

# Thailand Banks

## Positive tailwind from possible rate hikes

- BoT's upcoming 25bp RP rate hike unlikely to surprise the market.
- Our sensitivity analysis shows BBL, KTB, KBANK, TTB, and SCB should be the biggest beneficiaries.
- We reiterate our NEUTRAL weight call and pick BBL and KTB (replacing TTB) as our top Buys.

### The market knows another RP rate hike is coming

With the Bank of Thailand (BoT)'s Monetary Policy Committee (MPC) meeting on 2 August 2023, few will be surprised if the policy rate is raised by 25bp from 2.00% to 2.25%, marking the fourth consecutive increase since the beginning of 2023 and the seventh since 2Q22. We think it is well understood that the MPC deems continued, gradual policy normalisation appropriate in light of Thailand's growth and inflation outlook.

### BBL, KTB, KBANK, TTB, and SCB should be the biggest beneficiaries

The impact of a 25bp interest rate hike is already included in our 2023 projections. However, to gauge the impact of interest rates rising more than expected, we have conducted a sensitivity analysis looking at the potential effects on 2023-24 net interest income (NII), net interest margin (NIM), net profit, and target prices for the remaining three months of 2023 (the next MPC meeting is scheduled at the end of Sep-23), and a full year for 2024. Under the assumption of a 12.5bp rise for the savings interest rate and 12.5-50.0bp increases for the loan (floating) interest rate, interest rate on debentures and other borrowings, and the interest rate on loans and borrowing in the interbank market (Exhibits 1 & 2), 2023 NIM would rise 0.02-0.06bp from the base case of 3.28%, with 2024 NIM up 0.02-0.24bp from 3.35% (base case); and 2023 net profit would increase 0.3-4.7% from THB191b (base case), with 2024 net profit up 1.0-17.2% from THB207b (base case), all else being equal. According to our assumptions, the big banks, namely BBL, KTB, KBANK, TTB, and SCB, would show the highest increases in profit, respectively. Small banks, including KKP and TISCO, would see few positive results.

### Reiterate NEUTRAL weight call – BBL and KTB are our top picks

We reiterate our NEUTRAL weight Thailand banking sector call. We extend our BUY call to BBL, TTB, KTB, SCB, KBANK, and TISCO. BBL remains our top Buy based on its domestic and overseas banking performance. We are replacing TTB (less than 10% upside) with KTB as another top Buy due to its greater focus on the high-yield, low-risk segment.

### Sensitivity to 25bp hike in the policy rate for our NIM, net profit and target price estimates in 2023 and 2024

		BBL	KBANK	KTB	SCB	TTB	TISCO	KKP	Coverage
2023E	NIM (%)	2.82	3.51	3.07	3.60	3.13	4.89	4.38	3.28
	Change (bp)	+0.03	+0.02	+0.03	+0.01	+0.01	(0.00)	+0.01	+0.02
	Net profit (THB m)	37,924	40,768	37,796	44,242	16,446	7,462	6,600	191,238
	Change (%)	+2.6%	+1.7%	+2.2%	+1.1%	+1.5%	+0.1%	+0.8%	+1.7%
2024E	NIM (%)	2.88	3.60	3.14	3.70	3.18	4.90	4.41	3.35
	Change (bp)	+0.11	+0.08	+0.12	+0.07	+0.06	+0.02	+0.05	+0.09
	Net profit (THB m)	41,031	44,969	39,929	47,960	17,774	7,881	7,611	207,155
	Change (%)	+9.8%	+6.3%	+8.2%	+3.9%	+5.7%	+0.5%	+2.6%	+6.4%

Source: FSSIA estimates (please refer to full details in exhibit 2 and 3)



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## The market knows another RP rate hike is coming

With the Bank of Thailand (BoT)'s Monetary Policy Committee (MPC) meeting approaching on 2 August 2023, few will be surprised if the policy rate is raised by 25bp from 2.00% to 2.25%, marking the fourth consecutive increase since the beginning of 2023 and the seventh since 2Q22. We think it is well understood that the MPC deems continued, gradual policy normalisation appropriate in light of Thailand's growth and inflation outlook. Commercial banks have started to transmit the higher financing costs to the minimum retail rate (MRR), but at a lesser degree than the minimum loan rate (MLR). This is to soften the impact on vulnerable borrowers, most of whom are subject to the MRR. Meanwhile, deposit rates, especially fixed deposits, are gradually increasing.

## BBL, KTB, KBANK, TTB, and SCB should be the biggest beneficiaries

The impact of a 25bp interest rate hike is already included in our 2023 projections. However, to gauge the impact of interest rates rising more than expected, we have conducted a sensitivity analysis looking at the effects on 2023-24 net interest income (NII), net interest margin (NIM), net profit, and target prices for the remaining three months of 2023 (the next MPC meeting is scheduled at the end of Sep-23), and a full year for 2024. Under the assumptions of a higher loan (floating) interest rate by 12.5-50.0bp, savings interest rate by 12.5bp, interest rate on debentures and other borrowings by 12.5-50.0bp, and the interest rate on loans and borrowing in the interbank market by 12.5-50.0bp (Exhibits 1 & 2), 2023 NIM would rise 0.02-0.06bp from the base case of 3.28%, with 2024 NIM up 0.02-0.24bp from 3.35% (base case); and 2023 net profit would increase 0.3-4.7% from THB191b (base case), with 2024 net profit up 1.0-17.2% from THB207b (base case), all else being equal. According to our assumptions, the big banks, namely BBL, KTB, KBANK, TTB, and SCB, would show the highest increases in profit, respectively. Small banks, including KKP and TISCO, would see few positive results.

## Strong 3Q23 PPOP expected – BBL could be the best performer

We expect the strong growth in pre-provision operating profit (PPOP) to continue in 3Q23, pushed by the rising NIM momentum. Just as the RP rate's rise on 23 May 2023 is benefitting banks' NIMs in 3Q23, the upcoming increase should continue to boost NIMs in 4Q23, especially with the loan-demand high season approaching. We expect BBL to post a robust performance in 3Q23 from NIM expansion due to its savings rate cut of 25bp at the end of 2Q23.

## Reiterate NEUTRAL weight call – BBL and KTB are our top picks

We reiterate our NEUTRAL weight Thailand banking sector call. Most banks continue to trade below their five-year average P/BV and under their book value per share (BVS). We do not expect the rate hike to trigger a valuation re-rating for the sector in the near term due to the cloudy nature of their asset quality. We extend our Buy call to TTB and SCB despite their upsides being less than 10% because we see no changes in their near-term fundamentals. We retain BBL as our top Buy based on its domestic and overseas banking performance. We are replacing TTB with KTB as another top Buy due to its greater focus on the high-yield, low-risk segment.

## Key valuations of Thai banks under coverage as of 31 July 2023

	BBG code	Rec	---Share price---		Up side	- EPS growth -		--- P/E ---		--- PBV ---		--- Div Yld ---		--- ROE ---	
			Current	Target		23E	24E	23E	24E	23E	24E	23E	24E	23E	24E
			(THB)	(THB)	(%)	(%)	(%)	(x)	(x)	(x)	(x)	(x)	(x)	(%)	(%)
Bangkok Bank	BBL TB	BUY	171.50	197.00	15	9,568	29.4	8.2	8.6	8.0	0.6	0.6	3.4	3.7	7.2
Kasikornbank	KBANK TB	BUY	126.00	150.00	19	8,725	14.0	10.3	7.5	6.8	0.6	0.5	3.8	4.2	7.9
Kiatnakin Bank	KKP TB	HOLD	55.50	60.00	8	1,374	(13.2)	15.3	7.1	6.2	0.8	0.7	5.9	6.3	11.0
Krung Thai Bank	KTB TB	BUY	20.50	23.10	13	8,374	12.2	5.6	7.6	7.2	0.7	0.7	3.8	4.0	9.7
SCB X	SCB TB	BUY	112.50	123.00	9	11,071	17.8	8.4	8.6	7.9	0.8	0.7	6.4	6.7	9.4
Tisco Financial	TISCO TB	BUY	100.50	111.00	10	2,352	3.3	5.6	10.8	10.2	1.8	1.8	8.0	8.2	17.2
TMBThanachart Bank	TTB TB	BUY	1.72	1.83	6	4,865	15.9	8.1	10.1	9.4	0.7	0.7	4.9	5.3	7.3
<b>Banks under coverage</b>						<b>46,328</b>	<b>15.7</b>	<b>8.3</b>	<b>9.9</b>	<b>9.1</b>	<b>0.8</b>	<b>0.8</b>	<b>4.0</b>	<b>4.2</b>	<b>8.6</b>

Source: FSSIA estimates

## Exhibit 1: Sensitivity to interest rate increase for our 2023E NII, NIM, net profit and target price forecast

	BBL (THB m)	KBANK (THB m)	KTB (THB m)	SCB (THB m)	TTB (THB m)	TISCO (THB m)	KKP (THB m)	Coverage (THB m)
<b>Net impacts from float rate loans &amp; funding / net lending position in interbank market</b>								
12.5bp	359	109	195	(8)	(12)	(1)	1	643
25.0bp	1,252	869	1,023	604	314	12	63	4,136
37.5bp	2,144	1,630	1,850	1,217	640	25	124	7,630
50bp	3,037	2,390	2,677	1,829	966	38	186	11,123
<b>Total</b>	<b>6,792</b>	<b>4,999</b>	<b>5,745</b>	<b>3,643</b>	<b>1,906</b>	<b>74</b>	<b>374</b>	<b>23,533</b>
<b>NIM - base case (%)</b>	<b>2.82</b>	<b>3.51</b>	<b>3.07</b>	<b>3.60</b>	<b>3.13</b>	<b>4.89</b>	<b>4.38</b>	<b>3.28</b>
12.5bp	0.01	0.01	0.01	0.00	0.00	(0.00)	0.00	0.00
25.0bp	0.03	0.02	0.03	0.01	0.01	(0.00)	0.01	0.02
37.5bp	0.05	0.04	0.05	0.03	0.03	0.01	0.02	0.04
50bp	0.07	0.06	0.08	0.05	0.05	0.01	0.03	0.06
<b>Net profit - base case</b>	<b>37,924</b>	<b>40,768</b>	<b>37,796</b>	<b>44,242</b>	<b>16,446</b>	<b>7,462</b>	<b>6,600</b>	<b>191,238</b>
12.5bp	0.8%	0.2%	0.4%	0.0%	-0.1%	0.0%	0.0%	0.3%
25.0bp	2.6%	1.7%	2.2%	1.1%	1.5%	0.1%	0.8%	1.7%
37.5bp	4.5%	3.3%	3.9%	2.1%	3.1%	0.3%	1.5%	0.03%
50bp	6.4%	4.8%	5.7%	3.2%	4.8%	0.4%	2.3%	4.7%
<b>Target price - base case (THB)</b>	<b>197.00</b>	<b>150.00</b>	<b>23.10</b>	<b>123.00</b>	<b>1.83</b>	<b>111.00</b>	<b>60.00</b>	
12.5bp	197.00	150.00	23.10	123.00	1.83	111.00	60.00	
Change	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
25.0bp	197.00	151.00	23.10	123.00	1.83	111.00	60.00	
Change	0.0%	0.7%	0.0%	0.0%	0.0%	0.0%	0.0%	
37.5bp	198.00	152.00	23.20	124.00	1.84	111.00	60.00	
Change	0.5%	1.3%	0.4%	0.8%	0.5%	0.0%	0.0%	
50bp	198.00	153.00	23.20	124.00	1.84	111.00	60.00	
Change	0.5%	2.0%	0.4%	0.8%	0.5%	0.0%	0.0%	

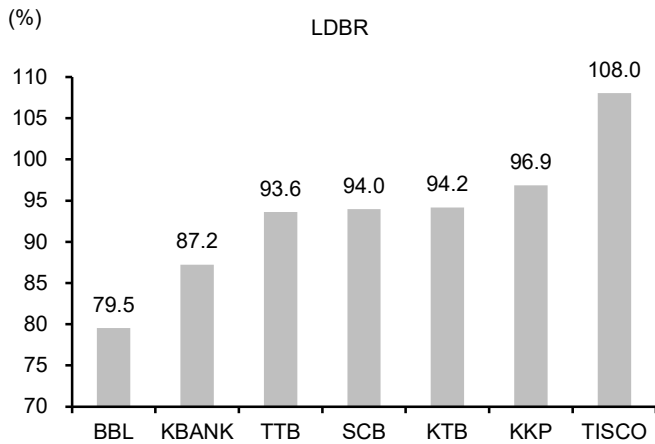
Source: FSSIA estimates

## Exhibit 2: Sensitivity to interest rate increase for our 2024E NII, NIM, net profit and target price forecast

	BBL (THB m)	KBANK (THB m)	KTB (THB m)	SCB (THB m)	TTB (THB m)	TISCO (THB m)	KKP (THB m)	Coverage (THB m)
<b>Net impacts from float rate loans &amp; funding / net lending position in interbank market</b>								
12.5bp	1,436	436	781	(31)	(50)	(2)	4	2,572
25.0bp	5,007	3,478	4,090	2,418	1,254	49	250	16,546
37.5bp	8,578	6,520	7,400	4,867	2,558	100	497	30,519
50bp	12,149	9,561	10,709	7,317	3,862	151	743	44,493
<b>Total</b>	<b>27,169</b>	<b>19,995</b>	<b>22,979</b>	<b>14,571</b>	<b>7,625</b>	<b>297</b>	<b>1,494</b>	<b>94,131</b>
<b>NIM - base case (%)</b>	<b>2.88</b>	<b>3.60</b>	<b>3.14</b>	<b>3.70</b>	<b>3.18</b>	<b>4.90</b>	<b>4.41</b>	<b>3.35</b>
12.5bp	0.03	0.01	0.02	(0.00)	(0.01)	0.00	(0.00)	0.02
25.0bp	0.11	0.08	0.12	0.07	0.06	0.02	0.05	0.09
37.5bp	0.18	0.15	0.21	0.14	0.13	0.03	0.10	0.16
50bp	0.26	0.22	0.30	0.21	0.20	0.05	0.14	0.24
<b>Net profit - base case</b>	<b>41,031</b>	<b>44,969</b>	<b>39,929</b>	<b>47,960</b>	<b>17,774</b>	<b>7,881</b>	<b>7,611</b>	<b>207,155</b>
12.5bp	2.8%	0.8%	1.6%	-0.1%	-0.2%	0.0%	0.0%	1.0%
25.0bp	9.8%	6.3%	8.2%	3.9%	5.7%	0.5%	2.6%	6.4%
37.5bp	16.7%	11.8%	14.9%	7.9%	11.7%	1.0%	5.2%	11.8%
50bp	23.7%	17.3%	21.6%	11.9%	17.6%	1.5%	7.8%	17.2%
<b>Target price - base case (THB)</b>	<b>208.00</b>	<b>160.00</b>	<b>24.80</b>	<b>129.00</b>	<b>1.91</b>	<b>113.00</b>	<b>65.40</b>	
12.5bp	208.00	160.00	24.80	129.00	1.91	113.00	65.40	
Change	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
25.0bp	209.00	164.00	25.00	131.00	1.92	114.00	65.60	
Change	0.5%	2.5%	0.8%	1.6%	0.5%	0.9%	0.3%	
37.5bp	210.00	168.00	25.10	133.00	1.93	114.00	65.80	
Change	1.0%	5.0%	1.2%	3.1%	1.0%	0.9%	0.6%	
50bp	211.00	171.00	25.30	135.00	1.94	114.00	66.00	
Change	1.4%	6.9%	2.0%	4.7%	1.6%	0.9%	0.9%	

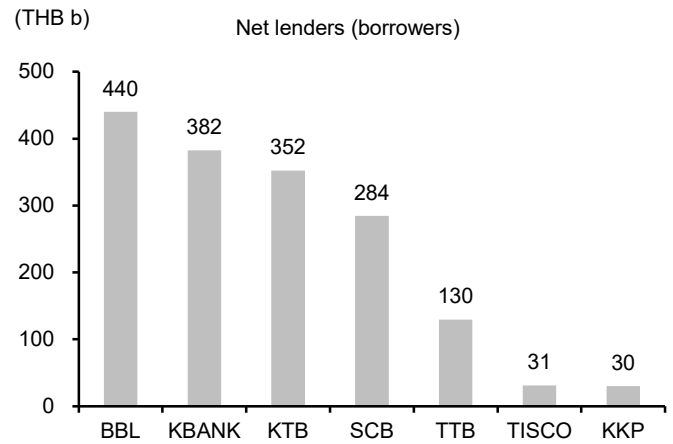
Source: FSSIA estimates

**Exhibit 3: LDBR of Thai banks under coverage, 2022**



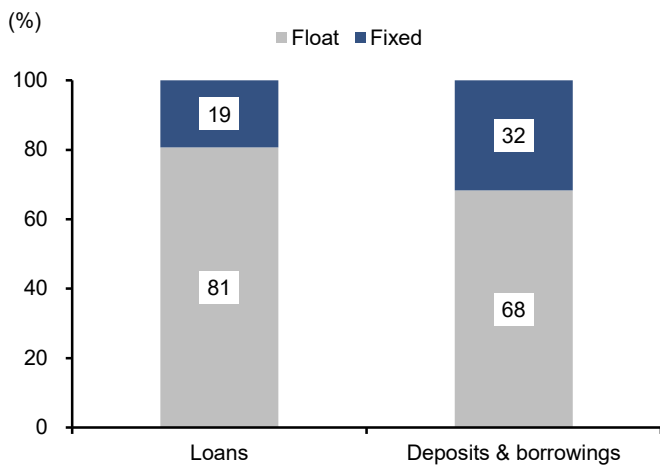
Sources: Company data; FSSIA's compilation

**Exhibit 4: Net positions of Thai banks under coverage, 2022**



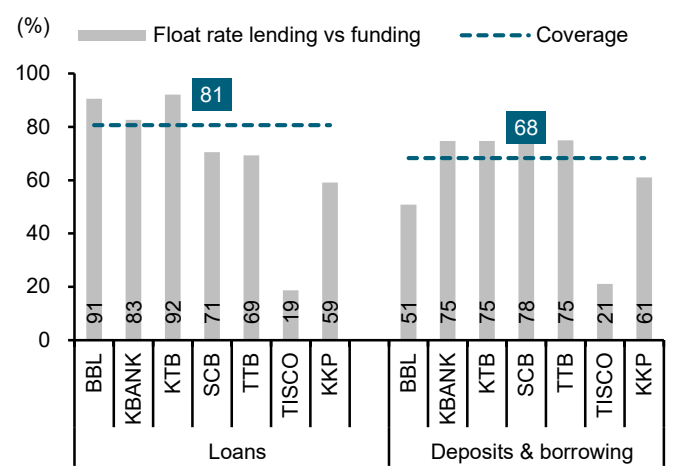
Sources: Company data; FSSIA's compilation

**Exhibit 5: Interest rate structure of lending vs funding, 2022**



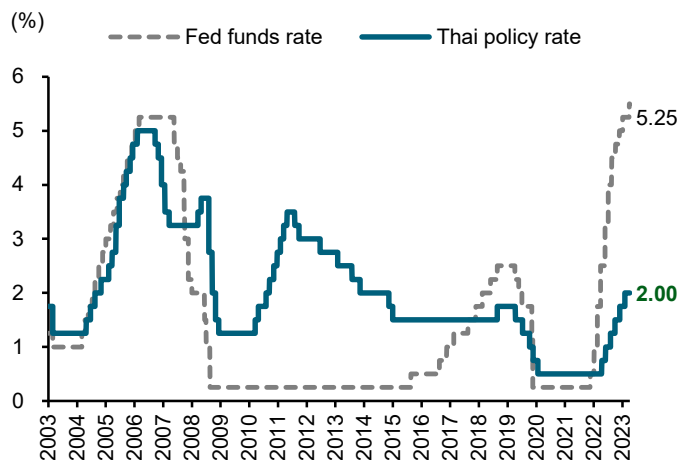
Sources: Company data; FSSIA's compilation

**Exhibit 6: Float rate lending vs funding, 2022**



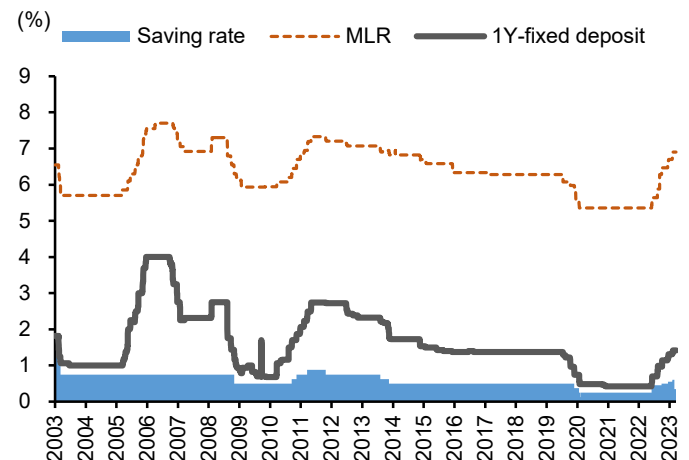
Sources: Company data; FSSIA's compilation

**Exhibit 7: Policy rates, US vs Thailand**



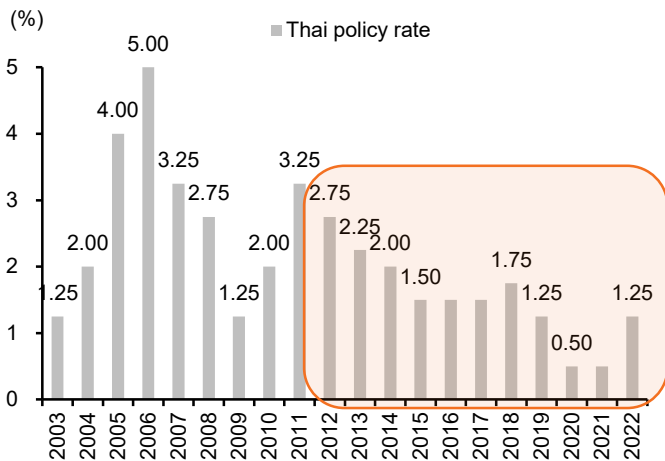
2023 as of 31 July 2023  
Source: Bloomberg

**Exhibit 8: Thailand's key rates**



Notes: Savings rate of Bangkok Bank; 1Y-fixed deposit rate of four major banks; MLR of five major banks; 2023 as of 31 July 2023  
Source: Bloomberg

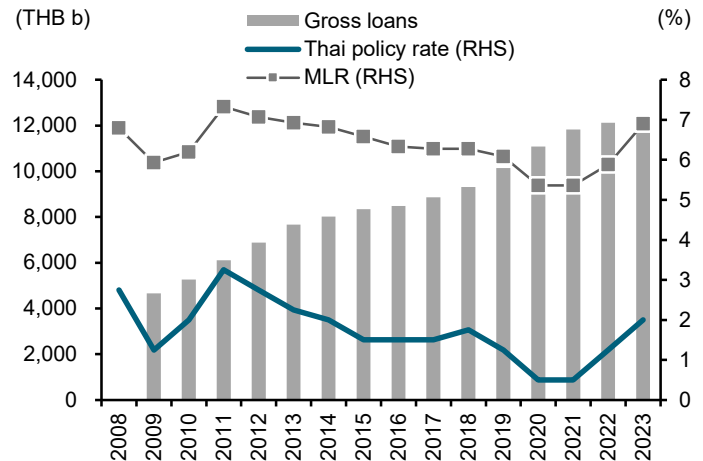
Exhibit 9: Thai policy rate in the past 20 years



Rates at period end

Sources: Bloomberg; FSSIA's compilation

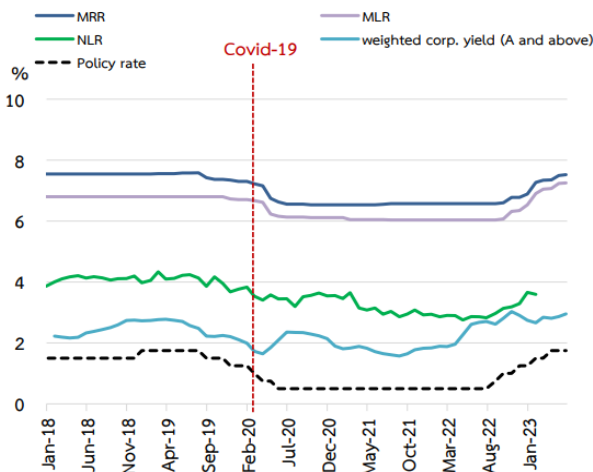
Exhibit 10: Gross loans vs policy rate and MLR



2023 gross loans as end of 1H23; Policy rate and MLR as of 31 Jul 2023

Sources: Companies under coverage; Bloomberg; FSSIA's compilation

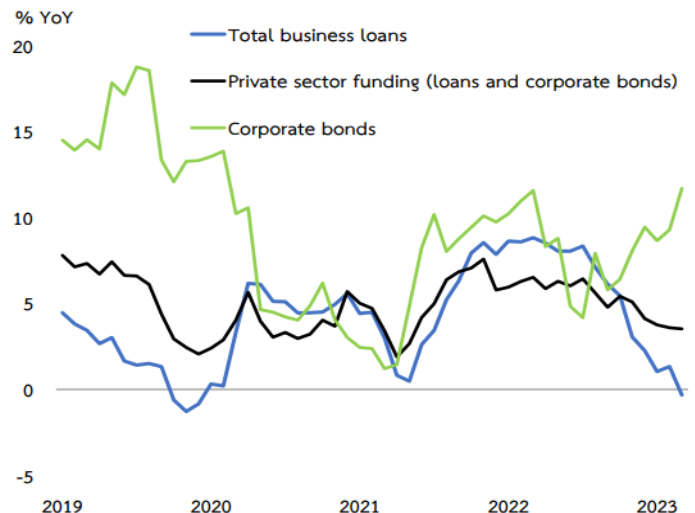
Exhibit 11: Bank lending rate increases are still close to pre-Covid levels



Note: Minimum loan rate (MLR) refers to the interest rate at which a bank charges its creditworthy major borrowers;  
 Minimum retail rate (MRR) refers to the interest rate at which a bank charges its creditworthy retail borrowers;  
 New loan rate (NLR) is the contract-amount weighted average of interest rates on new loans;  
 Weighted corp. yield is the average corporate bond yield outstanding for each tenor, calculated as of 23 May 2023.

Source: Bank of Thailand

Exhibit 12: Mobilisation of funds by the private sector still expanding



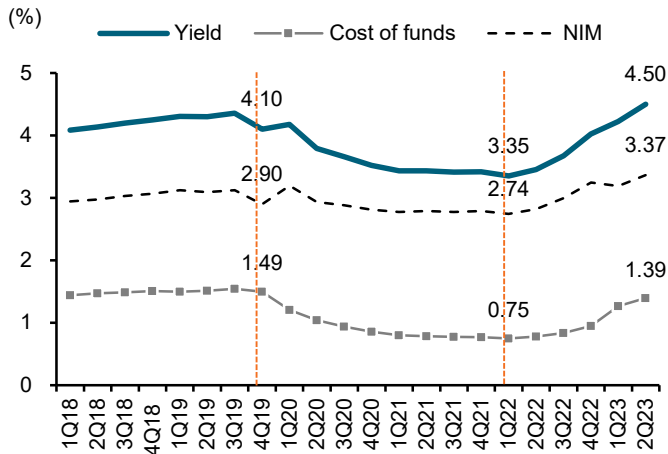
Source: Bank of Thailand

Exhibit 13: 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

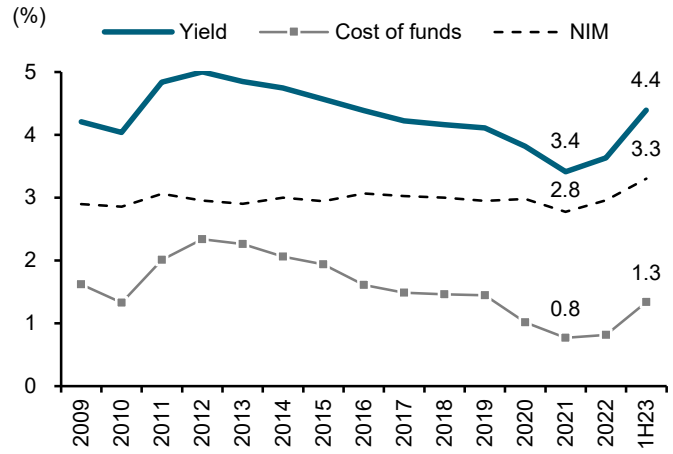
Sources: Bank of Thailand; FSSIA's compilation

**Exhibit 14: Quarterly yield, cost of funds, and NIM of Thai banks under coverage**



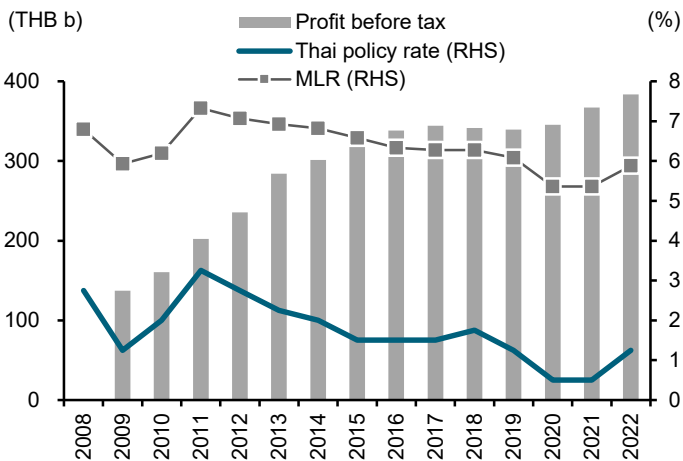
Sources: Company data; FSSIA's calculation

**Exhibit 15: Annual yield, cost of funds, and NIM of Thai banks under coverage**



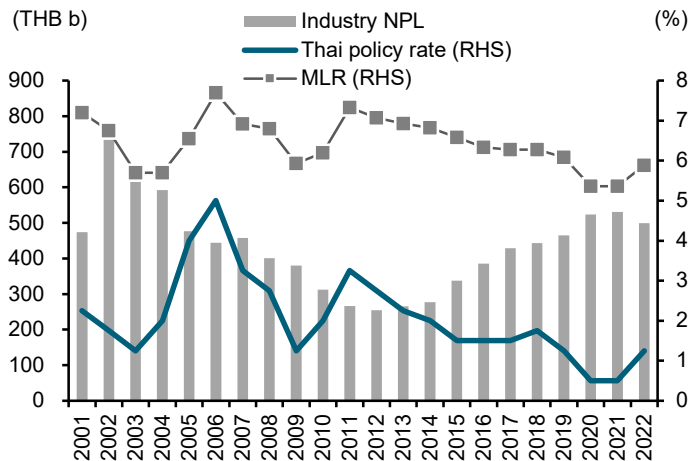
Sources: Company data; FSSIA's calculation

**Exhibit 16: Profit before tax vs policy rate and MLR**



2023 profit before tax for 1H23; Policy rate and MLR as of 31 Jul 2023  
Sources: Companies under coverage; Bloomberg; FSSIA's compilation

**Exhibit 17: Industry NPL vs policy rate and MLR**



2023 NPL as end of 1Q23; Policy rate and MLR as of 31 Jul 2023  
Sources: Bank of Thailand; Bloomberg; FSSIA's compilation



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

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

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

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

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

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

### Corporate Governance Report Disclaimer

The disclosure of the survey result of the Thai Institute of Directors Association ("IOD") regarding corporate governance is made pursuant to the policy of the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of companies listed on the Stock Exchange of Thailand and the Market of Alternative Investment disclosed to the public and able to be accessed by a general public investor at Thai IOD website. The result, therefore, is from the perspective of a third party. It is not an evaluation of operation and is not based on inside information.

The survey result is as of the data appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date. KS does not confirm nor certify the accuracy of such survey result.

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

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

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

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

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

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

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

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

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

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

Thailand Sustainability Investment (THSI) quantifies responsibility in 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 >150 by the number of shareholders, and combined holding must >15% of paid-up capital. Some key disqualifying criteria include a CG score of below 70%; independent directors and free float violation; executives' wrongdoing related to CG, social and environmental impacts, equity in negative territory, and earnings in the red for more than three years in the last five years. To become eligible for THSI, the candidate must pass three indicators in data declaration: 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 Indices<sup>5</sup> (DJSI) during the assessment year. The scoring will be fairly weighted against the nature of the relevant industry and materiality.

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

Sources: SEC; Thai IOD; Thai CAC; SET; FSSIA's compilation

#### Disclaimer:

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

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

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

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

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

## GENERAL DISCLAIMER

### ANALYST(S) CERTIFICATION

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

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

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Company	Ticker	Price	Rating	Valuation & Risks
Bangkok Bank	BBL TB	THB 171.50	BUY	Downside risks to our GGM-based TP are 1) prolonged economic sluggishness affecting loan growth and asset quality; and 2) the impact of new regulations from the Bank of Thailand.
Kasikornbank	KBANK TB	THB 126.00	BUY	Downside risks to our GGM-based TP are 1) prolonged economic sluggishness affecting loan growth and asset quality; and 2) the impact of new regulations from the Bank of Thailand.
Kiatnakin Bank	KKP TB	THB 55.50	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 20.50	BUY	Downside risks to our GGM-based TP are 1) prolonged economic sluggishness affecting loan growth and asset quality; and 2) the impact of new regulations from the Bank of Thailand.
SCB X	SCB TB	THB 112.50	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 100.50	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.
TMBThanachart Bank	TTB TB	THB 1.72	BUY	Downside risks to our GGM-based TP are 1) prolonged economic sluggishness affecting loan growth and asset quality; and 2) the impact of new regulations from the Bank of Thailand.

Source: FSSIA estimates

#### Additional Disclosures

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

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

All share prices are as at market close on 31-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.