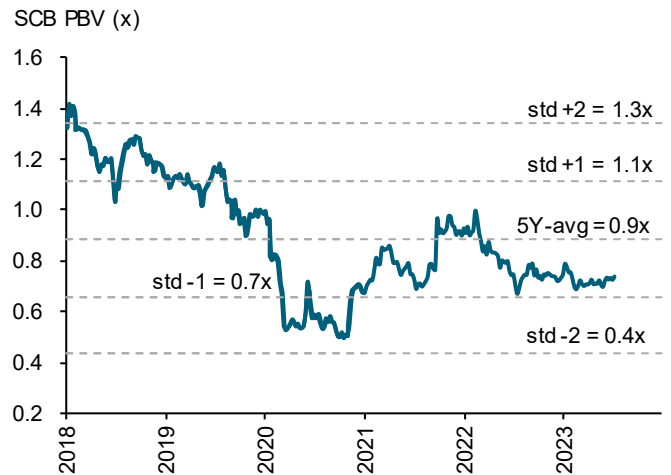
Sources: SCB; FSSIA estimates

Exhibit 181: Dividend and payout ratio



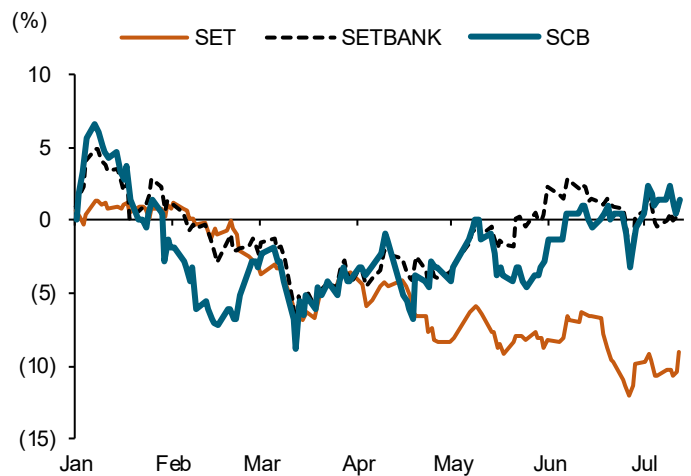
Sources: SCB; FSSIA's compilation

Exhibit 182: One-year forward rolling P/BV



Sources: Bloomberg; FSSIA estimates

Exhibit 183: Share price performance as of close on 14 July 2023



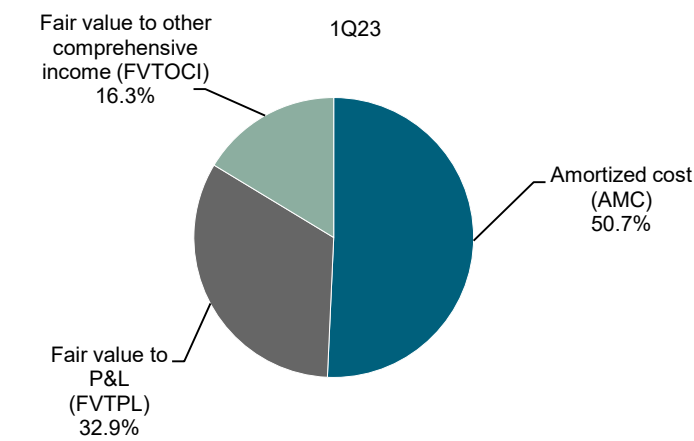
Source: Bloomberg

Exhibit 184: 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)
TTB TB	(3.7)	11.4	10.6	39.3	10.6
SET Index	(2.7)	(5.2)	(9.7)	(1.0)	(9.0)
SETBANK Index	(0.2)	4.0	(1.3)	13.4	1.2

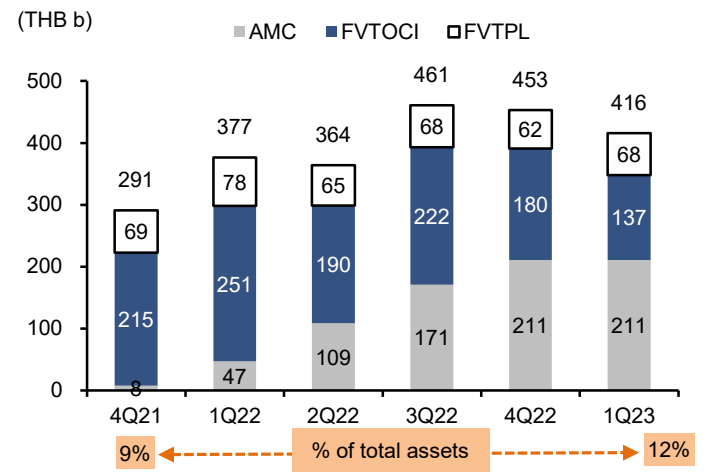
Source: Bloomberg

Exhibit 185: SCBX investment classification*



* Excluding investments in associated companies
Source: SCB

Exhibit 186: Investments measured at amortised cost are all Thai government bonds, mainly added in mid-2022



Note: Amortised cost (AMC); Fair value to P&L (FVTPL); and Fair value to other comprehensive income (FVTOCI)
Source: SCB

Exhibit 187: 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)
Thailand											
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
Thailand average			44.3	8.2	7.6	0.8	0.8	10.2	10.4	4.0	4.3
Hong Kong											
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
Hong Kong average			674.1	4.1	4.0	0.5	0.4	11.9	11.5	9.1	9.9
China											
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
China average			687.0	4.8	4.5	0.5	0.5	11.2	10.9	6.4	6.8
South Korea											
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
South Korea average			45.1	3.5	3.4	0.3	0.3	9.6	9.2	8.0	8.4
Indonesia											
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
Indonesia average			181.8	14.2	12.6	2.5	2.2	17.8	18.1	3.6	4.2
Malaysia											
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
Malaysia average			67.4	9.8	9.3	1.1	1.0	11.2	11.1	5.7	6.1
Singapore											
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
Singapore average			139.8	8.3	8.2	1.1	1.1	14.1	13.6	6.0	6.3
Regional average (excl. Thailand)			1,795.1	7.8	7.3	1.1	1.0	12.7	12.5	6.3	6.8
Total average (incl. Thailand)			1,839.4	7.9	7.3	1.0	0.9	12.3	12.2	6.2	6.6

*simple average

Sources: Bloomberg consensus; FSSIA estimates for Thai banks

Corporate Governance and ESG– SCB

Board structure, 2022 One report

Independent Directors (ID)	8/16 of board members, 4 females
Percentage of IDs on the board	50%
ID attendance at board meetings	99.5%
ID in audit/remuneration committee	3/3 in audit committee and 3/4 in remuneration committee
ID terms	Nine-consecutive years inclusive of their tenure as ID of companies in the Group.

Additional information: 1) The Board's professional experience, skills, knowledge, and other key attributes. Directors possess skills, knowledge and expertise in specialised fields that are relevant to the Company's business as identified in the board skills matrix.

Compensation and remuneration

Directors' remuneration vs earnings/ROE/share performance	In 2022 – after restructuring - THB273.8m, 0.74% of net profit; In 2021 – before restructuring - THB111.7m, 0.32% 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

Policy and strategy: SCBX encourages and supports its group companies to sustainability under an 'Our Presence Contributes to the Better Future for All' mission steered by three key pillars: Sustainable Finance, Creating Social Impact, and Better Environmental Future. These efforts seek to utilise digital technology in creating positive changes in financial stability, bridging the digital divide, connecting individuals to financial access and convenience with speed, while leveraging financial innovations to create added value for consumers and businesses. This will serve as a foundation for future digital services to support sustainable economic, social, and environmental development.

Materiality assessment: In 2022, SCBX identified a total of 123 materiality sustainability issues, categorized into 31 topics; where 12 of which were considered significant.



12 significant material issues:

- 1) Climate Action and Net Zero Emissions
- 2) Cybersecurity and Information Security
- 3) Responsible Finance and Green Investment
- 4) Governance, Risk Management, and Compliance
- 5) Financial Inclusion and Literacy
- 6) SME and Social Development
- 7) Future Skills and Talent Management
- 8) Human Rights
- 9) Digital Resilience
- 10) Customer Data Privacy
- 11) Operational Eco-efficiency
- 12) Culture, Diversity, Equity, and Inclusion

Monetary contribution to external organisations for sustainability in 2022 totalled THB31.5m; 45% of which to the Thai Bankers Association, and 40% to the Securities and Exchange Commission of Thailand (SEC)

Awards and recognitions

- Selected by S&P Global as a member of Dow Jones Sustainability Indices (DJSI) for the World Index and the Emerging Markets Index in the banking sector for the 5th consecutive year SCBX also ranked among top 5% S&P Global ESG Score of the banking sector as reported in The Sustainability Yearbook 2023
- Selected by FTSE Russell as a member of FTSE4Good Index Series in the FTSE4Good Emerging Index
- Rated "A" by MSCI on Environmental, Social, and Governance (ESG) Performance in the Banking Category
- Rated "C" on Climate Change Management Assessment by CDP
- Listed in the Thailand Sustainability Investment (THSI) with SET Awards 2022, • Sustainability Excellence, Commended recognition and Best Asset Management Company Awards – ESG From Stock Exchange of Thailand
- The 7th Asia's Best Sustainability Report award • Asia's Best Workplace Reporting, Gold • Asia's Best Sustainability Report (Design), Bronze from CSRWorks International Pte Ltd
- Low Carbon and Sustainable Business Index (LCSi) 2022 - Rising Star Award from Thailand Greenhouse Gas Management Organization (Public Organization) or TGO

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

Financial Statements

SCB X

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Interest Income	112,177	126,993	157,077	169,692	179,974
Interest expense	(17,006)	(19,127)	(34,671)	(38,967)	(42,618)
Net interest income	95,171	107,865	122,406	130,725	137,356
Net fees & commission	40,198	37,148	37,812	38,568	39,725
Foreign exchange trading income	-	-	-	-	-
Securities trading income	11,236	6,724	7,244	5,251	6,259
Dividend income	166	149	154	158	163
Other income	3,571	2,535	2,689	2,812	2,950
Non interest income	55,171	46,555	47,898	46,789	49,097
Total income	150,342	154,420	170,304	177,514	186,453
Staff costs	(30,007)	(31,219)	(34,341)	(36,058)	(36,779)
Other operating costs	(33,549)	(38,655)	(42,501)	(44,662)	(46,977)
Operating costs	(63,556)	(69,874)	(76,842)	(80,720)	(83,756)
Pre provision operating profit	86,786	84,547	93,462	96,794	102,697
Expected credit loss	(42,024)	(33,829)	(36,550)	(35,819)	(37,610)
Other provisions	-	-	-	-	-
Operating profit	44,762	50,718	56,913	60,975	65,087
Recurring non operating income	0	0	0	0	0
Associates	-	-	-	-	-
Goodwill amortization	-	-	-	-	-
Non recurring items	0	0	0	0	0
Profit before tax	44,762	50,718	56,913	60,975	65,087
Tax	(9,376)	(13,592)	(12,521)	(13,414)	(14,319)
Profit after tax	35,386	37,125	44,392	47,560	50,768
Non-controlling interest	204	421	(150)	400	440
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	35,590	37,546	44,242	47,960	51,208
Non recurring items & goodwill (net)	-	-	0	0	0
Recurring net profit	35,590	37,546	44,242	47,960	51,208
Per share (THB)					
Recurring EPS *	10.48	11.15	13.14	14.24	15.21
Reported EPS	10.48	11.15	13.14	14.24	15.21
DPS	4.06	6.69	7.25	7.50	8.00
Growth					
Net interest income (%)	(1.8)	13.3	13.5	6.8	5.1
Non interest income (%)	15.3	(15.6)	2.9	(2.3)	4.9
Pre provision operating profit (%)	7.9	(2.6)	10.5	3.6	6.1
Operating profit (%)	32.5	13.3	12.2	7.1	6.7
Reported net profit (%)	30.8	5.5	17.8	8.4	6.8
Recurring EPS (%)	30.8	6.4	17.8	8.4	6.8
Reported EPS (%)	30.8	6.4	17.8	8.4	6.8
Income Breakdown					
Net interest income (%)	63.3	69.9	71.9	73.6	73.7
Net fees & commission (%)	26.7	24.1	22.2	21.7	21.3
Foreign exchange trading income (%)	-	-	-	-	-
Securities trading income (%)	7.5	4.4	4.3	3.0	3.4
Dividend income (%)	0.1	0.1	0.1	0.1	0.1
Other income (%)	2.4	1.6	1.6	1.6	1.6
Operating performance					
Gross interest yield (%)	3.53	3.87	4.61	4.80	4.87
Cost of funds (%)	0.64	0.70	1.23	1.35	1.42
Net interest spread (%)	2.89	3.17	3.38	3.45	3.45
Net interest margin (%)	3.0	3.3	3.6	3.7	3.7
Cost/income(%)	42.3	45.2	45.1	45.5	44.9
Cost/assets(%)	1.9	2.1	2.2	2.2	2.2
Effective tax rate (%)	20.9	26.8	22.0	22.0	22.0
Dividend payout on recurring profit (%)	38.8	60.0	55.2	52.7	52.6
ROE (%)	8.4	8.3	9.4	9.7	9.8
ROE - COE (%)	(2.8)	(2.8)	(1.8)	(1.5)	(1.3)
ROA (%)	1.1	1.1	1.3	1.3	1.3
RORWA (%)	1.6	1.6	1.9	1.9	2.0

* Pre-exceptional, pre-goodwill and fully diluted

Sources: SCB X; FSSIA estimates

Financial Statements

SCB X

Balance Sheet (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Gross customer loans	2,301,834	2,377,215	2,496,076	2,620,880	2,751,924
Allowance for expected credit loss	(151,409)	(148,890)	(153,440)	(161,258)	(169,868)
interest in suspense	15,031	19,523	20,499	21,524	22,600
Net customer loans	2,165,456	2,247,848	2,363,135	2,481,145	2,604,656
Bank loans	618,269	522,056	532,497	543,147	554,010
Government securities	-	-	-	-	-
Trading securities	-	-	-	-	-
Investment securities	292,123	454,203	425,336	446,603	468,933
Cash & equivalents	50,421	47,254	39,683	44,098	43,827
Other interesting assets	-	-	-	-	-
Tangible fixed assets	63,397	68,898	72,535	76,439	80,633
Associates	-	-	-	-	-
Goodwill	-	-	-	-	-
Other intangible assets	-	-	-	-	-
Other assets	124,900	114,194	125,738	131,703	134,562
Total assets	3,314,565	3,454,452	3,558,924	3,723,135	3,886,621
Customer deposits	2,467,495	2,555,800	2,606,916	2,716,406	2,825,063
Bank deposits	180,961	181,347	190,415	199,936	205,934
Other interest bearing liabilities	10,539	11,429	14,858	15,601	16,381
Non interest bearing liabilities	212,963	239,264	257,431	277,299	298,287
Hybrid Capital	-	-	-	-	-
Total liabilities	2,871,959	2,987,840	3,069,619	3,209,241	3,345,664
Share capital	33,992	33,671	33,671	33,671	33,671
Reserves	407,005	427,561	449,716	473,712	500,124
Total equity	440,997	461,232	483,387	507,384	533,795
Non-controlling interest	1,609	5,380	5,918	6,510	7,161
Total liabilities & equity	3,314,565	3,454,452	3,558,924	3,723,135	3,886,621
Supplementary items					
Risk weighted assets (RWA)	2,265,443	2,306,339	2,384,479	2,494,501	2,604,036
Average interest earning assets	3,177,400	3,282,850	3,403,691	3,532,269	3,692,748
Average interest bearing liabilities	2,676,339	2,720,839	2,819,651	2,881,757	2,997,994
CET 1 capital	399,566	408,287	428,118	450,825	475,096
Total capital	424,235	433,835	454,915	478,934	504,582
Gross non performing loans (NPL)	109,114	95,329	99,329	103,429	107,429
Per share (THB)					
Book value per share	129.86	136.98	143.56	150.69	158.53
Tangible book value per share	129.86	136.98	143.56	150.69	158.53
Growth					
Gross customer loans	2.1	3.3	5.0	5.0	5.0
Average interest earning assets	5.9	3.3	3.7	3.8	4.5
Total asset (%)	1.1	4.2	3.0	4.6	4.4
Risk weighted assets (%)	3.1	1.8	3.4	4.6	4.4
Customer deposits (%)	1.9	3.6	2.0	4.2	4.0
Leverage & capital measures					
Customer loan/deposits (%)	87.8	88.0	90.6	91.3	92.2
Equity/assets (%)	13.3	13.4	13.6	13.6	13.7
Tangible equity/assets (%)	13.3	13.4	13.6	13.6	13.7
RWA/assets (%)	68.3	66.8	67.0	67.0	67.0
CET 1 CAR (%)	17.6	17.7	18.0	18.1	18.2
Total CAR (%)	18.7	18.8	19.1	19.2	19.4
Asset Quality (FSSIA's calculation)					
Change in NPL (%)	7.5	(12.6)	4.2	4.1	3.9
NPL/gross loans (%)	4.7	4.0	4.0	3.9	3.9
Allowance for ECL/gross loans (%)	6.6	6.3	6.1	6.2	6.2
Allowance for ECL/NPL (%)	138.8	156.2	154.5	155.9	158.1
Valuation					
Recurring P/E (x) *	10.4	9.7	8.3	7.6	7.1
Recurring P/E @ target price (x) *	11.7	11.0	9.4	8.6	8.1
Reported P/E (x)	10.4	9.7	8.3	7.6	7.1
Dividend yield (%)	3.7	6.2	6.7	6.9	7.4
Price/book (x)	0.8	0.8	0.8	0.7	0.7
Price/tangible book (x)	0.8	0.8	0.8	0.7	0.7
Price/tangible book @ target price (x)	0.9	0.9	0.9	0.8	0.8

* Pre-exceptional, pre-goodwill and fully diluted

Sources: SCB X; FSSIA estimates

17 JULY 2023

EQUITY RESEARCH - INITIATION REPORT

KASIKORNBANK KBANK TB

THAILAND / BANKING

BUY

Riding the rising rates

- We like KBANK due to its abundant liquidity that should benefit it during rate rises.
- Asset quality is manageable, but rising credit cost is an overhang.
- Initiate coverage with a BUY recommendation and a 2023 GGM-based TP of THB150.

Ample liquidity to benefit during rate hikes

KBANK should stand to benefit from the rising interest rates. Key drivers are 1) an advantageous loan (high floating rate portion) and high current and savings deposit (CASA), whose interest rate is almost stable during rate hikes; and 2) ample liquidity, making it a net lender in the interbank market since the pandemic. Moreover, the bank's strategy to relocate its loan structure by downsizing SME loans (high yield but high risk) to grow more retail loans in the housing sector (low yield with low risk) and consumer loans should benefit net interest income (NII) and net interest margin (NIM) expansion.

Digital banking – a strong impact on profit takes time

The contribution of the digital banking business to the bank's bottom line is still taking time. KBANK's consumer loans should rise significantly, as it is the leader of Thailand's mobile banking services with a solid digital platform. Consumer loans showed an increase of only 5% CAGR during 2019-22, still lower than that of housing loans and credit card loans, due to a prudent policy to control and mitigate credit risk. Moreover, the proportion of operating profit before expected credit losses (ECL) of the retail loans to the bank's total was stable at 35-36% during 2020-22.

No alarming signs for the bank's asset quality

Changes in loan classifications over the past three years have not led to any adverse signs of an increase in Stage 2 (7.3% of total loans) and Stage 3 (3.6% of total loans) loans. Key drivers were 1) a strict lending policy under risk management; and 2) proactive management through JK AMC. However, the impairment of one big corporate loan in 1Q23 – though it had already set up some ECL expenses and pulled an amount from the management overlay (MO) – creates a potential downside risk for the bank's bottom line as follows: 1) the possibility of collateral impairment of this loan; and 2) the MO level returning to the original level of 20%, which would pressure KBANK's performance in the future.

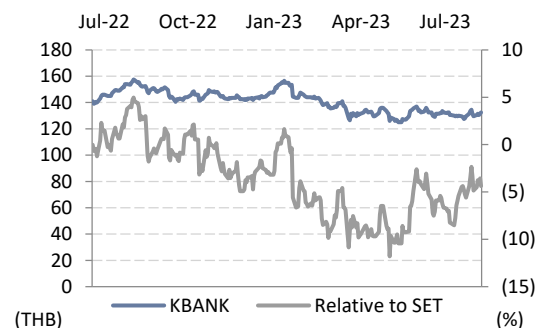
Initiate coverage with BUY and a 2023 GGM-based TP of THB150

We initiate coverage of KBANK with a BUY rating. Our 2023 GGM-based TP of THB150 implies a P/BV of 0.68x.

TARGET PRICE THB150.00
CLOSE THB132.50
UP/DOWNSIDE +13.2%
TP vs CONSENSUS -6.1%

KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Operating profit	46,585	52,755	57,963	61,641
Net profit	35,769	40,768	44,969	47,921
EPS (THB)	14.78	16.85	18.58	19.80
vs Consensus (%)	-	(1.8)	(4.2)	(8.3)
Recurring net profit	35,769	40,768	44,969	47,921
Core EPS (THB)	14.78	16.85	18.58	19.80
EPS growth (%)	(6.3)	14.0	10.3	6.6
Core P/E (x)	9.0	7.9	7.1	6.7
Dividend yield (%)	3.0	3.6	4.0	4.2
Price/book (x)	0.6	0.6	0.6	0.5
ROE (%)	7.3	7.9	8.2	8.3
ROA (%)	0.9	1.0	1.0	1.1



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	0.0	(2.6)	(8.3)
Relative to country (%)	2.8	2.2	(7.2)
Mkt cap (USD m)	9,055		
3m avg. daily turnover (USD m)	53.1		
Free float (%)	80		
Major shareholder	Thai NVDR (16%)		
12m high/low (THB)	158.50/124.50		
Issued shares (m)	2,369		

Sources: Bloomberg consensus; FSSIA estimates



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Investment thesis

We initiate coverage of KBANK with a BUY call for the following:

- 1) KBANK is one of the big banks which should benefit from rate hikes due to its good loan and deposit composition.
- 2) KBANK is a leader in Thailand's digital banking services, but a substantial profit contribution from digital to its bottom line has yet to be seen.
- 3) Amid severe concerns with the bank's asset quality, we believe KBANK can manage its non-performing loan (NPL) ratio and expected credit loss (ECL) expenses within the 2023 target, even with the impacts on its coverage ratio (LLR/NPL) during 1Q23, with no alarming signs for investors.
- 4) KBANK is trading at 0.60x 2023E P/BV while offering attractive dividend yields.

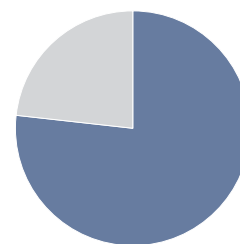
Company profile

Established on 8 June 1945, Kasikornbank was listed on the Stock Exchange of Thailand in 1976. In Q23, KBANK's branch declined to 819 from 2019 of 886. Assets in 1Q23 ranked the second with 16.34% market share from 2019's 14.9%.

www.kasikornbank.com

Principal activities (revenue, 2022)

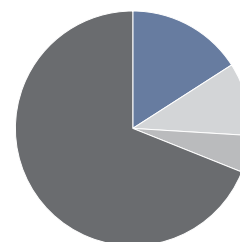
- Net interest income - 76.8 %
- Non-interest income - 23.2 %



Source: Kasikornbank

Major shareholders

- Thai NVDR - 15.9 %
- State Street Europe Ltd. - 10.1 %
- South East Asia UK (Type C) Nominees - 5.1 %
- Others - 68.9 %



Source: Kasikornbank

Catalysts

Potential share price catalysts for KBANK include:

- Lower credit cost from better asset quality due to setting up JK AMC;
- A faster digital lending expansion than expected;
- The return of foreign fund flows into the Thai stock market.

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
20-21 July 2023	2Q23 results announcement

Key assumptions

	2023E (%)	2024E (%)	2025E (%)
Net profit (THB m)	40,768	44,969	47,921
Net profit growth (%)	14.0	10.3	6.6
NIM (%)	3.51	3.60	3.61
Loan growth (%)	5.0	5.0	5.0
Fee growth (%)	0.2	0.5	0.7
Non-int-income growth (%)	3.8	(0.8)	8.3
Credit cost (bp)	210.0	200.0	200.0
Cost to income (%)	43.0	43.2	42.9

Source: FSSIA estimates

Earnings sensitivity

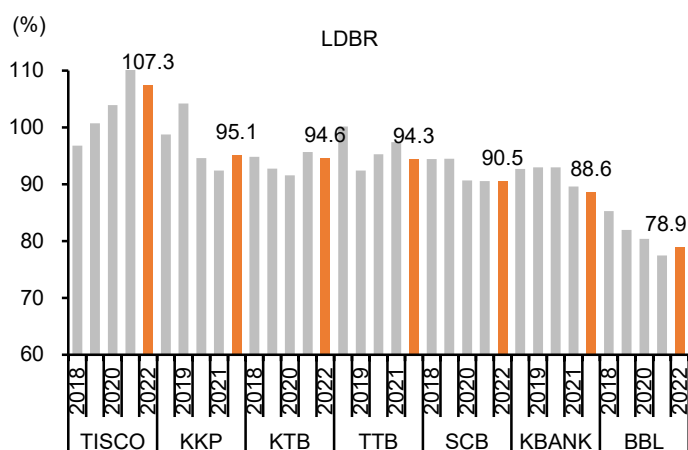
		2023E		
Loan growth	±2ppt	3	5	7
% change in net profit		(2)	-	+2
NIM (%)	±5bp	3.46	3.51	3.56
% change in net profit		(4)	-	+4
Credit cost (bp)	±10bp	200	210	220
% change in net profit		+5	-	(5)

Source: FSSIA estimates

Ample liquidity to benefit during rate hikes

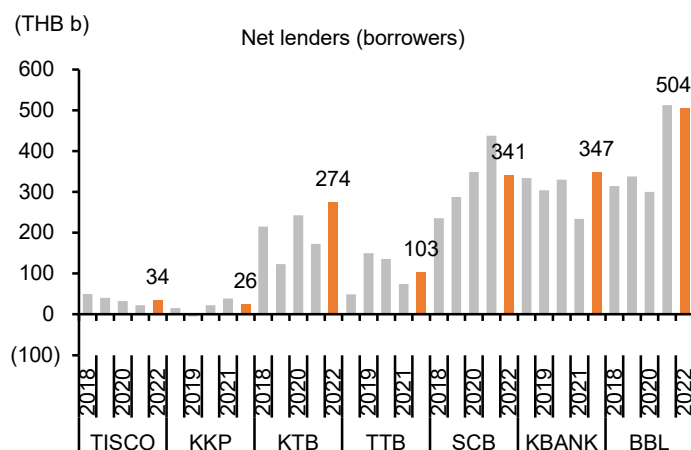
KBANK is a big bank that should benefit from rising interest rates. Key drivers are 1) an advantageous loan (high floating rate portion) and deposit (fixed rate; the interest rate of this group is almost stable during rate hikes) structure; and 2) ample liquidity (lower LDBR; loan-to-deposit and borrowing ratio at 89% in 1Q23 from 93% in 2018), making it a net lender in the interbank market since the pandemic. Moreover, the bank's strategy to relocate its loan structure by downsizing SME loans (high yield but high risk) to grow more retail loans in the housing sector (low yield with low risk) and consumer loans should benefit NII and NIM expansion.

Exhibit 188: LDBR of Thai banks under coverage



Sources: Company data; FSSIA's compilation

Exhibit 189: Net lender positions of Thai banks under coverage



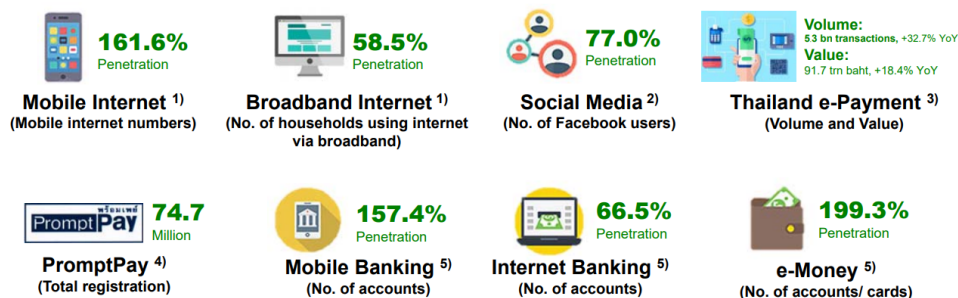
Sources: Company data; FSSIA's compilation

Digital banking – profit contribution taking time

Digital banking services focus on increasing the linkage of platforms with KBANK's business partners across all ecosystems and the development of innovative features to accommodate multiple service usages continually. The contribution to the bank's bottom line is still taking time. KBANK's consumer loans should rise significantly, as it is the leader of Thailand's mobile banking services with a solid digital platform. Digital consumer loans showed an increase of 5% CAGR during 2019-22, still lower than that of housing loans and credit card loans, due to a prudent policy to control and mitigate credit risk. Moreover, the proportion of operating profit before expected credit losses (ECL) of the retail loans to the bank's total was stable at 35-36% during 2020-22.

Exhibit 190: Thailand's digital readiness: number of users

■ High adoption of digital lifestyle in Thai market; high penetration in smart devices and internet users in preparation toward a cashless society (Mobile Banking & e-Money)



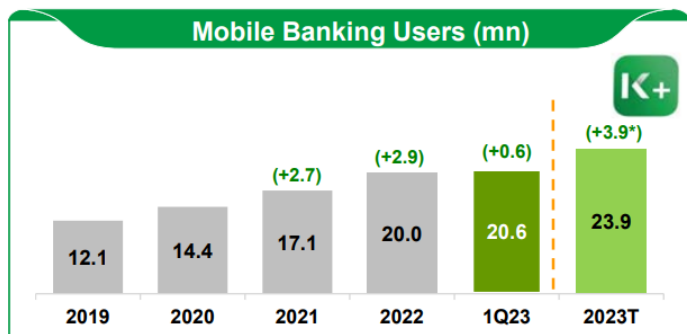
Source: The Bank of Thailand (BOT), National Statistical Office of Thailand (NSO), Thai Banker Association (TBA), Ministry of Interior (MOI), wearesocial and KResearch

Notes: Denominator for all penetration ratio is number of population age six and above as of December 2022. Denominator for fixed internet penetration is number of household.

¹⁾ As of Dec-22; ²⁾ As of Jan-23; ³⁾ Jan-Feb-23; ⁴⁾ As of Jan-23; ⁵⁾ As of Feb-23

Source: KBANK

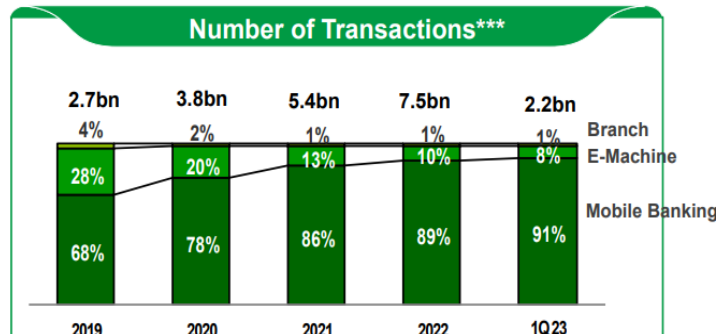
Exhibit 191: KBANK's mobile banking users (m)



* Compared to Year-ended

Source: KBANK

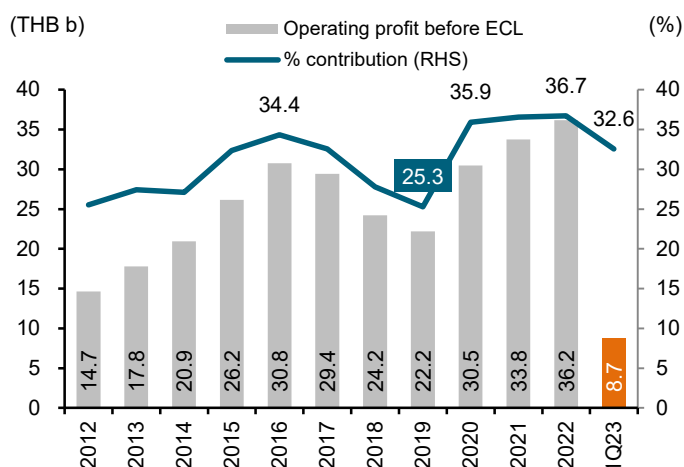
Exhibit 192: Cash deposit, cash withdrawal, payment and transfer transactions



*** Transaction includes only cash deposit, cash withdrawal, payment and transfer

Source: KBANK

Exhibit 193: Profit contributions from retail business



Sources: KBANK; FSSIA's compilation

Exhibit 194: Loan breakdown and average 5-year growth

	2018	2019	2020	2021	2022	5Y-CAGR
	(THB b)	(THB b)	(THB b)	(THB b)	(THB b)	
Total loans	1,914	2,002	2,245	2,421	2,495	6.7%
Corporate	683	691	814	816	880	7.1%
SME	661	672	733	793	780	3.8%
Retail	488	556	638	711	703	9.6%
Others	82	83	60	101	132	8.4%
Loans by retail products						
Housing	285	326	390	483	443	11.8%
Credit cards	79	86	91	102	109	6.6%
Consumer loans	62	78	91	66	73	5.4%
K-leasing	108	115	115	121	137	7.1%

Sources: KBANK; FSSIA's compilation

NII growth remains the driving force behind KBANK's 2Q23E bottom line

We expect a 2Q23 net profit of THB10.9b (+1% y-y, +2% q-q), driven by NII growth and a wider NIM, aligning with the continuous market rate hikes since 3Q22. This is in contrast to Non-NII, which we expect to shrink by 14.4% q-q (but still rise 5.4% y-y) in 2Q23 from declining non-recurring income (FVTPL and gains/losses on investments). We forecast the 2Q23 cost-to-income ratio to dip to 42.2%, in line with the lower bound of KBANK's 2023 target (mid to low-40%). For asset quality, we expect the NPL ratio (3.48%) and credit cost (200bp) to still be within the upper bound of KBANK's 2023 target to remain stable from last quarter. 1H23E net profit accounts for 53% of our whole-year forecast.

No alarming signs for the bank's asset quality

Changes in loan classifications over the past three years have not led to any adverse signs of an increase in Stage 2 (7.3% of total loans) and Stage 3 (3.6% of total loans) loans for KBANK. Key drivers were 1) a strict lending policy under risk management; and 2) proactive management through JK Asset Management (JK AMC) (50% Kasikorn Investiture (KIV, not listed), KBANK's subsidiary, vs 50% JAM (not listed), JMT Network Services (JMT TB, not rated)'s subsidiary). However, in 1Q23, there was an impairment of a big corporate loan in which it had already set up some ECL expenses and pulled an amount from the MO. Thus, the MO ratio to total ECL reserves dropped from 20% to around 15-20% (no precise figures provided, but could be estimated at THB6b-7b). This creates a potential downside risk for the bank's operating results as follows: 1) the possibility of collateral impairment of this loan; and 2) the MO level returning to the original level of 20%, which would pressure KBANK's performance in the future.

Exhibit 195: Loans, allowance to ECL and coverage ratio

	2020	2021	2022	1Q23	---Change---	
	(THB b)	(THB b)	(THB b)	(THB b)	q-q	y-y
Loans and accrued interest receivables (AIR)						
Stage 1	1,951.2	2,130.3	2,229.7	2,210.9	-1%	2%
Stage 2	201.4	201.9	188.3	181.1	-4%	-11%
Stage 3	103.5	106.2	93.3	88.7	-5%	-18%
% to total loans and AIR						
Stage 1	86.5%	87.4%	88.8%	89.1%		
Stage 2	8.9%	8.3%	7.5%	7.3%		
Stage 3	4.6%	4.4%	3.7%	3.6%		
Allowance for expected credit loss (LLR)						
Stage 1	43.0	47.5	46.6	46.2	-1%	-6%
Stage 2	49.4	51.1	46.1	43.3	-6%	-17%
Stage 3	42.0	46.3	40.8	38.6	-5%	-18%
Coverage ratio (LLR / Loans)						
Stage 1	2.2%	2.2%	2.1%	2.1%		
Stage 2	24.5%	25.3%	24.5%	23.9%		
Stage 3	40.6%	43.6%	43.8%	43.5%		




Sources: KBANK, FSSIA's compilation

Exhibit 196: NPL ratio by business

	Corporate	SME	Retail
2017	<2%	-5%	-4%
2018	<2%	-5%	-4%
2019	<2%	-5%	-4%
2020	<2%	<7%	<5%
2021	<2%	<7%	<5%
2022	<2%	<7%	<5%
1Q23	<2%	<7%	<5%

Sources: KBANK, FSSIA's compilation

Exhibit 197: JK Asset Management (JK AMC)


JK Asset Management Co., Ltd. (JK AMC)



Company Profile

- In June 2022, Thailand's first joint venture co-owned by a commercial bank (KBANK via KASIKORN INVESTURE (KIV)) and an asset management company (JMT via JAM), with an initial paid up capital of Bt10bn (50% by KIV : 50% by JAM)
- Operating an asset management business, per the relevant laws and criteria, through the purchase or acknowledgement of transfers of impaired assets, as well as foreclosed properties of KBANK and KBANKs' affiliates, including other financial institutions and companies, both secured and unsecured loans

Benefit to KBANK

- Allowing KBANK to manage NPLs with enhanced efficiency, while offering borrowers more options for settling their debt that are suited to their debt servicing ability
- Balance Sheet:
 - ▲ Cash and room for new good loans
 - ▼ NPL, NPA and credit cost with insignificant impact on coverage ratio
- Income Statement:
 - ▲ Net profit from higher net interest income from new loans and lower credit cost
 - ▲ Net profit from share of profit (loss) from investment using equity method

#1 in the AMC business within 3 years

JK AMC Business Plan

- 2Q22: Initial NPL transferred
- 3Q22: Starts Operation
- 2022: Total transfer Bt50bn* (KBANK)
- 1Q23: Target AUM Bt130bn (KBANK and others)
- 2025: Target AUM Bt130bn (KBANK and others)

KBANK NPL Sales

- Bt72.0bn*
- Bt35.6bn*

Note: *Legal claim amount, not book value of transferring amount; total KBANK's NPL transferred mostly to JK AMC

Source: KBANK

Exhibit 198: KBANK - GGM-based TP

Target price	THB 150.00
Sustainable ROE	8.1%
g	1.0%
ROE-g	7.1%
Beta	1.11
RF	2.5%
MRP	8.0%
COE	11.4%
COE-g	10.4%
ROE-g / COE-g (PBV)	0.68x

Source: FSSIA estimates

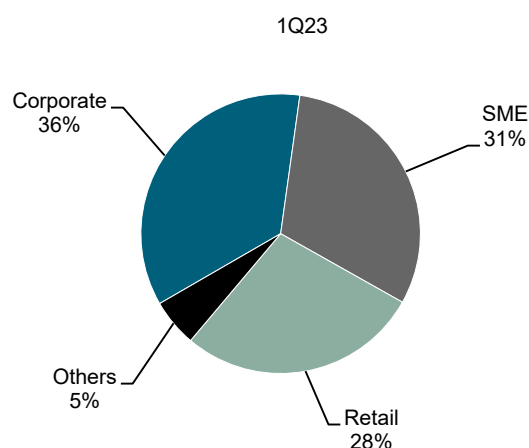
Exhibit 199: 2023 key financial guidance vs FSSIA estimates

	KBANK		FSSIA
	2022	2023E	2023E
NIM	3.33%	3.3-3.45%	3.51%
Loan growth	3.03%	5-7%	5.00%
Net fee income growth	-6.89%	Flat	0.15%
Cost to income	43.15%	Low to mid-40s	42.95%
Credit cost (bp)	211	175-200	210
NPL ratio	3.19%	< 3.25%	3.72%
ROE	7.38%	n/a	7.9%
ROA	0.86%	n/a	1.0%

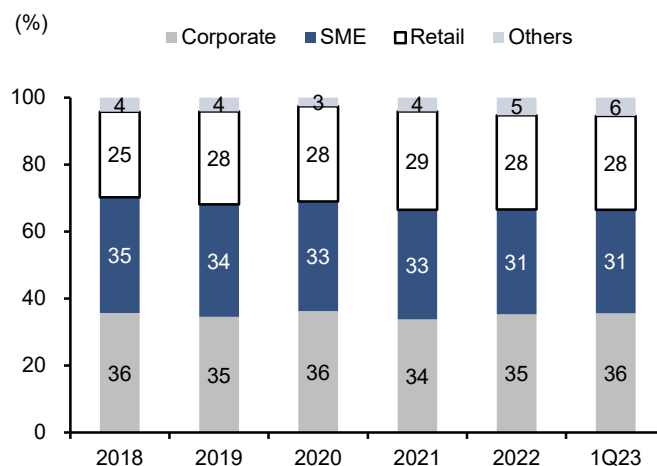
Sources: KBANK; FSSIA estimates

Exhibit 200: KBANK's change of interest rates

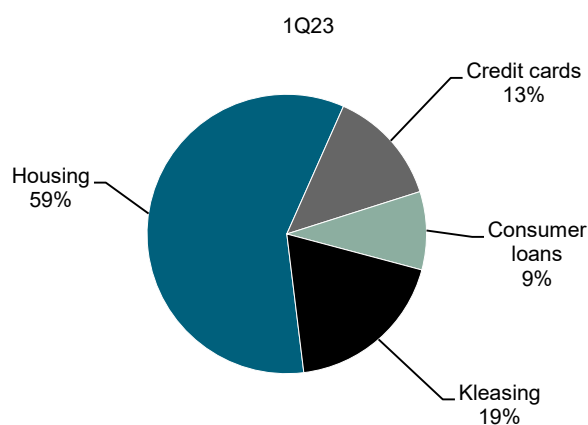
KBANK	Saving (%)	MOR (%)	MLR (%)	MRR (%)	Ceiling (%)	Default (%)
1Q22	0.250	5.840	5.470	5.970	20.970	23.970
2Q22	0.250	5.840	5.470	5.970	20.970	23.970
3Q22	0.250	5.840	5.470	5.970	20.970	23.970
4Q22	0.250	6.340	5.970	6.100	20.970	23.970
1Q23	0.250	6.890	6.570	6.600	20.970	23.970
2Q23	0.300	7.340	7.020	7.050	20.970	23.970
Change from 1Q22	0.050	1.500	1.550	1.080	0.000	0.000

Sources: [Bank of Thailand](#); FSSIA's compilation**Exhibit 201: Loan breakdown, 1Q23**

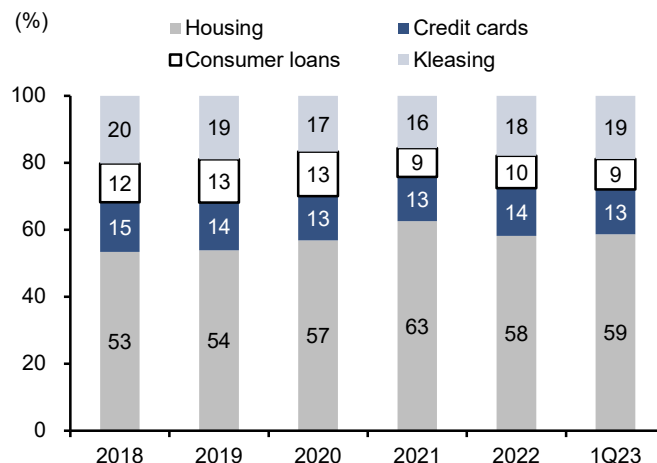
Sources: KBANK; FSSIA's compilation

Exhibit 202: Loan breakdown, 2018 to 1Q23

Sources: KBANK; FSSIA's compilation

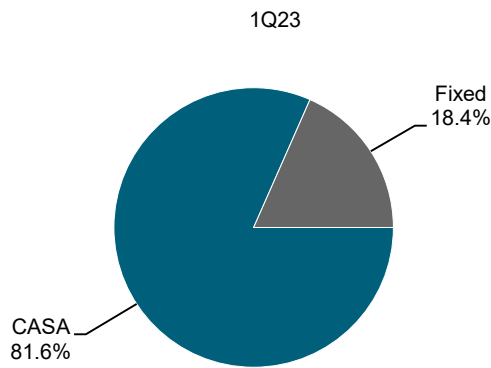
Exhibit 203: Loan by retail products (all segments), 1Q23

Sources: KBANK; FSSIA's compilation

Exhibit 204: Loan by retail products (all segments), 2018-1Q23

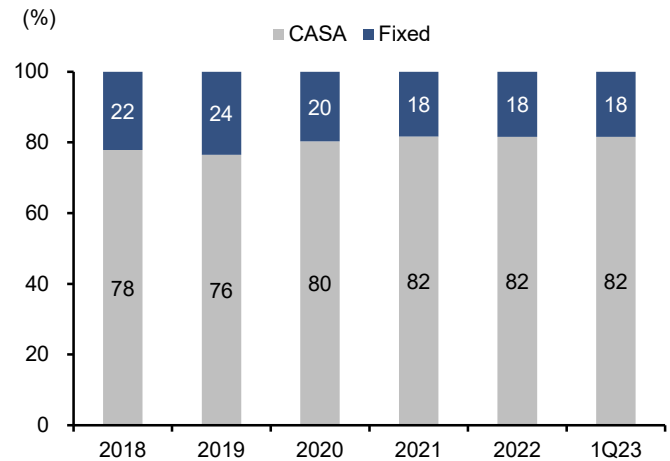
Sources: KBANK; FSSIA's compilation

Exhibit 205: Deposit structure, 1Q23



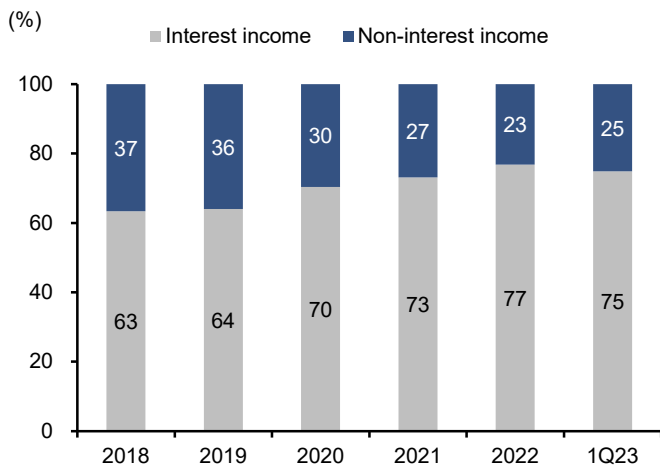
Sources: KBANK; FSSIA's compilation

Exhibit 206: Deposit structure, 2018-1Q23



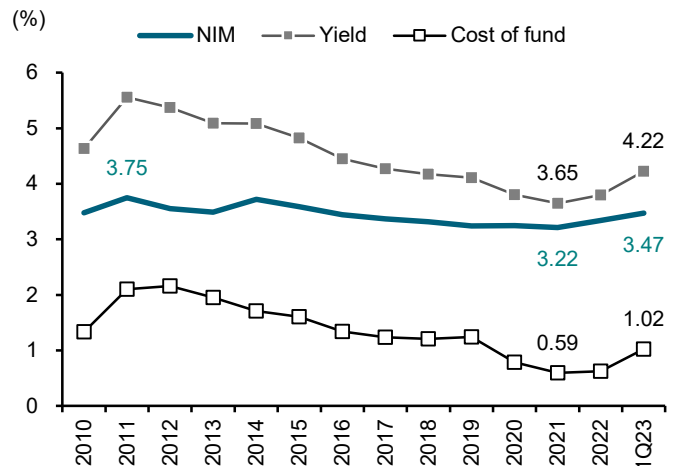
Sources: KBANK; FSSIA's compilation

Exhibit 207: Revenue breakdown



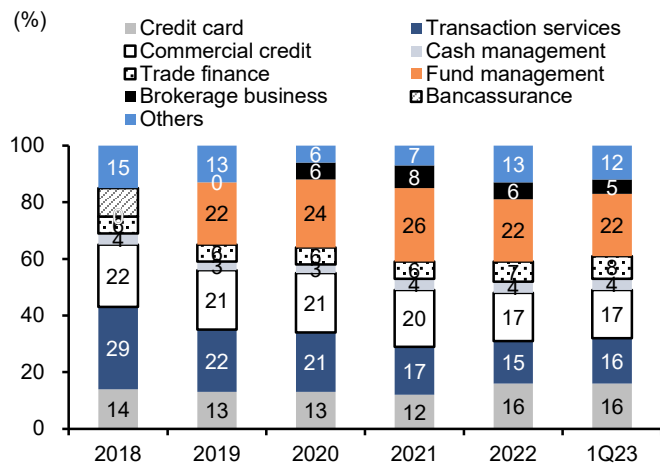
Sources: KBANK; FSSIA's compilation

Exhibit 208: Yield, cost of funds, and NIM



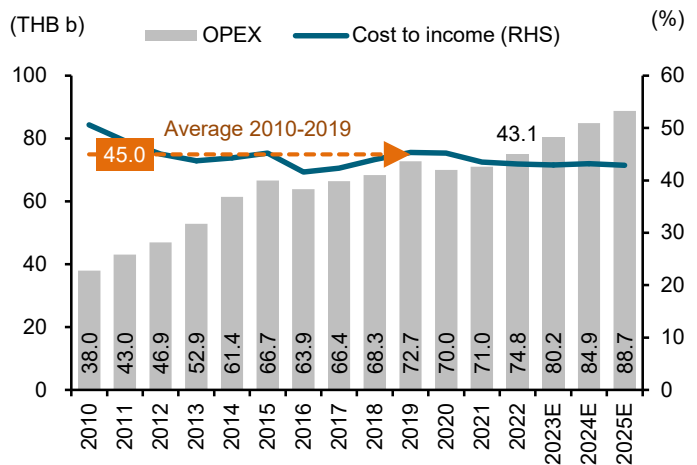
Sources: KBANK; FSSIA's calculation

Exhibit 209: Fee income breakdown, 2018-1Q23



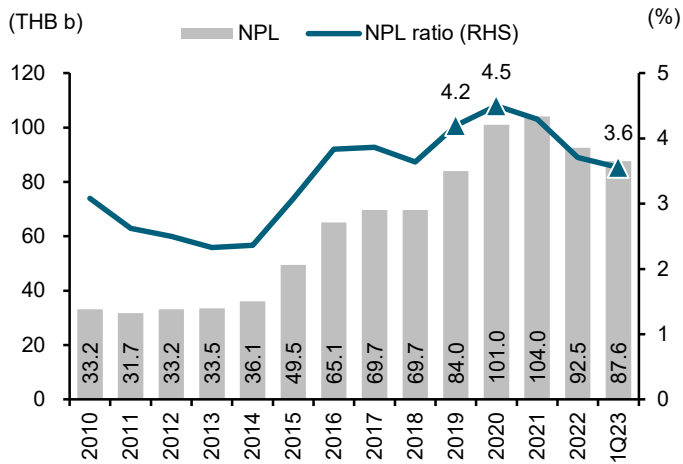
Sources: KBANK; FSSIA's compilation

Exhibit 210: OPEX vs cost to income



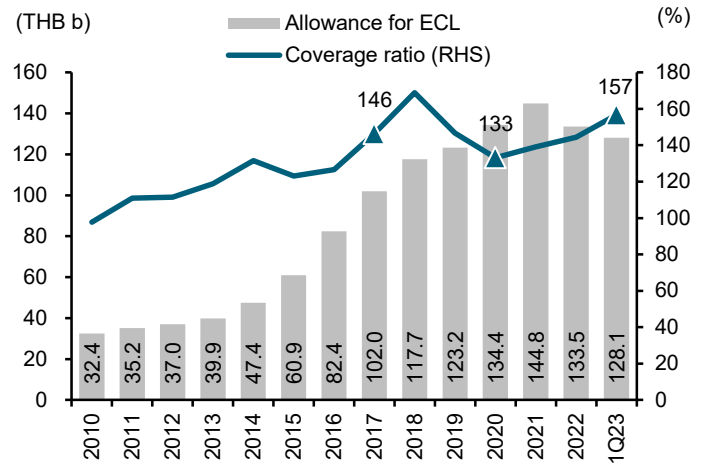
Sources: KBANK; FSSIA estimates

Exhibit 211: NPL and NPL ratio*



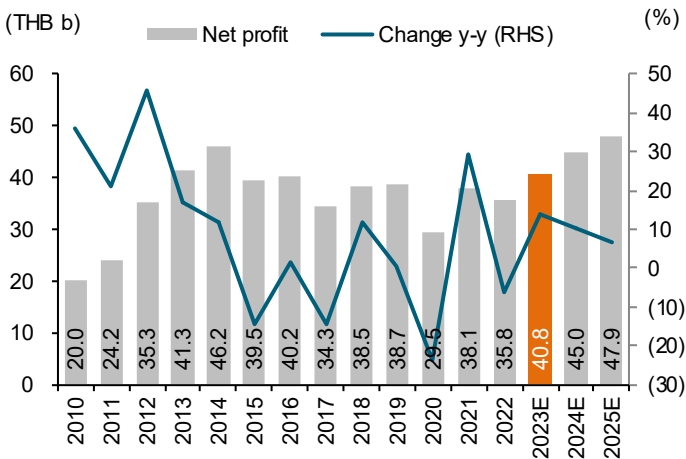
Sources: KBANK; *FSSIA's calculation

Exhibit 212: Coverage ratio (allowance for ECL to NPL)*



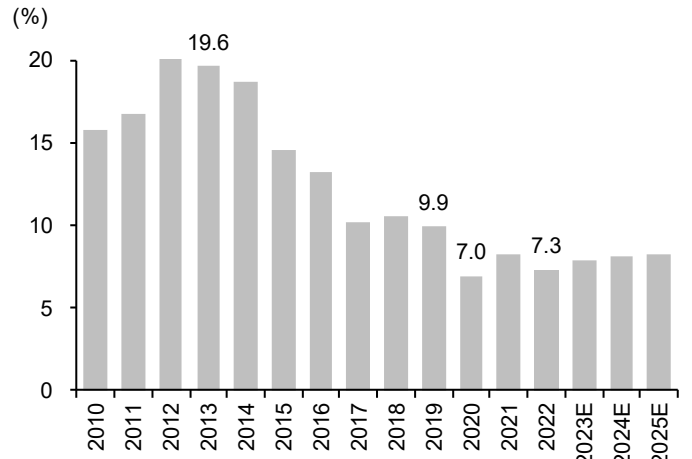
Sources: KBANK; *FSSIA's calculation

Exhibit 213: Net profit and growth



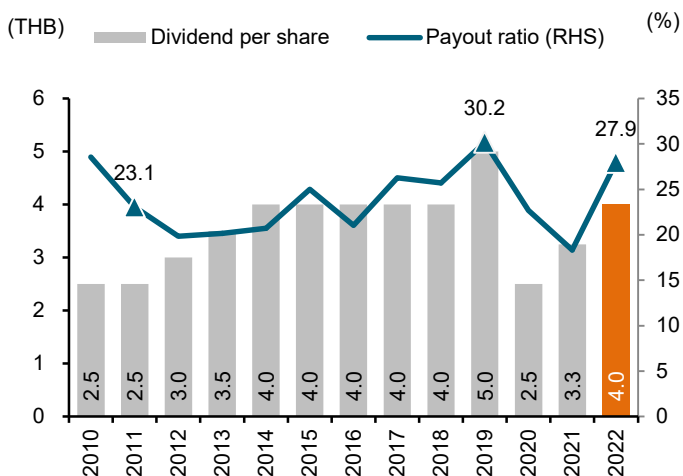
Sources: KBANK; FSSIA estimates

Exhibit 214: ROE



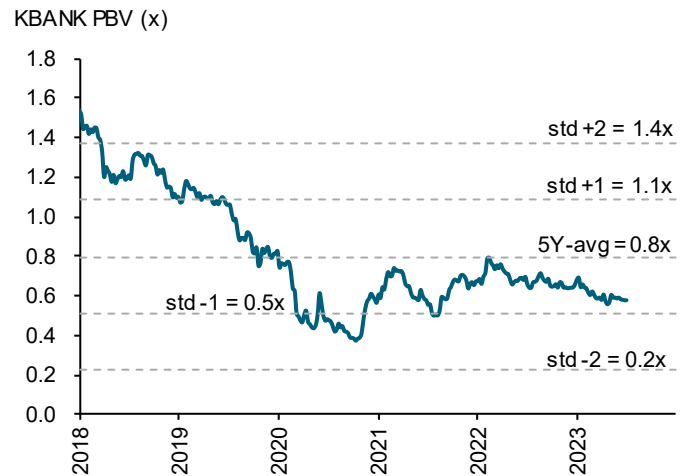
Sources: KBANK; FSSIA estimates

Exhibit 215: Dividend and payout ratio

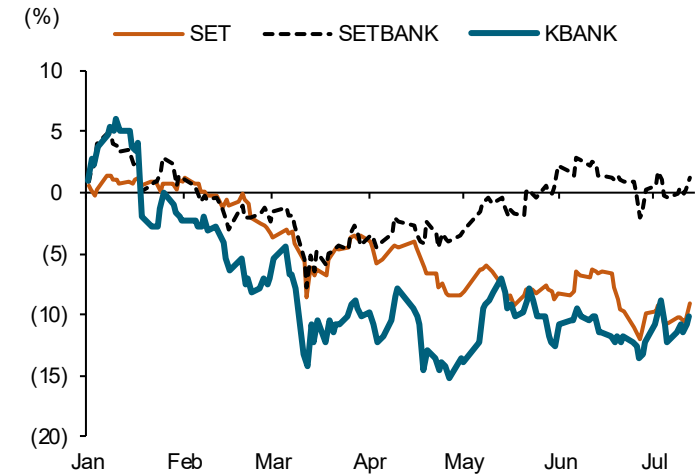


Sources: KBANK; FSSIA's compilation

Exhibit 216: One-year forward rolling P/BV



Sources: Bloomberg; FSSIA estimates

Exhibit 217: Share price performance as of close on 14 July 2023

Source: Bloomberg

Exhibit 218: 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)
TTB TB	(3.7)	11.4	10.6	39.3	10.6
SET Index	(2.7)	(5.2)	(9.7)	(1.0)	(9.0)
SETBANK Index	(0.2)	4.0	(1.3)	13.4	1.2

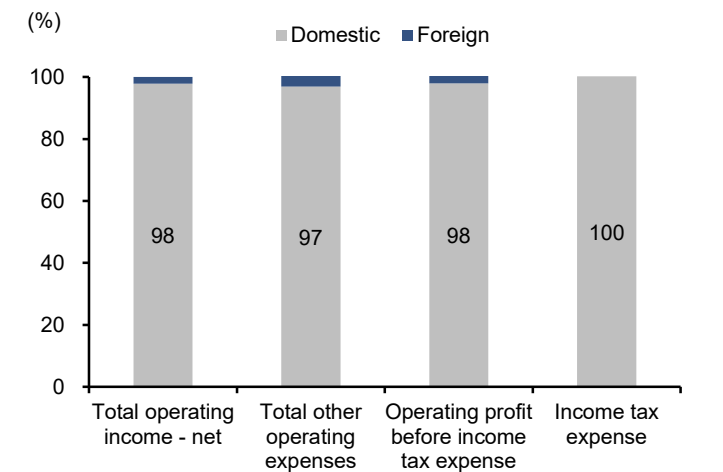
Source: Bloomberg

Exhibit 219: Network development

	2019	2020	2021	2022	1Q23
	(no.)	(no.)	(no.)	(no.)	(no.)
Branch	886	860	839	824	819
Change*	(72)	(26)	(21)	(15)	(5)
E-Machine	10,973	10,981	10,911	10,953	10,924
Change*	(1,012)	8	(70)	42	(29)
Mobile banking users (m)	12.1	14.4	17.1	20.0	20.6
Change*	2.1	2.3	2.7	2.9	0.6
No. of transactions (b)	2.7	3.8	5.4	7.5	2.2
Change*	0.7	1.1	1.6	2.1	(5.3)

* Change from prior period

Sources: KBANK; FSSIA's compilation

Exhibit 220: Operating profit by geographical area, 2022

Sources: KBANK; FSSIA's compilation

Exhibit 221: 2Q23 earnings 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	32,012	34,875	36,173	4	13	71,049	11	49	132,998	144,839	9
Non-interest income	9,498	11,699	10,015	(14)	5	21,714	18	52	40,259	41,784	4
Fee income - net	8,146	8,114	7,665	(6)	(6)	15,779			32,882	32,933	0
Total operating income	41,510	46,574	46,188	(1)	11	92,763	13	50	173,258	186,624	8
Total operating expenses	18,070	19,793	19,485	(2)	8	39,279	11	49	74,753	80,162	7
PPOP before tax	23,441	26,781	26,703	(0)	14	53,484	15	50	98,505	106,462	8
Expected credit loss	9,852	12,692	12,400	(2)	26	25,092	31	47	51,919	53,707	3
Income tax	2,454	2,562	2,603	2	6	5,165	0	53	8,633	9,760	13
Non-controlling interest	341	786	785			1,570	395	71	2,183	2,227	2
Net profit	10,794	10,741	10,915	2	1	21,656	(2)	53	35,769	40,768	14
EPS (THB)	4.56	4.53	4.61	2	1	9.14	(2)	51	14.78	16.85	25
Key ratios	2Q22	1Q23	2Q23E	----- Change -----		1H23E			2022	2023E	Change
Asset quality ratio	(%)	(%)	(%)	(q-q%)	(y-y%)	(%)			(%)	(%)	(y-y %)
Gross NPLs (THB m)	109,972	87,640	86,640	(1)	(21)	86,640			92,536	97,536	
Change (% from prior period)	3.3	(5.3)	(1.1)			(21.2)			(11.1)	5.4	
NPL ratio (%) - Reported	3.80	3.04							3.19		
NPL ratio (%)*	4.42	3.56	3.48			3.48			3.71	3.72	
Coverage ratio (%) - Reported	149	154							154		
Coverage ratio (%)*	128	146	155			155			144	146	
Credit cost (bp)	159	205	200			202			211	210	
Profitability ratio	(%)	(%)	(%)			(%)			(%)	(%)	
Cost to income ratio	43.5	42.5	42.2			42.3			43.1	43.0	
Average yield (%)	3.66	4.22	4.30			4.24			3.80	4.40	
Cost of funds (%)	0.60	1.02	1.05			1.03			0.63	1.20	
NIM (%)*	3.22	3.47	3.53			3.48			3.34	3.51	
Non-interest income/total income (%)	22.9	25.1	21.7			23.4			23.2	22.4	
Loan growth	(%)	(%)	(%)			(%)			(%)	(%)	
Year-to-date	2.8	(1.2)	(0.2)			(0.2)					
y-y	4.5	0.3	0.0								
q-q	1.3	(1.2)	1.0								

Sources: KBANK; FSSIA estimates

Exhibit 222: 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)
Thailand											
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
Thailand average			44.3	8.2	7.6	0.8	0.8	10.2	10.4	4.0	4.3
Hong Kong											
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
Hong Kong average			674.1	4.1	4.0	0.5	0.4	11.9	11.5	9.1	9.9
China											
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
China average			687.0	4.8	4.5	0.5	0.5	11.2	10.9	6.4	6.8
South Korea											
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
South Korea average			45.1	3.5	3.4	0.3	0.3	9.6	9.2	8.0	8.4
Indonesia											
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
Indonesia average			181.8	14.2	12.6	2.5	2.2	17.8	18.1	3.6	4.2
Malaysia											
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
Malaysia average			67.4	9.8	9.3	1.1	1.0	11.2	11.1	5.7	6.1
Singapore											
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
Singapore average			139.8	8.3	8.2	1.1	1.1	14.1	13.6	6.0	6.3
Regional average (excl. Thailand)			1,795.1	7.8	7.3	1.1	1.0	12.7	12.5	6.3	6.8
Total average (incl. Thailand)			1,839.4	7.9	7.3	1.0	0.9	12.3	12.2	6.2	6.6

*simple average

Sources: Bloomberg consensus; FSSIA estimates for Thai banks

Corporate Governance and ESG – KBANK

Board structure, 2022 One report

Independent Directors (ID)	6/18 of board members, 8 female (44%)
Percentage of IDs on the board	33.33%
ID attendance at board meetings	94.5%
ID in audit/remuneration committee	3/3 in audit committee and 2/3 in remuneration committee
ID terms	Nine-consecutive years

Additional information: 1) By age, ten of 51-60 years, seven of 61-70 years and one of 41-50 years.

Compensation and remuneration

Directors' remuneration vs earnings/ROE/share performance	In 2022, THB95.4m, 0.27% 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: KASIKORNBANK aims to be the most innovative, proactive, and customer centric financial institution, delivering world class financial services and sustainable value for all stakeholders by harmoniously combining technology and talent, in order to empower every customer's life and business



"KBank improved the assessment process for its material topics and boundaries in terms of both quality and quantity, resulting in the more concise material topics and boundaries in accordance with the GRI Standards under the revised Universal Standards 2021. Material topics and boundaries in 2022 were still within the 2021 framework. A survey conducted by the Bank shows that material topics and boundaries that most stakeholders attached importance to were in the governance and social dimensions. KBank is required to maintain the high standards of its material topics and boundaries. Additionally, a majority of stakeholders placed emphasis on the environmental and social impacts, such as weather conditions and reduction of social inequality. There were 25 material issues in 2022 (as shown on the left)."

Awards and recognition

- Dow Jones Sustainability Indices (DJSI)** - The first bank in Thailand and ASEAN selected as a member of the DJSI for seven consecutive years (2016 - 2022)
- S&P Global** - Top 5% of the S&P Global ESG Score 2022 for the banking industry
- FTSE4Good Emerging Index** - Selected as a member of the FTSE4Good Emerging Index for six consecutive years (2016 - 2021)
- MSCI** - MSCI ESG Ratings at "AA" A leading company in the banking industry in emerging markets in ESG operations (2022)
- Bloomberg** - Bloomberg Gender-Equality Index (GEI) The first company in Thailand selected as a member of the Bloomberg Gender-Equality Index for five consecutive years (2019 - 2023)
- Carbon Disclosure Project (CDP)** - CDP A List (Leadership Level) (2022)
- Carbon Neutral Certification** - The first commercial bank in Thailand granted this certification for five consecutive years (2018 - 2022)
- The ESG 100 Certificate** - One of 100 companies selected as having outstanding ESG performance for seven consecutive years (2016 - 2022)
- Best Sustainability Awards (2022)** - Highly Commended in Sustainability Awards for three years (2018 - 2019, 2021)
- Thailand Sustainability Investment (THSI)** - Included in THSI for seven years (2015, 2017 - 2022)

Additional information: [KBANK](#):

Source: FSSIA compilation

Audit Practices

Auditor	KPMG Phoomchai Audit Ltd.
Length of service	More than five years
Reporting incidents	None
Fee track record	THB15.1m to auditors of the Bank, and THB23.3m to the respective audit company including individuals or business entities related to the auditors and the respective audit company
Policy on change of audit firm	To review every five years

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

Kasikornbank

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Interest Income	135,415	151,333	181,425	196,348	205,362
Interest expense	(16,024)	(18,334)	(36,586)	(41,226)	(43,536)
Net interest income	119,390	132,998	144,839	155,122	161,826
Net fees & commission	35,316	32,882	32,933	33,109	33,336
Foreign exchange trading income	0	0	0	0	0
Securities trading income	6,356	4,923	5,153	5,153	6,053
Dividend income	3,310	3,446	3,618	3,799	3,989
Other income	(1,024)	(991)	80	(603)	1,541
Non interest income	43,958	40,259	41,784	41,458	44,919
Total income	163,349	173,258	186,624	196,579	206,745
Staff costs	(34,481)	(34,602)	(37,371)	(39,613)	(41,990)
Other operating costs	(36,563)	(40,151)	(42,792)	(45,297)	(46,722)
Operating costs	(71,044)	(74,753)	(80,162)	(84,910)	(88,712)
Pre provision operating profit	92,305	98,505	106,462	111,670	118,033
Expected credit loss	(40,332)	(51,919)	(53,707)	(53,707)	(56,392)
Other provisions	-	-	-	-	-
Operating profit	51,973	46,585	52,755	57,963	61,641
Recurring non operating income	0	0	0	0	0
Associates	-	-	-	-	-
Goodwill amortization	-	-	-	-	-
Non recurring items	-	-	-	-	-
Profit before tax	51,973	46,585	52,755	57,963	61,641
Tax	(9,729)	(8,633)	(9,760)	(10,723)	(11,404)
Profit after tax	42,244	37,953	42,995	47,240	50,238
Non-controlling interest	(4,192)	(2,183)	(2,227)	(2,271)	(2,317)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	38,053	35,769	40,768	44,969	47,921
Non recurring items & goodwill (net)	-	-	0	0	0
Recurring net profit	38,053	35,769	40,768	44,969	47,921
Per share (THB)					
Recurring EPS *	15.77	14.78	16.85	18.58	19.80
Reported EPS	15.77	14.78	16.85	18.58	19.80
DPS	3.25	4.00	4.80	5.30	5.60
Growth					
Net interest income (%)	9.5	11.4	8.9	7.1	4.3
Non interest income (%)	(4.2)	(8.4)	3.8	(0.8)	8.3
Pre provision operating profit (%)	8.7	6.7	8.1	4.9	5.7
Operating profit (%)	25.7	(10.4)	13.2	9.9	6.3
Reported net profit (%)	29.0	(6.0)	14.0	10.3	6.6
Recurring EPS (%)	27.0	(6.3)	14.0	10.3	6.6
Reported EPS (%)	27.0	(6.3)	14.0	10.3	6.6
Income Breakdown					
Net interest income (%)	73.1	76.8	77.6	78.9	78.3
Net fees & commission (%)	21.6	19.0	17.6	16.8	16.1
Foreign exchange trading income (%)	-	-	-	-	-
Securities trading income (%)	3.9	2.8	2.8	2.6	2.9
Dividend income (%)	2.0	2.0	1.9	1.9	1.9
Other income (%)	(0.6)	(0.6)	0.0	(0.3)	0.7
Operating performance					
Gross interest yield (%)	3.65	3.80	4.40	4.56	4.58
Cost of funds (%)	0.59	0.63	1.20	1.29	1.31
Net interest spread (%)	3.06	3.17	3.20	3.27	3.27
Net interest margin (%)	3.2	3.3	3.5	3.6	3.6
Cost/income(%)	43.5	43.1	43.0	43.2	42.9
Cost/assets(%)	1.8	1.8	1.8	1.9	1.9
Effective tax rate (%)	18.7	18.5	18.5	18.5	18.5
Dividend payout on recurring profit (%)	20.6	27.1	28.5	28.5	28.3
ROE (%)	8.3	7.3	7.9	8.2	8.3
ROE - COE (%)	(1.6)	(2.6)	(2.1)	(1.8)	(1.7)
ROA (%)	1.1	0.9	1.0	1.0	1.1
RORWA (%)	1.7	1.4	1.5	1.6	1.6

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Kasikornbank; FSSIA estimates

Financial Statements

Kasikornbank

Balance Sheet (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Gross customer loans	2,421,813	2,495,077	2,619,831	2,750,822	2,888,364
Allowance for expected credit loss	(144,772)	(133,529)	(142,236)	(148,942)	(163,334)
interest in suspense	16,599	16,226	18,339	19,256	20,219
Net customer loans	2,293,640	2,377,774	2,495,934	2,621,136	2,745,248
Bank loans	420,494	502,536	512,587	522,838	533,295
Government securities	-	-	-	-	-
Trading securities	-	-	-	-	-
Investment securities	1,097,872	1,029,441	1,085,639	1,119,480	1,154,401
Cash & equivalents	59,972	57,115	55,015	56,528	59,651
Other interesting assets	-	-	-	-	-
Tangible fixed assets	97,185	111,105	113,838	116,640	119,514
Associates	-	-	-	-	-
Goodwill	-	-	-	-	-
Other intangible assets	-	-	-	-	-
Other assets	134,237	168,398	168,193	172,036	176,027
Total assets	4,103,399	4,246,369	4,431,206	4,608,658	4,788,135
Customer deposits	2,598,630	2,748,685	2,872,375	3,001,632	3,145,711
Bank deposits	-	-	-	-	-
Other interest bearing liabilities	315,685	248,024	271,498	279,078	286,942
Non interest bearing liabilities	652,409	682,581	682,581	682,581	682,581
Hybrid Capital	-	-	-	-	-
Total liabilities	3,566,724	3,679,289	3,826,454	3,963,291	4,115,234
Share capital	23,693	23,693	23,693	23,693	23,693
Reserves	453,020	479,577	510,868	544,464	564,278
Total equity	476,714	503,270	534,561	568,157	587,971
Non-controlling interest	59,961	63,810	70,191	77,210	84,931
Total liabilities & equity	4,103,399	4,246,369	4,431,206	4,608,658	4,788,135
Supplementary items					
Risk weighted assets (RWA)	2,630,858	2,746,673	2,924,596	3,041,714	3,160,169
Average interest earning assets	3,713,438	3,983,616	4,122,555	4,305,599	4,484,600
Average interest bearing liabilities	2,695,575	2,930,393	3,045,404	3,187,405	3,331,795
CET 1 capital	406,642	435,662	454,736	483,948	514,696
Total capital	466,613	489,814	508,888	538,100	568,848
Gross non performing loans (NPL)	104,036	92,536	97,536	103,536	109,536
Per share (THB)					
Book value per share	201.20	212.41	225.62	239.80	248.16
Tangible book value per share	201.20	212.41	225.62	239.80	248.16
Growth					
Gross customer loans	7.9	3.0	5.0	5.0	5.0
Average interest earning assets	10.6	7.3	3.5	4.4	4.2
Total asset (%)	12.2	3.5	4.4	4.0	3.9
Risk weighted assets (%)	9.4	4.4	6.5	4.0	3.9
Customer deposits (%)	10.8	5.8	4.5	4.5	4.8
Leverage & capital measures					
Customer loan/deposits (%)	88.3	86.5	86.9	87.3	87.3
Equity/assets (%)	11.6	11.9	12.1	12.3	12.3
Tangible equity/assets (%)	11.6	11.9	12.1	12.3	12.3
RWA/assets (%)	64.1	64.7	66.0	66.0	66.0
CET 1 CAR (%)	15.5	15.9	15.5	15.9	16.3
Total CAR (%)	17.7	17.8	17.4	17.7	18.0
Asset Quality (FSSIA's calculation)					
Change in NPL (%)	3.0	(11.1)	5.4	6.2	5.8
NPL/gross loans (%)	4.3	3.7	3.7	3.8	3.8
Allowance for ECL/gross loans (%)	6.0	5.4	5.4	5.4	5.7
Allowance for ECL/NPL (%)	139.2	144.3	145.8	143.9	149.1
Valuation					
Recurring P/E (x) *	8.4	9.0	7.9	7.1	6.7
Recurring P/E @ target price (x) *	9.5	10.1	8.9	8.1	7.6
Reported P/E (x)	8.4	9.0	7.9	7.1	6.7
Dividend yield (%)	2.5	3.0	3.6	4.0	4.2
Price/book (x)	0.7	0.6	0.6	0.6	0.5
Price/tangible book (x)	0.7	0.6	0.6	0.6	0.5
Price/tangible book @ target price (x)	0.7	0.7	0.7	0.6	0.6

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Kasikornbank; FSSIA estimates

KIATNAKIN BANK

THAILAND / BANKING

KKP TB

HOLD

Not a good choice at the moment

- We have a negative view of KKP's aggressive strategy during the Covid-19 pandemic, which resulted in poor asset quality.
- High volatility of capital market to continue pressuring its performance in 2H23.
- We initiate coverage of KKP with a HOLD call.

Aggressive strategy against the market yielded poor results

We have a negative outlook on KKP's two core businesses in 2023. **1) Banking business (69% of total revenue in 2022).** Rising interest rates should push its cost of funds higher. Meanwhile, most of the loan portfolio (almost 60%) is fixed-rate, which should directly impact the loan spreads in 2023. Moreover, KKP's average loan growth of 17%, higher than the sector's average of only 6% CAGR during 2020-22 (the Covid pandemic period), should impact its asset quality, resulting in higher NPLs and credit costs, along with a lower coverage ratio. **2) Capital market business (31% of total revenue in 2022).** This has been impacted by the volatile capital market conditions in 1H23, negatively affecting its brokerage fee income, investment advisory fee income, and investment gains from both FVTPL, FVOCI, and the realised investment portion.

Weak 2Q23 profit direction from poor capital market conditions

We expect a 2Q23 net profit of THB1.73b (-17% q-q, -15% y-y), impacted by the capital market business and reflecting the sharp decline in the SET's average daily trading volumes by 31% q-q and 35% y-y. Fee incomes from brokerage and investment gains have decreased. For the banking business, although net loans should rise 3% q-q and 18% y-y, the positive results would not be reflected in the loan spread (expect to remain stable q-q at 4.19%) due to its focus on the low-risk segment, corporate and housing loans. We also expect KKP to continue booking high losses from sales of repossessed cars, similar to the previous period at THB1.1b (higher than 2022's quarterly average of THB400m).

Asset quality concerns to continue throughout 2H23

We are concerned about KKP's asset quality in 2H23 due to its aggressive loan growth policy during the pandemic. KKP plans to review its 2023 business targets, mainly the NPL ratio and credit cost targets that have already exceeded the 2023 targets in 1Q23. However, we have factored this impact into our credit cost estimate (including losses on sales of repossessed cars) at 230bp, close to 1Q23. NPLs should rise from 1Q23, but the NPL ratio might not be impacted much (3.50% in 1Q23, we predict 3.40% in 2H23) due to our projected loan growth to continue at 10% y-y in 2023 (the impact of higher denominator loans).

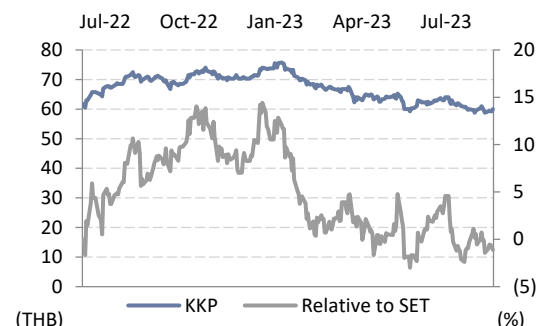
Initiate with HOLD call and 2023 GGM-based TP of THB65

We initiate coverage of KKP with a HOLD call. Our 2023 GGM-based TP of THB65 implies a P/BV of 0.88x.

TARGET PRICE	THB65.00
CLOSE	THB60.00
UP/DOWNSIDE	+8.3%
TP vs CONSENSUS	-17.1%

KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Operating profit	9,490	9,372	10,536	11,530
Net profit	7,602	7,482	8,414	9,203
EPS (THB)	8.98	8.84	9.94	10.87
vs Consensus (%)	-	(4.3)	(0.2)	2.0
Recurring net profit	7,602	7,482	8,414	9,203
Core EPS (THB)	8.98	8.84	9.94	10.87
EPS growth (%)	20.3	(1.6)	12.5	9.4
Core P/E (x)	6.7	6.8	6.0	5.5
Dividend yield (%)	5.4	5.4	6.3	7.0
Price/book (x)	0.9	0.8	0.7	0.7
ROE (%)	14.0	12.4	12.8	12.9
ROA (%)	1.6	1.4	1.5	1.5



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(2.8)	(6.3)	(2.0)
Relative to country (%)	(0.1)	(1.6)	(0.8)
Mkt cap (USD m)	1,465		
3m avg. daily turnover (USD m)	6.7		
Free float (%)	93		
Major shareholder	Thai NVDR (8%)		
12m high/low (THB)	76.25/58.00		
Issued shares (m)	847		

Sources: Bloomberg consensus; FSSIA estimates



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Investment thesis

We have a negative view on KKP due to:

- Its aggressive strategy during the Covid-19 pandemic which resulted in poor asset quality.
- The capital market business should remain volatile throughout 2H23 based upon the capital market situation; pressuring fee income, advisory income, and investment gains.
- Credit cost should rise mainly from high exposure to losses from repossessed cars.
- We expect KKP's net profit growth to be at 7%, lower than the industry's average of 10% CAGR, during 2023-25.
- We do not think KKP's share price could outperform the sector average in the near term under the current circumstances.

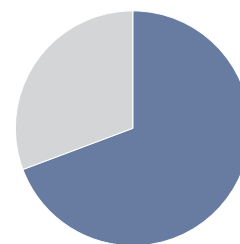
Company profile

KKP was created through the merger of a commercial banking business driven by Kiatnakin Bank and a capital market business led by Phatra Capital and Phatra Securities. KKP's banking operations are mostly geared toward retail, with auto hire purchase lending accounting for 49% of its loan portfolio at end-2022.

kiatnakin.co.th

Principal activities (revenue, 2022)

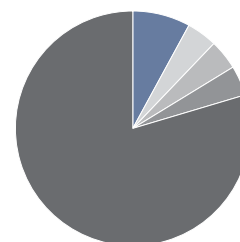
- Net interest income - 69.3 %
- Non-interest income - 30.7 %



Source: Kiatnakin Bank

Major shareholders

- Thai NVDR - 7.9 %
- Ms Thitinan Wattanavekin - 4.2 %
- Eastern Sugar and Cane - 4.1 %
- Ramkamhang Hospital - 4.1 %
- Others - 79.6 %



Source: Kiatnakin Bank

Catalysts

- Capital market conditions return to active mode with higher trading volumes.
- The efficiency of asset quality management is better than expected.
- Higher used car prices with lower supply from the bank and non-bank.
- The cost control policy of its cost of funds and operating expenses is better than expected.

Risks to our call

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.

Event calendar

Date	Event
21 Jul 2023	2Q23 results announcement

Key assumptions

	2023E (%)	2024E (%)	2025E (%)
Net profit (THB m)	7,482	8,414	9,203
Net profit growth (%)	(1.6)	12.5	9.4
NIM (%)	4.40	4.43	4.44
Loan growth (%)	10.0	10.0	10.0
Fee growth (%)	(11.4)	7.0	5.4
Non-interest income growth (%)	(12.1)	9.9	4.5
Credit cost (bp)	125.0	125.0	125.0
Cost to income (%)	50.4	49.3	48.6

Source: FSSIA estimates

Earnings sensitivity

		2023E		
Loan growth (%)	±2ppt	8	10	12
% change in net profit		(1)	-	+1
Loan spread (%)	±5bp	4.14	4.19	4.24
% change in net profit		(2)	-	+2
Credit cost (bp)	±10bp	115	125	135
% change in net profit		+4	-	(4)

Source: FSSIA estimates

Exhibit 223: KKP - GGM-based TP

Target price	THB 65.00
Sustainable ROE	12.0%
g	2.0%
ROE-g	10.0%
Beta	1.08%
RF	2.50%
MRP	10.0%
COE	13.3%
COE-g	11.3%
ROE-g / COE-g (PBV)	0.88x

Source: FSSIA estimates

Exhibit 224: 2023 key financial guidance vs FSSIA estimates

	KKP*	KKP*	FSSIA
	2022	2023E	2023E
ROE	13.60%	~13.0% 3	12.4%
Loan growth	21.40%	~13.0%	10.0%
Loan spread	5.40%	~5.0%	4.4%
NPL ratio (gross) 1	3.30%	~3.1%	3.4%
Credit cost (bp) 2	210	~ 220	230

Note: *ROE comprehensive income; 1. NPL ratio: Excluding amount classified as Purchased or Originated Credit-Impaired (POCI) financial assets; 2. Credit cost: Expected credit loss plus loss from sale of repossessed cars excluding reversal of general provisions; 3. Excluding surplus on Land and Premises revaluation conducted during year 2022.

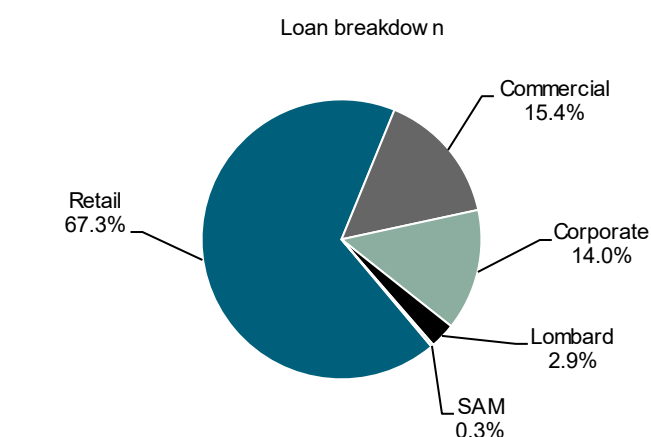
Sources: KKP; FSSIA estimates

Exhibit 225: Loans and allowance for expected credit loss (ECL)

Loans & accrued interest						Allowance for ECL					
	2019	2020	2021	2022	1Q23		2019	2020	2021	2022	1Q23
	(THB b)	(THB b)	(THB b)	(THB b)	(THB b)		(THB b)	(THB b)	(THB b)	(THB b)	(THB b)
Stage 1 - Performing	216.5	247.5	287.1	346.2	355.5		6.3	5.6	8.3	8.5	8.5
Stage 2 - Under-performing	12.1	15.4	17.0	22.8	23.6		1.2	3.0	2.9	3.8	4.1
Stage 3 - Non-performing	9.5	8.3	10.6	13.9	14.7		3.1	3.1	4.3	6.0	6.3
Credit-impaired financial assets	0.0	0.8	0.9	0.9	1.0		0.0	0.0	0.0	0.1	0.1
Total	238.1	272.0	315.7	383.8	394.7		10.6	11.7	15.5	18.3	18.9
Excess allowance							0.0	1.5	1.1	0.8	0.7
Total allowance for ECL							10.6	13.2	16.6	19.1	19.6
Breakdown of loans by stage						Allowance for ECL as % of respective loans					
	(%)	(%)	(%)	(%)	(%)		(%)	(%)	(%)	(%)	(%)
Stage 1 - Performing	90.9	91.0	91.0	90.2	90.1		2.9	2.3	2.9	2.5	2.4
Stage 2 - Under-performing	5.1	5.7	5.4	5.9	6.0		9.6	19.6	16.8	16.7	17.2
Stage 3 - Non-performing	4.0	3.0	3.4	3.6	3.7		33.0	37.3	40.8	42.7	43.1
Credit-impaired financial assets	0.0	0.3	0.3	0.2	0.2		-	2.9	3.0	6.1	7.1
Total	100.0	100.0	100.0	100.0	100.0		4.4	4.3	4.9	4.8	4.8
NPL (THB b)							9.6	8.5	10.2	13.0	13.7
LLR/NPL (%)							111%	139%	152%	141%	138%

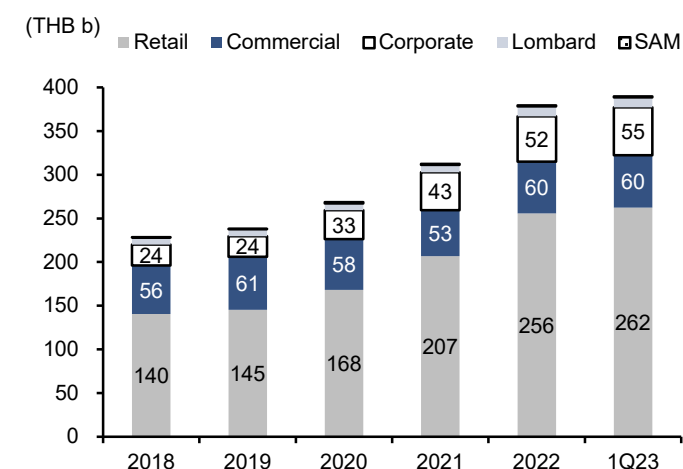
Sources: KKP; FSSIA's compilation

Exhibit 226: Loan breakdown, 1Q23



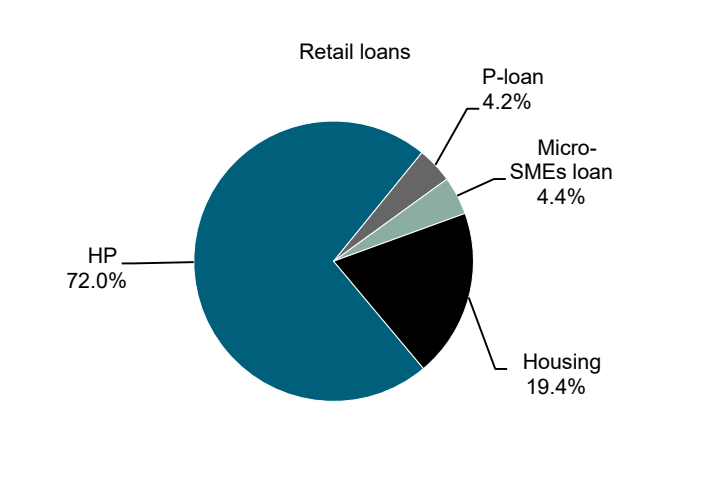
Sources: KKP; FSSIA's compilation

Exhibit 227: Loan breakdown, 2018 to 1Q23



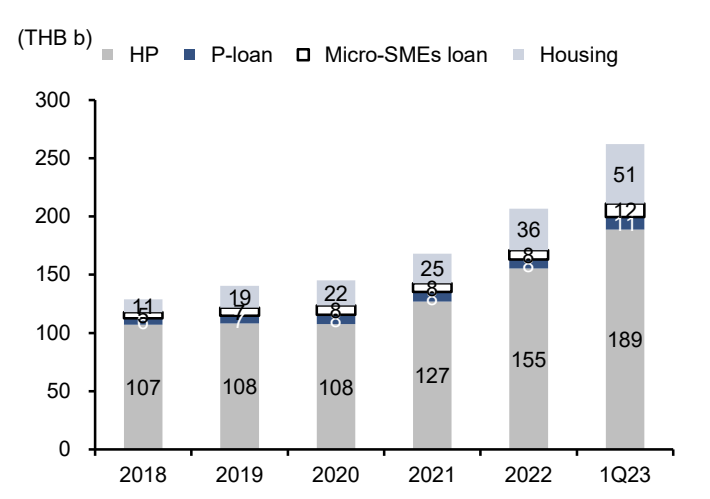
Sources: KKP; FSSIA's compilation

Exhibit 228: Breakdown of retail loans, 1Q23



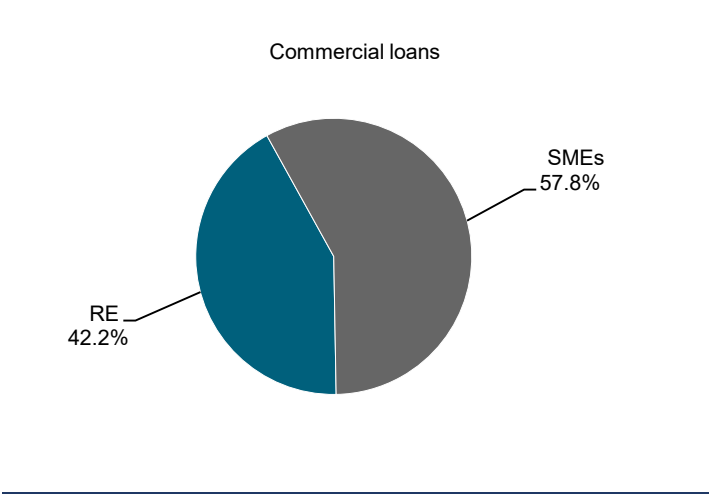
Sources: KKP; FSSIA's compilation

Exhibit 229: Retail loans, 2018-1Q23



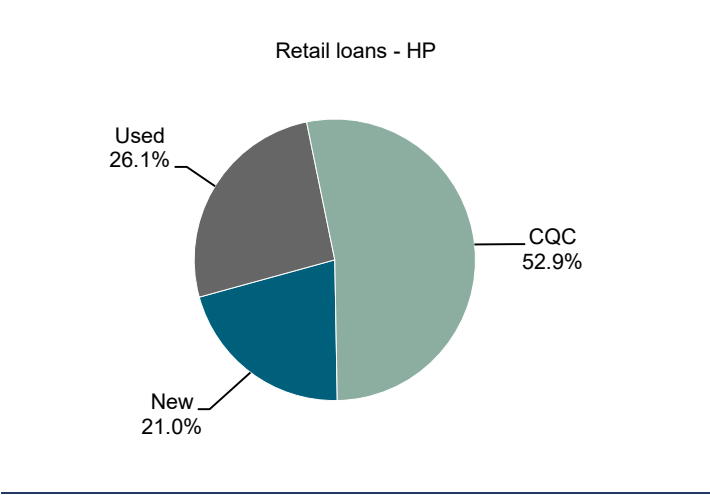
Sources: KKP; FSSIA's compilation

Exhibit 230: Breakdown of commercial loans, 1Q23



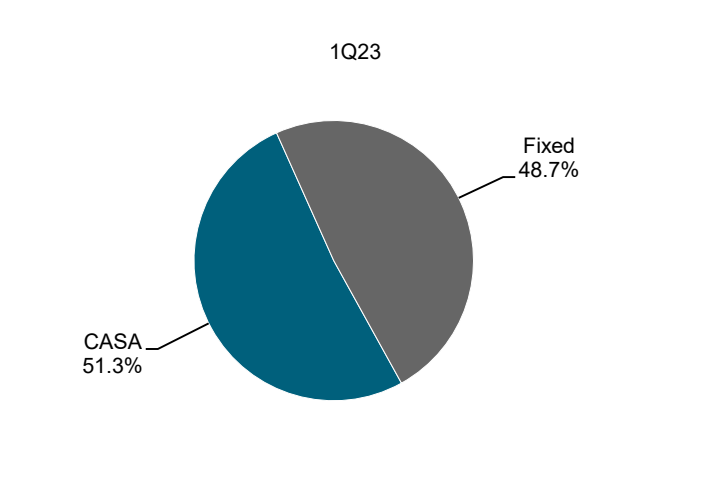
Sources: KKP; FSSIA's compilation

Exhibit 231: Breakdown of hire purchase (HP) loans



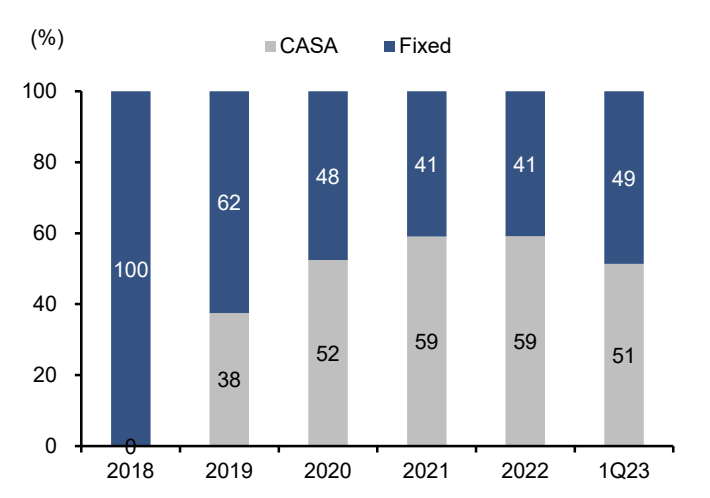
Sources: KKP; FSSIA's compilation

Exhibit 232: Deposit structure, 1Q23

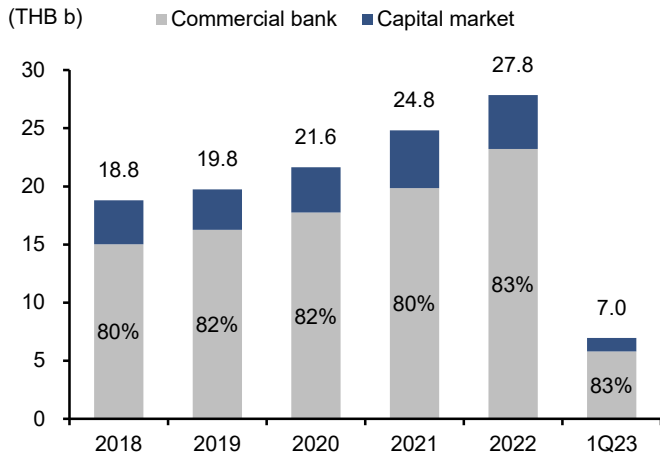


Sources: KKP; FSSIA's compilation

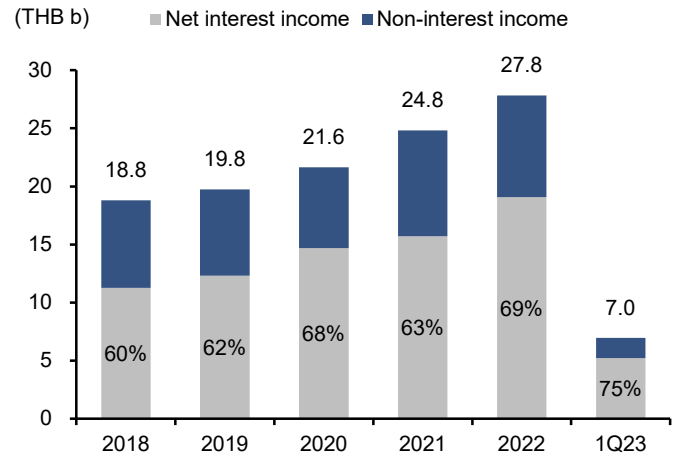
Exhibit 233: Deposit structure, 2018-1Q23



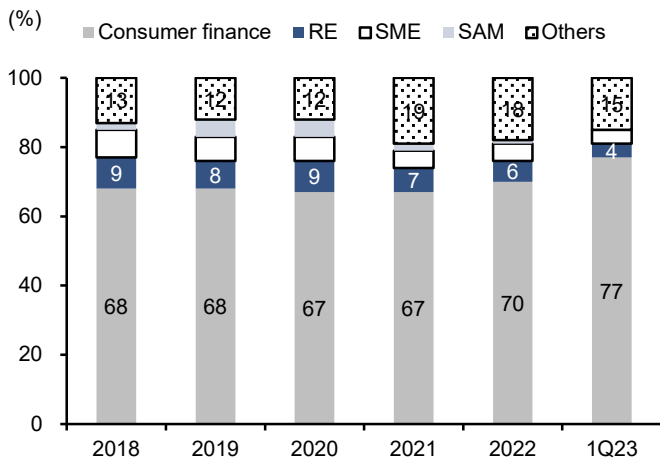
Sources: KKP; FSSIA's compilation

Exhibit 234: Net revenue breakdown by type of business

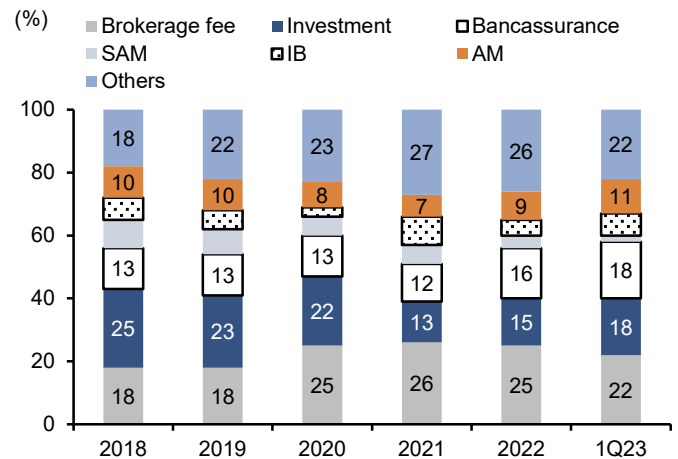
Sources: KKP; FSSIA's compilation

Exhibit 235: Net revenue breakdown by type of income

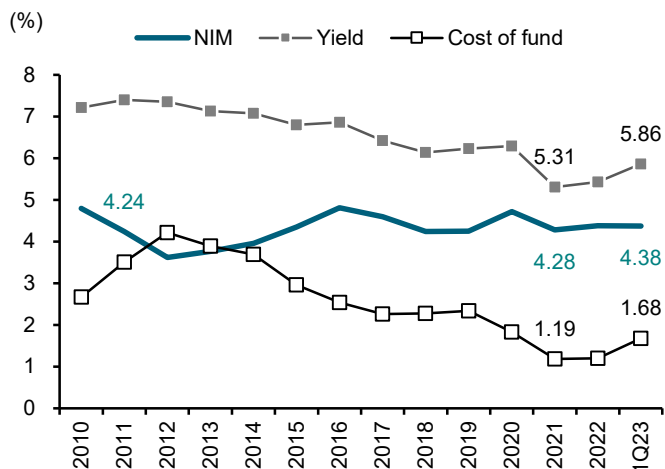
Sources: KKP; FSSIA's calculation

Exhibit 236: Breakdown of net interest income

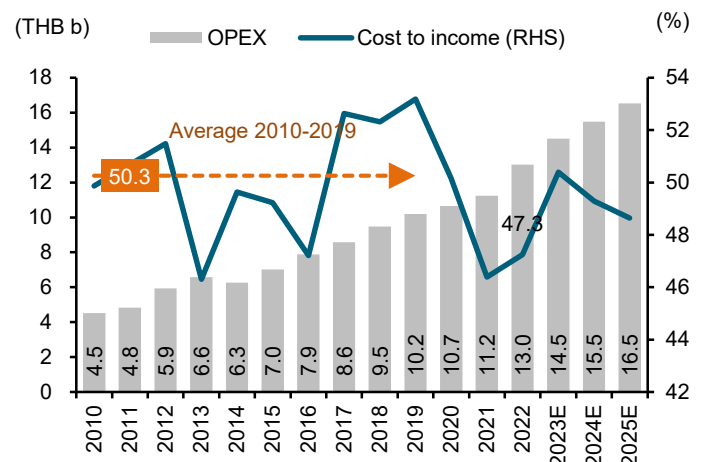
Sources: KKP; FSSIA's compilation

Exhibit 237: Breakdown of non-interest income

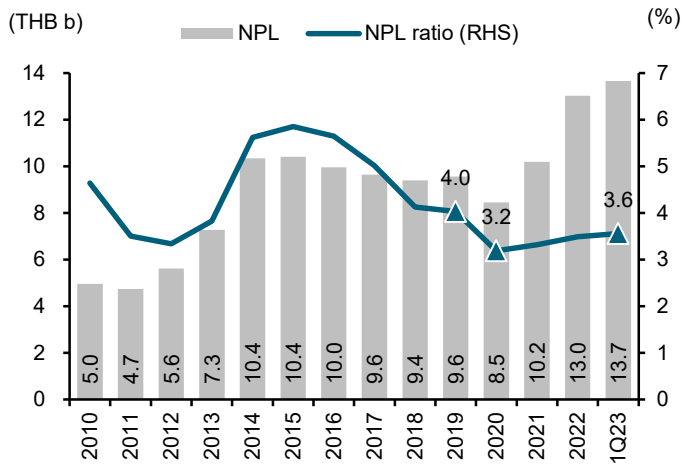
Sources: KKP; FSSIA's calculation

Exhibit 238: Yield, cost of funds, and NIM

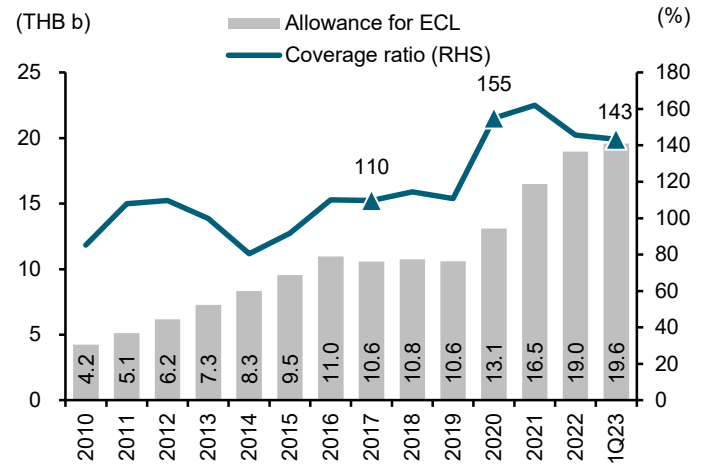
Sources: KKP; FSSIA's compilation

Exhibit 239: OPEX vs cost to income

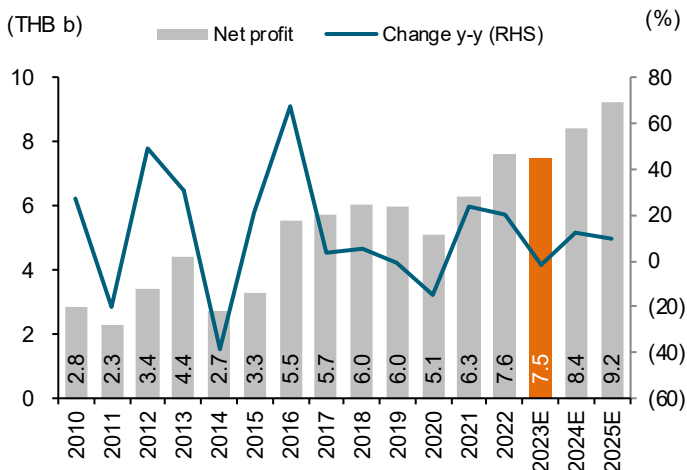
Sources: KKP; FSSIA estimates

Exhibit 240: NPL and NPL ratio*

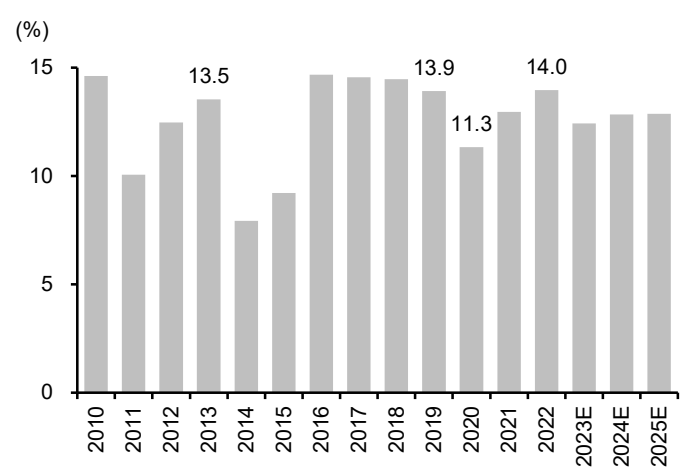
Sources: KKP; *FSSIA's calculation

Exhibit 241: Coverage ratio (allowance for ECL to NPL)*

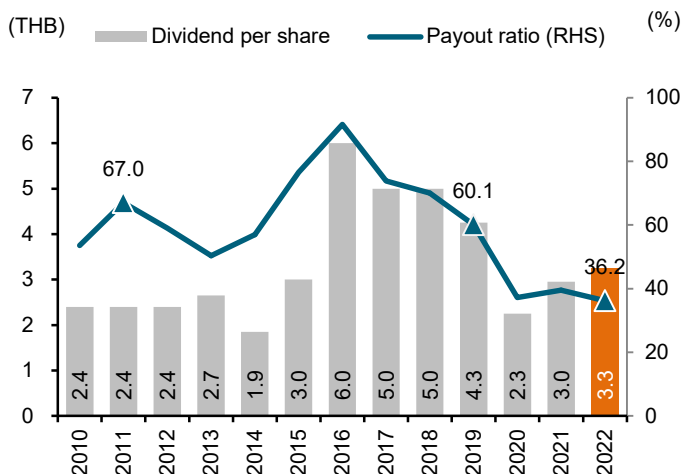
Sources: KKP; FSSIA's calculation

Exhibit 242: Net profit and growth

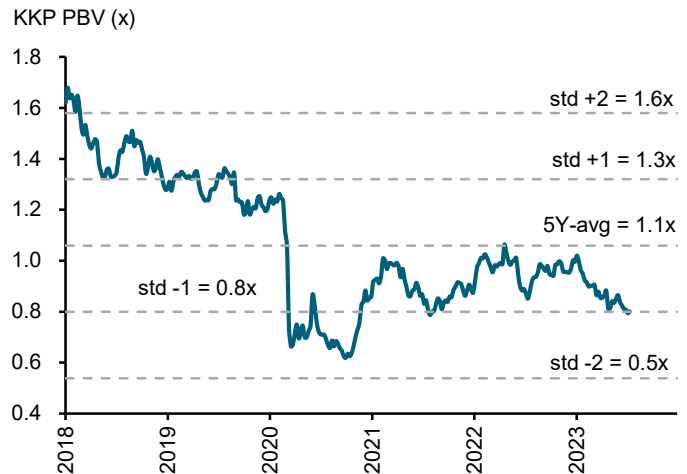
Sources: KKP; FSSIA estimates

Exhibit 243: ROE

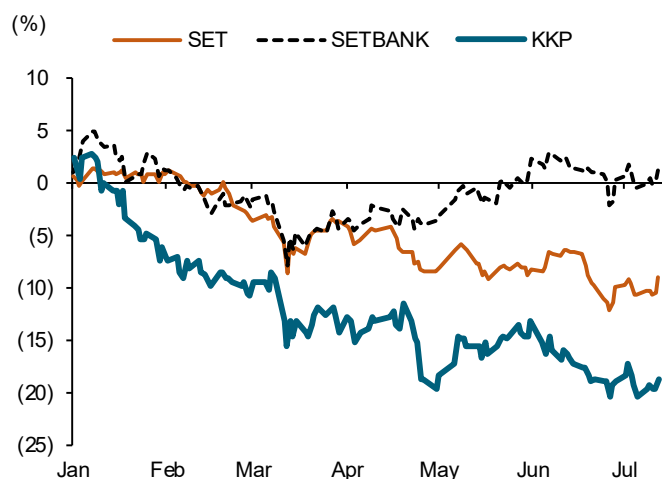
Sources: KKP; FSSIA estimates

Exhibit 244: Dividend and payout ratio

Sources: KKP; FSSIA's compilation

Exhibit 245: One-year forward rolling P/BV

Sources: Bloomberg; FSSIA estimates

Exhibit 246: Share price performance as of close on 14 July 2023

Source: Bloomberg

Exhibit 247: 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)
TTB TB	(3.7)	11.4	10.6	39.3	10.6
SET Index	(2.7)	(5.2)	(9.7)	(1.0)	(9.0)
SETBANK Index	(0.2)	4.0	(1.3)	13.4	1.2

Source: Bloomberg

Exhibit 248: Operating results by segment, 2022

	Commercial banking business (THB m)	Capital market business (THB m)	Debt restructuring (THB m)	Total (THB m)
Interest income, net	18,980	(69)	170	19,081
Fees and services income, net	2,698	3,467	-	6,165
Other operating income, net	1,048	1,238	6	2,292
Total income from operating	22,726	4,636	176	27,538
Income between segments	1,805	474	-	2,279
Depreciation and amortisation	500	126	7	633
Other expenses	8,746	3,560	74	12,380
Profit from operating before tax	8,535	950	4	9,489
Tax	1,679	194	-	1,873
Net income	6,856	756	4	7,616
Total assets	474,770	30,018	2,849	507,637

Sources: KKP; FSSIA's compilation

Exhibit 249: 2Q23 earnings preview

Year end Dec 31	2Q22	1Q23	2Q23E	---- Change ----		1H22	1H23E	Change	%of	2022	2023E	Change
	(THB m)	(THB m)	(THB m)	(y-y%)	(q-q%)	(THB m)	(THB m)	(y-y %)	23E	(THB m)	(THB m)	(y-y %)
Net interest income	4,475	5,223	5,444	22	4	8,779	10,667	22	50	19,081	21,337	12
Non-interest income	1,672	1,718	1,515	(9)	(12)	3,809	3,233	(15)	43	8,457	7,434	(12)
<i>Fee income - net</i>	1,396	1,343	1,219	(13)	(9)	2,950	2,562			6,165	5,465	(11)
Total operating income	6,147	6,941	6,959	13	0	12,589	13,901	10	48	27,539	28,772	4
Total operating expenses	2,818	3,239	3,505	24	8	5,611	6,744	20	47	13,013	14,499	11
PPOP before tax	3,329	3,702	3,454	4	(7)	6,977	7,157	3	50	14,526	14,273	(2)
Expected credit loss	812	1,097	1,200	48	9	1,878	2,297	22	47	5,036	4,901	(3)
Income tax	481	517	517	7	0	1,002	1,034	3	55	1,873	1,874	0
Non-controlling interest	2	3	3			9	7	(23)	41	14	16	12
Net profit	2,033	2,085	1,734	(15)	(17)	4,089	3,819	(7)	51	7,602	7,482	(2)
EPS (THB)	2.40	2.46	2.05	(15)	(17)	4.83	4.51	(7)	51	8.98	8.84	(2)
Key ratios	2Q22	1Q23	2Q23E	---- Change ----		1H22	1H23E			2022	2023E	
Asset quality ratio	(%)	(%)	(%)	(y-y%)	(q-q%)	(%)	(%)			(%)	(%)	
Gross NPLs (THB m)	10,951	13,660	14,000	28	2	10,951	14,000			13,031	13,943	
<i>Change (% from prior period)</i>	7.7	4.8	2.5			5.9	27.8			27.9	7.0	
NPL ratio (%) - reported	3.20	3.50	3.55							3.40		
NPL ratio (%)*	3.26	3.56	3.54			3.26	3.54			3.49	3.39	
Coverage ratio (%) - reported	169	152								154		
Coverage ratio (%)*	159	143	143			159	143			146	158	
Credit cost (bp)	138	234	241			161	250			148	125	
Profitability ratio	(%)	(%)	(%)			(%)	(%)			(%)	(%)	
Cost to income ratio	45.8	46.7	50.4			44.6	48.5			47.3	50.4	
Average yield (%)	5.06	5.86	5.89			5.36	5.99			5.43	5.91	
Cost of funds (%)	1.12	1.68	1.70			1.16	1.74			1.20	1.72	
NIM (%)*	4.08	4.38	4.41			4.35	4.48			4.38	4.40	
Non-int inc/total income (%)	27.2	24.7	21.8			30.3	23.3			30.7	25.8	
Loan growth	(%)	(%)	(%)			(%)	(%)			(%)	(%)	
Year-to-date	9.6	2.8	5.9			9.6	5.9					
y-y	19.2	17.4	17.6							21.7	10.0	
q-q	2.9	2.8	3.0									

*FSSIA's calculation

Sources: KKP; FSSIA estimates

Exhibit 250: 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)
Thailand											
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
Thailand average			44.3	8.2	7.6	0.8	0.8	10.2	10.4	4.0	4.3
Hong Kong											
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
Hong Kong average			674.1	4.1	4.0	0.5	0.4	11.9	11.5	9.1	9.9
China											
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
China average			687.0	4.8	4.5	0.5	0.5	11.2	10.9	6.4	6.8
South Korea											
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
South Korea average			45.1	3.5	3.4	0.3	0.3	9.6	9.2	8.0	8.4
Indonesia											
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
Indonesia average			181.8	14.2	12.6	2.5	2.2	17.8	18.1	3.6	4.2
Malaysia											
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
Malaysia average			67.4	9.8	9.3	1.1	1.0	11.2	11.1	5.7	6.1
Singapore											
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
Singapore average			139.8	8.3	8.2	1.1	1.1	14.1	13.6	6.0	6.3
Regional average (excl. Thailand)			1,795.1	7.8	7.3	1.1	1.0	12.7	12.5	6.3	6.8
Total average (incl. Thailand)			1,839.4	7.9	7.3	1.0	0.9	12.3	12.2	6.2	6.6

*simple average

Sources: Bloomberg consensus; FSSIA estimates for Thai banks

Corporate Governance and ESG – KKP

Board structure, 2022 One report

Independent Directors (ID)	4/12 of board members, 3 female
Percentage of IDs on the board	33.33%
ID attendance at board meetings	100%
ID in audit/remuneration committee	3/3 in audit committee and 2/3 in remuneration committee
ID terms	Nine-consecutive years, eligible to be re-appointed

Additional information: The ratio of independent directors to the total number of directors on the Board should be at least 1:3 with no less than three independent directors. Also, at least half of the Board members must be independent directors or non-executive directors

Compensation and remuneration

Directors' remuneration vs earnings/ROE/share performance	THB36m, 0.47% 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 – material aspects to the organisational' s sustainability performance

Kiatnakin Phatra Financial Group publishes a sustainability report every year to communicate its commitments, operation approaches, and sustainability performances, encompassing economic, social, and environmental dimensions for stakeholders of the organisation. The reporting boundary of the information disclosed in this Sustainability Report is limited to within Kiatnakin Phatra Bank Public Company Limited only. The KKP Sustainability Report 2022 was prepared in accordance with the GRI Standards - Core Option, developed by the Global Reporting Initiative.



Economic and Governance Dimension (11)

1. Anti-Corruption
2. Anti-Crime Policy and Measures
3. Socioeconomic Compliance
4. Systemic Risk Management
5. Product Design and Lifestyle Management
6. Environmental and Social Impacts of Investments, Products and Services
7. Controversial Issues, Dilemmas in Lending and Financing
8. Product Portfolio
9. Green Finance
10. Economic Performance
11. Innovation and Digitalization

Environmental Dimension (3)

12. Effluents and Waste
13. Energy
14. Supplier Environmental Assessment

Social Dimension (13)

15. Supplier Social Assessment
16. Human Rights Assessment
17. Training and Education
18. Talent Attraction and Retention
19. Employment and Employment Practices
20. Labor Management and Relations
21. Occupational Health and Safety
22. Marketing and Labeling
23. Financial Consumer Protection
24. Data Security
25. Customer Privacy
26. Financial Consumer Protection
27. Financial Literacy

Awards and rankings

- Received an "A" Rating with a "stable" outlook by TRIS Rating Company Limited.
- Selected Thailand Sustainability Investment 2022 by the Stock Exchange of Thailand for the eighth consecutive year - one of the 170 listed companies.
- Received the Sustainability Disclosure Award 2022 from the Thaipat Institute for the seventh consecutive year for its commitment to disclosure of sustainable business information, including ESG and financial information that is beneficial to stakeholders, and development toward long-term sustainability.
- Selected an ESG100 rating - one of the 100 listed companies to be on the ESG100 list for 2022 by the ESG Rating Unit of the Thaipat Institute for the eighth consecutive year as a result of its outstanding environmental, social, and governance performance.
- Received an excellent corporate governance scoring of five logos in the Corporate Governance Report of Thai Listed Companies 2022, published by the Thai Institute of Directors (IOD).
- Selected "5 TIA", one of the 340 listed companies to receive the scoring (with a full score of 100) from the 2022 Annual General Meeting of Shareholders Assessment Program, organised by the Thai Investors Association, SEC, and Thai Listed Companies Association.
- Received the ASEAN Asset Class Award from the ASEAN CG Scorecard 2021 (conducted every two years) on 1 December 2022.

Additional information: [KKP's 2022 Sustainability Report](#)

Source: FSSIA compilation

Audit Practices

Auditor	PricewaterhouseCoopers ABAS Ltd.
Length of service	More than five years
Reporting incidents	None
Fee track record	THB15.6m (THB8.5m for the bank and THB7.1m for subsidiaries which were expenses of each company)
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

Kiatnakin Bank

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Interest Income	19,489	23,671	28,672	31,566	34,560
Interest expense	(3,788)	(4,589)	(7,335)	(8,328)	(9,109)
Net interest income	15,701	19,081	21,337	23,238	25,451
Net fees & commission	6,074	6,165	5,465	5,848	6,164
Foreign exchange trading income	(158)	831	584	886	886
Securities trading income	(10)	(4)	0	0	0
Dividend income	1,329	507	520	530	541
Other income	1,309	958	865	908	954
Non interest income	8,545	8,457	7,434	8,172	8,544
Total income	24,246	27,539	28,772	31,410	33,995
Staff costs	(6,428)	(6,954)	(7,163)	(7,378)	(7,820)
Other operating costs	(4,820)	(6,058)	(7,336)	(8,105)	(8,713)
Operating costs	(11,248)	(13,013)	(14,499)	(15,483)	(16,534)
Pre provision operating profit	12,998	14,526	14,273	15,928	17,461
Expected credit loss	(5,201)	(5,036)	(4,901)	(5,391)	(5,931)
Other provisions	-	-	-	-	-
Operating profit	7,797	9,490	9,372	10,536	11,530
Recurring non operating income	0	0	0	0	0
Associates	-	-	-	-	-
Goodwill amortization	-	-	-	-	-
Non recurring items	0	0	0	0	0
Profit before tax	7,797	9,490	9,372	10,536	11,530
Tax	(1,442)	(1,873)	(1,874)	(2,107)	(2,306)
Profit after tax	6,355	7,616	7,498	8,429	9,224
Non-controlling interest	(37)	(14)	(16)	(15)	(21)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	6,318	7,602	7,482	8,414	9,203
Non recurring items & goodwill (net)	-	-	0	0	0
Recurring net profit	6,318	7,602	7,482	8,414	9,203
Per share (THB)					
Recurring EPS *	7.46	8.98	8.84	9.94	10.87
Reported EPS	7.46	8.98	8.84	9.94	10.87
DPS	2.95	3.25	3.25	3.80	4.20
Growth					
Net interest income (%)	7.0	21.5	11.8	8.9	9.5
Non interest income (%)	30.4	(1.0)	(12.1)	9.9	4.5
Pre provision operating profit (%)	22.8	11.8	(1.7)	11.6	9.6
Operating profit (%)	20.2	21.7	(1.2)	12.4	9.4
Reported net profit (%)	23.3	20.3	(1.6)	12.5	9.4
Recurring EPS (%)	23.3	20.3	(1.6)	12.5	9.4
Reported EPS (%)	23.3	20.3	(1.6)	12.5	9.4
Income Breakdown					
Net interest income (%)	64.8	69.3	74.2	74.0	74.9
Net fees & commission (%)	25.1	22.4	19.0	18.6	18.1
Foreign exchange trading income (%)	(0.7)	3.0	2.0	2.8	2.6
Securities trading income (%)	0.0	0.0	-	-	-
Dividend income (%)	5.5	1.8	1.8	1.7	1.6
Other income (%)	5.4	3.5	3.0	2.9	2.8
Operating performance					
Gross interest yield (%)	5.31	5.43	5.91	6.02	6.03
Cost of funds (%)	1.19	1.20	1.72	1.81	1.82
Net interest spread (%)	4.12	4.23	4.19	4.21	4.21
Net interest margin (%)	4.3	4.4	4.4	4.4	4.4
Cost/income(%)	46.4	47.3	50.4	49.3	48.6
Cost/assets(%)	2.8	2.8	2.8	2.8	2.7
Effective tax rate (%)	18.5	19.7	20.0	20.0	20.0
Dividend payout on recurring profit (%)	39.5	36.2	36.8	38.2	38.6
ROE (%)	13.0	14.0	12.4	12.8	12.9
ROE - COE (%)	2.2	3.2	1.6	2.0	2.1
ROA (%)	1.6	1.6	1.4	1.5	1.5
RORWA (%)	2.1	2.2	2.0	2.1	2.1

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Kiatnakin Bank; FSSIA estimates

Financial Statements

Kiatnakin Bank

Balance Sheet (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Gross customer loans	306,910	373,436	410,780	451,858	497,043
Allowance for expected credit loss	(16,505)	(18,969)	(22,070)	(25,862)	(30,192)
interest in suspense	8,743	10,403	11,338	12,471	13,718
Net customer loans	299,148	364,871	400,047	438,467	480,569
Bank loans	55,238	45,732	48,019	50,420	52,941
Government securities	-	-	-	-	-
Trading securities	-	-	-	-	-
Investment securities	39,227	50,571	41,745	45,125	48,803
Cash & equivalents	1,242	1,000	1,286	1,172	1,199
Other interesting assets	-	-	-	-	-
Tangible fixed assets	7,483	13,200	14,438	15,826	17,000
Associates	-	-	-	-	-
Goodwill	3,066	3,066	3,066	3,066	3,066
Other intangible assets	1,533	1,670	1,670	1,670	1,670
Other assets	29,187	27,527	27,589	28,538	29,843
Total assets	436,123	507,637	537,861	584,285	635,092
Customer deposits	288,382	331,464	356,987	393,042	433,133
Bank deposits	16,664	20,175	20,579	21,196	21,832
Other interest bearing liabilities	43,805	61,354	61,968	65,066	68,319
Non interest bearing liabilities	36,110	36,532	35,372	36,242	36,957
Hybrid Capital	-	-	-	-	-
Total liabilities	384,961	449,526	474,905	515,547	560,241
Share capital	8,468	8,468	8,468	8,468	8,468
Reserves	42,579	49,356	54,186	59,954	66,050
Total equity	51,046	57,824	62,654	68,421	74,517
Non-controlling interest	116	288	302	317	333
Total liabilities & equity	436,123	507,637	537,861	584,285	635,092
Supplementary items					
Risk weighted assets (RWA)	313,428	374,621	386,544	419,907	456,420
Average interest earning assets	366,771	435,557	485,142	523,973	573,095
Average interest bearing liabilities	319,492	380,922	426,263	459,419	501,294
CET 1 capital	42,676	49,906	49,906	41,438	41,438
Total capital	54,380	62,299	62,299	53,832	53,832
Gross non performing loans (NPL)	10,191	13,031	13,943	15,337	16,871
Per share (THB)					
Book value per share	60.28	68.29	73.99	80.80	88.00
Tangible book value per share	54.85	62.69	68.40	75.21	82.41
Growth					
Gross customer loans	15.9	21.7	10.0	10.0	10.0
Average interest earning assets	17.9	18.8	11.4	8.0	9.4
Total asset (%)	20.0	16.4	6.0	8.6	8.7
Risk weighted assets (%)	8.7	19.5	3.2	8.6	8.7
Customer deposits (%)	14.7	14.9	7.7	10.1	10.2
Leverage & capital measures					
Customer loan/deposits (%)	103.7	110.1	112.1	111.6	111.0
Equity/assets (%)	11.7	11.4	11.6	11.7	11.7
Tangible equity/assets (%)	10.7	10.5	10.8	10.9	11.0
RWA/assets (%)	71.9	73.8	71.9	71.9	71.9
CET 1 CAR (%)	13.6	13.3	12.9	9.9	9.1
Total CAR (%)	17.4	16.6	16.1	12.8	11.8
Asset Quality (FSSIA's calculation)					
Change in NPL (%)	20.5	27.9	7.0	10.0	10.0
NPL/gross loans (%)	3.3	3.5	3.4	3.4	3.4
Allowance for ECL/gross loans (%)	5.4	5.1	5.4	5.7	6.1
Allowance for ECL/NPL (%)	162.0	145.6	158.3	168.6	179.0
Valuation					
Recurring P/E (x) *	8.0	6.7	6.8	6.0	5.5
Recurring P/E @ target price (x) *	8.7	7.2	7.4	6.5	6.0
Reported P/E (x)	8.0	6.7	6.8	6.0	5.5
Dividend yield (%)	4.9	5.4	5.4	6.3	7.0
Price/book (x)	1.0	0.9	0.8	0.7	0.7
Price/tangible book (x)	1.1	1.0	0.9	0.8	0.7
Price/tangible book @ target price (x)	1.2	1.0	1.0	0.9	0.8

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Kiatnakin 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)¹

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 50-59), and not rated (score below 50).

AGM Checklist by the Thai Investors Association (TIA)²

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)³

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)⁴ by the Stock Exchange of Thailand (SET)

Thailand Sustainability Investment (THSI) quantifies responsibility in Environmental, and Social issues, by managing business with transparency in Governance. 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 >15% 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: Economic (CG, risk management, customer relation management, supply chain management, and innovation); Environmental (environmental management, eco-efficiency, and climate risk); Social (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 Indices⁵ (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:

¹ 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.

² 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.

³ 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.

⁴ Sustainability Investment List (THSI), created by the Stock Exchange of Thailand in 2015, comprises the listed companies that conduct sustainable business operations.

⁵ 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

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Company	Ticker	Price	Rating	Valuation & Risks
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 prices, 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.
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.

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

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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.