

Thailand Banks

Strong 3Q23E results could be a short-term catalyst

- We expect 3Q23 net profit to increase by 18% y-y to THB52.7b, thanks to the interest rate hike. 9M23E to expand 17% y-y and account for 81% of our 2023E earnings.
- Asset quality remains a concern, especially for KBANK and KKP.
- Neutral weight maintained; reiterate top Buys on BBL and KTB.

Solid y-y profit growth in 3Q23E from rising rates, loan growth, and higher NIM

We expect the seven banks under our coverage to post solid aggregate net profit growth of THB52.7b in 3Q23, up 18% y-y and slightly increasing by 1% q-q. Our estimates suggest that 1) the best performers q-q should be KKP, KTB, SCB, and TTB; and 2) the best y-y should be BBL, TTB, KTB and SCB. The y-y earnings increase should come from higher net interest income (NII) outweighing higher operating expenses and expected credit losses (ECL). We expect NII to increase by 4.4% q-q, supported by rising interest rates, loans, and NIM expansion.

9M23E net profit to increase 17% y-y and account for 81% of our 2023E

Regarding 3Q23E pre-provision profit (PPOP), the y-y increase should be mainly due to the expected higher NII, with q-q being flat from lower non-NII. The 3Q23E cost-to-income ratio is trending higher than in 2Q23 due to accelerating operating expenses, which are higher than the operating income growth. Overall, we estimate an aggregate 9M23 net profit of THB155b, an increase of 17% y-y, accounting for 81% of our full-year estimate.

Asset quality remains a concern; 4Q23E profit to nose-dive q-q but rise 10% y-y

We are still concerned about asset quality in 3Q23, with new non-performing loan (NPL) formation expected to climb from 2Q23. Providing that there are proactive management efforts, i.e. debt restructuring, sales, and writing off bad debts, we anticipate the 3Q23 NPL ratio to remain stable q-q with 2Q23's at c3.61% (KBANK and KKP are the banks we are concerned about the most). We expect the aggregate 3Q23 credit cost to remain high at 151bp compared to 128bp in 3Q22 due to the poorer asset quality, but softer than in 2Q23 due to the lower credit cost of SCB (one-time event in 2Q23). As for the 4Q23 outlook, we expect an aggregate net profit of cTHB36.3b, down 31% q-q but jumping by 10% y-y. The significant q-q decrease projected is mainly from higher operating expenses (seasonal effect) and the up-front setting of ECL.

Reiterate our NEUTRAL weight Thai banking sector call

The continued recovery of Thailand's economy that we expect in 2023 following the formation of the new government and its forthcoming economic policies should bode well for the Thai banking sector's outlook in 2H23-2024. Our top Buys are BBL, for its well-diversified domestic and overseas banking, and KTB for its greater focus on the high-yield, low-risk segment – private corporate loans.



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Strong 3Q23E results could be a short-term catalyst

We expect the seven banks under our coverage to post solid aggregate net profit growth of THB52.7b in 3Q23, up 18% y-y and slightly increasing by 1% q-q. For the q-q increase, we expect KKP, KTB, SCB, and TTB to be the best performers, while BBL should be the worst (from lower FVTPL). For the y-y increase, we expect BBL, TTB, KTB and SCB to be the best performers, while KKP should be the worst.

Exhibit 1: Summary of 3Q23/9M23 earnings preview of Thai banks under coverage

	3Q23E			9M23E			2023E	
	(THB m)	(q-q%)	(y-y%)	(THB m)	(y-y%)	%23E	(THB m)	(y-y%)
BBL	10,830	(4)	41	32,253	48	85	37,924	29
KBANK	11,092	1	5	32,827	1	81	40,768	14
KTB	10,502	3	24	30,725	20	81	37,796	12
SCB	12,254	3	19	35,117	16	79	44,242	18
TTB	4,687	3	26	13,548	31	82	16,446	16
KKP	1,508	7	(28)	5,002	(19)	76	6,600	(13)
TISCO	1,862	0	5	5,508	2	74	7,462	3
Coverage	52,735	1	18	154,981	17	81	191,238	16

Source: FSSIA estimates

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 ECL, the positive impacts of the NII increase should offset the negative factors. In contrast, the slight increase in q-q earnings should be mainly attributed to lower non-NII (lower FVTPL), whereas the fee income should increase slightly. We expect NII to increase by 4.4% 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 q-q being flat from lower non-NII. The 3Q23E cost-to-income ratio is trending higher than in 2Q23 due to accelerating operating expenses, which are higher than the operating income growth. Overall, we estimate an aggregate 9M23 net profit of THB155b, an increase of 17% y-y, accounting for 81% of our full-year estimate.

4Q23 outlook: We expect an aggregate net profit of cTHB36.3b, down 31% q-q but jumping by 10% y-y. The significant q-q decrease projected is mainly from higher operating expenses (seasonal effect) and the up-front setting of ECL.

Concerning NPL formation

We are still concerned about asset quality in 3Q23, with new NPL formation expected to climb from 2Q23. However, banks' management are taking proactive measures, including debt restructuring, sales, and writing off bad debts. Therefore, we anticipate the 3Q23 NPL ratio of our covered banks to remain stable q-q with 2Q23's at c3.61%.

Our 2023 NPL ratio projections are fairly conservative. Most are higher than banks' targets, except for TISCO, for which our estimate is lower. KBANK and KKP are the banks we are most concerned about in terms of asset quality. We believe their NPL ratios will continue to rise to the highest level in this NPL cycle.

Exhibit 2: NPL ratio, 1Q22-2023E

	1Q22	2Q22	3Q22	4Q22	2022	1Q23	2Q23	3Q23E	9M23E	2023E	Banks' targets 2023E
	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	
BBL	3.96	3.96	3.83	3.62	3.62	3.73	3.46	3.39	3.39	3.62	~3.50%
KBANK	4.33	4.42	3.56	3.71	3.71	3.56	3.83	3.88	3.88	3.72	<3.25%
KTB	4.01	3.96	4.01	3.90	3.90	3.97	3.83	3.84	3.84	3.85	< 3.5
SCB	4.57	4.34	3.92	4.01	4.01	3.97	3.84	3.79	3.79	3.98	N/A
TTB	3.09	2.97	3.01	3.03	3.03	3.09	2.99	2.93	2.93	3.01	≤2.90
KKP	3.11	3.26	3.29	3.49	3.49	3.56	3.74	3.82	3.82	3.51	~3.50
TISCO	2.15	2.20	2.08	2.09	2.09	2.13	2.20	2.28	2.28	2.13	< 2.5
Coverage	4.01	3.97	3.69	3.68	3.68	3.69	3.62	3.61	3.61	3.66	

Sources: Company data; FSSIA estimates

Poor asset quality to worsen credit cost

We expect the aggregate 3Q23E credit cost to remain high at 151bp compared to 128bp in 3Q22 due to the poorer asset quality but softer than in 2Q23 due to the lower credit cost of SCB (one-time event in 2Q23).

Exhibit 3: Credit cost, 1Q22-2023E

	1Q22 (bp)	2Q22 (bp)	3Q22 (bp)	4Q22 (bp)	2022 (bp)	1Q23 (bp)	2Q23 (bp)	3Q23E (bp)	9M23E (bp)	2023E (bp)	Banks' targets 2023E
BBL	100	128	145	116	124	127	133	133	127	127	~ 100bp
KBANK	153	159	161	368	211	205	208	211	208	210	175-200bp
KTB	83	86	86	116	93	125	120	122	122	125	~ 120bp
SCB	151	175	132	120	145	166	201	156	175	150	120-140bp
TTB	141	127	125	139	134	125	125	125	123	135	125- 135bp
KKP	169	138	182	307	202	234	292	295	176	280	~260-280bp
TISCO	17	28	23	70	34	28	11	36	25	30	34bp
Coverage	121	132	128	173	139	148	158	151	151	149	

Sources: Company data; FSSIA estimates

KBANK and KKP are the banks whose asset quality we are most concerned about. We believe their credit costs will rise but still be within the expectations of each bank. KBANK predicts its 2023 credit cost will be higher than the upper limit of the target, but at most 210bp. KKP has also adjusted its 2023 credit cost target after announcing the 2Q23 results, expecting its 2023E credit cost (including losses from selling repossessed cars) to end at the upper bound of the target.

However, despite TISCO having the highest expected credit cost increase due to its exposure to high-yield loans (mainly focusing on auto cash), its credit cost is very low from its strength of having the highest coverage ratio in the sector.

Exhibit 4: 3Q23 aggregate earnings preview of Thai banks under coverage

Year end Dec 31	3Q22 (THB m)	4Q22 (THB m)	1Q23 (THB m)	2Q23 (THB m)	3Q23E (THB m)	----- Change ----- (q-q%) (y-y%)		9M22 (THB m)	9M23E (THB m)	Change (y-y%)	%of 23E
Net interest income	131,157	143,245	141,527	149,784	156,347	4.4	19.2	373,678	447,658	19.8	75.6
Non-interest income	46,262	46,816	49,994	50,687	47,663	(6.0)	3.0	139,956	148,344	6.0	78.9
<i>Fee income - net</i>	35,253	34,391	34,453	32,865	33,058	0.6	(6.2)	105,100	100,376	(4.5)	71.6
Operating income	177,419	190,061	191,521	200,471	204,010	1.8	15.0	513,635	596,002	16.0	76.4
Operating expenses	79,219	91,467	81,874	86,033	89,680	4.2	13.2	228,543	257,588	12.7	73.8
PPOP before tax	98,199	98,593	109,647	114,438	114,330	(0.1)	16.4	285,092	338,414	18.7	78.5
Expected credit loss	38,822	52,559	44,726	47,701	45,860	(3.9)	18.1	114,286	138,286	21.0	75.1
Income tax	13,346	10,741	12,922	12,837	13,897	8.3	4.1	35,036	39,657	13.2	80.4
NCI	1,470	2,199	1,895	1,758	1,838	4.5	25.0	3,526	5,490	55.7	86.3
Net profit	44,561	33,094	50,104	52,141	52,735	1.1	18.3	132,244	154,981	17.2	81.0
EPS (THB)	9.36	6.95	10.53	10.96	11.08	1.1	18.3	27.79	32.57	17.2	80.8
Key ratios	3Q22	4Q22	1Q23	2Q23	3Q23E	----- Change -----		9M22	9M23E	Change	
Asset quality ratio	(%)	(%)	(%)	(%)	(%)	(q-q%) (y-y%)		(THB m)	(THB m)	(y-y%)	
Gross NPLs (THB m)	449,730	445,464	444,054	439,669	441,335	0.4	(1.9)	449,730	441,335	(1.9)	
<i>Change (%)</i>	(6.1)	(0.9)	(0.3)	(1.0)	0.4				(1.9)		
NPL ratio	3.69	3.68	3.69	3.62	3.61			3.69	3.61		
Coverage ratio	175	179	183	183	186			175	186		
Credit cost (bp)	128	173	148	158	151			127.8	151	23	
Profitability ratio	(%)	(%)	(%)	(%)	(%)			(%)	(%)	(ppt)	
Cost to income ratio	44.7	48.1	42.7	42.9	44.0			44.5	43.2	(1.3)	
Average yield	3.67	4.02	4.22	4.50	4.70			3.55	4.49	0.9	
Cost of funds	0.82	0.94	1.25	1.38	1.47			0.79	1.37	0.6	
NIM	2.99	3.25	3.19	3.37	3.50			2.90	3.36	0.47	
NII/total income	26.1	24.6	26.1	25.3	23.4			27.2	24.9	(2.4)	
Liquidity ratio	(%)	(%)	(%)	(%)	(%)			(%)	(%)		
LDR	94.8	93.0	92.7	94.2	95.0			94.8	95.0		
LDBR	88.2	87.3	86.8	87.7	88.1			88.2	88.1		
Capital adequacy ratio	(%)	(%)	(%)	(%)	(%)			(%)	(%)		
CAR	3.3	3.5	3.5	3.5				3.3	0.0		
Tier 2 / Risk assets	15.2	15.7	15.7	15.6				15.2	0.0		
Loan growth	(%)	(%)	(%)	(%)	(%)			(%)	(%)		
q-q	1.0	(0.6)	(0.6)	0.8	0.8						
y-y	4.5	2.5	1.0	0.6	0.4						
Year-to-date	3.1	2.5	(0.6)	0.2	1.0			3.1	1.0		

LDR = Loans to deposit ratio; LDBR = Loans to deposit+borrowing ratio; NII = Net-interest income; Sources: Company data; FSSIA estimates

Top Buys: BBL and KTB

Based on BBL's domestic and overseas banking performance, we retain it as our top Buy. We pick KTB as another top Buy, for its greater focus on the high-yield, low-risk segment – private corporate loans. We extend our Buy call to TTB and SCB despite their upsides of less than 10% because we see no changes in their near-term fundamentals.

Exhibit 5: 3Q23 earnings preview of Thai banks under coverage

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	32,300	38,608	29,348	32,671	14,173	5,760	3,487	156,347
Non-interest income	10,305	10,858	8,012	11,041	3,907	2,066	1,474	47,663
<i>Fee income - net</i>	6,650	7,788	4,862	8,299	2,700	1,516	1,243	33,058
Total operating income	42,605	49,466	37,360	43,712	18,080	7,826	4,961	204,010
Total operating expenses	19,926	21,879	15,135	18,425	8,019	3,858	2,438	89,680
PPOP before tax	22,679	27,587	22,225	25,287	10,061	3,968	2,523	114,330
Expected credit loss	9,000	12,950	7,850	9,500	4,260	2,090	210	45,860
Income tax	2,736	2,796	2,961	3,473	1,114	366	451	13,897
Non-controlling interest	112	750	912	60	0	3	0	1,838
Net profit	10,830	11,092	10,502	12,254	4,687	1,508	1,862	52,735
EPS (THB)	5.674	4.681	0.751	3.639	0.048	1.781	2.326	11.08
Key ratios	3Q23E	3Q23E	3Q23E	3Q23E	3Q23E	3Q23E	3Q23E	3Q23E
Asset quality ratio	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)
Gross NPLs (THB m)	92,285	95,500	99,310	93,028	40,219	15,628	5,365	441,335
<i>Change (from prior period)</i>	<i>(1.1)</i>	<i>1.8</i>	<i>0.5</i>	<i>0.0</i>	<i>(1.2)</i>	<i>4.7</i>	<i>5.9</i>	<i>0.4</i>
NPL ratio	3.39	3.88	3.84	3.79	2.93	3.82	2.28	3.61
Coverage ratio	298	139	171	165	144	134	206	186
Credit cost (bp)	133	211	122	156	125	295	36	151
Profitability ratio	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)
Cost to income ratio	46.8	44.2	40.5	42.2	44.4	49.3	49.1	44.0
Average yield	4.45	4.72	4.49	4.94	4.48	6.39	6.66	4.70
Cost of funds	1.82	1.26	1.30	1.28	1.50	2.01	2.07	1.47
NIM	2.94	3.79	3.37	3.89	3.19	4.64	5.02	3.50
Non-interest income/total income	24.2	22.0	21.4	25.3	21.6	26.4	29.7	23.4
Liquidity ratio	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)
Loan to deposit	85.4	89.9	100.0	100.4	99.3	120.0	117.1	95.0
Loan to deposit & borrowing (LDBR)	80.6	80.4	94.2	96.1	89.7	99.3	109.9	88.1
Loan growth	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)
q-q	0.8	(0.1)	0.2	1.3	0.6	2.5	2.0	0.8
y-y	(2.8)	(1.3)	(1.1)	4.6	(1.6)	13.7	10.3	0.4
Year-to-date	1.4	0.5	(0.4)	3.2	(0.3)	9.5	7.4	1.0

Source: FSSIA estimates

Exhibit 6: 9M23 earnings preview of Thai banks under coverage

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	93,865	110,184	82,739	92,405	41,767	16,504	10,194	447,658
Change y-y%	30.8	13.8	25.7	17.7	10.5	21.8	8.6	19.8
9M23E % of 23E	73.7	76.1	77.9	75.5	73.7	77.7	75.8	75.6
Non-interest income	31,476	33,926	25,609	36,523	10,942	5,685	4,181	148,344
Change y-y%	4.1	25.6	2.7	(3.0)	7.1	(2.6)	2.7	6.0
9M23E % of 23E	94.0	81.2	70.2	76.3	75.0	70.4	74.1	78.9
Fee income - net	20,343	23,616	14,797	25,717	7,918	4,322	3,661	100,376
Change y-y%	48.4	0.8	20.1	15.5	30.9	(19.0)	1.7	17.2
9M23E % of 23E	85.0	80.5	81.3	79.4	82.4	75.8	73.8	81.0
Total operating income	125,341	144,110	108,347	128,928	52,710	22,190	14,375	596,002
Change y-y%	22.9	16.4	19.4	11.0	9.8	14.4	6.8	16.0
9M23E % of 23E	77.9	77.2	75.9	75.7	74.0	75.7	75.3	76.4
Total operating expenses	58,887	62,519	42,814	52,198	23,185	10,888	7,097	257,588
PPOP before tax	66,454	81,591	65,534	76,730	29,524	11,302	7,278	338,414
Change y-y%	27.6	16.3	26.8	14.3	12.2	5.9	2.7	18.7
9M23E % of 23E	80.1	76.6	77.9	82.1	75.6	74.7	72.7	78.5
Expected credit loss	26,354	38,426	23,708	31,525	12,780	5,065	428	138,286
Change y-y%	6.6	31.9	41.1	17.9	(5.7)	70.7	24.6	21.0
9M23E % of 23E	75.3	71.5	72.4	86.3	68.3	73.8	62.7	75.1
Income tax	7,510	8,118	8,356	9,909	3,197	1,226	1,340	39,657
Non-controlling interest	337	2,221	2,744	178	0	10	0	5,490
Net profit	32,253	32,827	30,725	35,117	13,548	5,002	5,508	154,981
Change y-y%	48.4	0.8	20.1	15.5	30.9	(19.0)	1.7	17.2
9M23E % of 23E	85.0	80.5	81.3	79.4	82.4	75.8	73.8	81.0
Key ratios	BBL	KBANK	KTB	SCB	TTB	KKP	TISCO	Coverage
Asset quality ratio	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)
Gross NPLs (THB m)	92,285	95,500	99,310	93,028	40,219	15,628	5,365	441,335
Change y-y%	(13.8)	8.9	(5.2)	1.0	(4.0)	32.2	20.8	(1.9)
NPL ratio	3.39	3.88	3.84	3.79	2.93	3.82	2.28	3.61
Coverage ratio	298	139	171	165	144	134	206	186
Credit cost (bp)	127	208	122	175	123	176	25	151
Profitability ratio	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)
Cost to income ratio	47.0	43.4	39.5	40.5	44.0	49.1	49.4	43.2
Average yield	4.30	4.50	4.19	4.72	4.35	6.14	6.53	4.49
Cost of funds	1.71	1.14	1.20	1.25	1.39	1.85	1.87	1.37
NIM	2.88	3.65	3.15	3.69	3.14	4.52	5.06	3.36
Non-interest income/total income	25.1	23.5	23.6	28.3	20.8	25.6	29.1	24.9
Liquidity ratio	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)
Loan to deposit	85.4	89.9	100.0	100.4	99.3	120.0	117.1	95.0
Loan to deposit & borrowing (LDBR)	80.6	80.4	94.2	96.1	89.7	99.3	109.9	88.1
Loan growth	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)
q-q	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
y-y	0.0	(1.3)	0.0	0.0	0.0	0.0	0.0	0.0
Year-to-date	1.4	0.0	(0.4)	3.2	(0.3)	9.5	7.4	1.0

Source: FSSIA estimates

Exhibit 7: Peers comparison – Thai banks under coverage as of 7 September 2023

	BBG code	Rec	--- Share price ---		Up side	Market Cap	EPS growth		--- P/E ---		--- PBV ---		- Div Yld -		--- ROE ---	
			Current	Target			23E	24E	23E	24E	23E	24E	23E	24E	23E	24E
			(THB)	(THB)	(%)	(USD m)	(%)	(%)	(x)	(x)	(x)	(x)	(x)	(x)	(%)	(%)
Bangkok Bank	BBL TB	BUY	167.00	197.00	18	9,029	29.4	8.2	8.4	7.8	0.6	0.6	3.5	3.8	7.2	7.3
Kasikornbank	KBANK TB	BUY	130.50	150.00	15	8,739	14.0	10.3	7.7	7.0	0.6	0.5	3.7	4.1	7.9	8.2
Kiatnakin Bank	KKP TB	HOLD	57.75	60.00	4	1,389	(13.2)	15.3	7.4	6.4	0.8	0.7	5.6	6.1	11.0	11.8
Krung Thai Bank	KTB TB	BUY	19.30	23.10	20	7,673	12.2	5.6	7.1	6.8	0.7	0.6	4.1	4.3	9.7	9.6
SCB X*	SCB TB	BUY	116.00	123.00	6	11,044	17.8	8.4	8.8	8.1	0.8	0.8	6.3	6.5	9.4	9.7
Tisco Financial	TISCO TB	BUY	99.50	111.00	12	2,265	3.3	5.6	10.7	10.1	1.8	1.8	8.0	8.3	17.2	17.8
TMBThanachart Bank*	TTB TB	BUY	1.72	1.83	6	4,718	15.9	8.1	10.1	9.4	0.7	0.7	4.9	5.3	7.3	7.6
Banks under coverage						44,857	15.7	8.3	9.9	9.1	0.8	0.8	4.0	4.2	8.6	8.8

*We extend our BUY call to TTB and SCB despite their upsides of less than 10% because we see no changes in their near-term fundamentals

Source: Bloomberg consensus; 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 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. **FSSIA** does not confirm nor certify the accuracy of such survey result.

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 **E**nvironmental, and **S**ocial issues, by managing business with transparency in **G**overnance. The THSI serves as another choice for investors who desire to adopt a responsible investment approach, according to the SET.

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

To be approved for THSI inclusion, verified data must be scored at a 50% minimum for each indicator, unless the company is a part of the Dow Jones Sustainability 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

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 167.00	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 130.50	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 57.75	HOLD	Downside risks to our GGM-based target price include weakening asset quality and lower fee income and upside risks include better capital market conditions, higher used car price, and strengthening asset quality.
Krung Thai Bank	KTB TB	THB 19.30	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 116.00	BUY	Downside risks to our GGM-based TP are 1) prolonged economic sluggishness affecting loan growth and asset quality; and 2) the impact of new regulations from the Bank of Thailand.
Tisco Financial	TISCO TB	THB 99.50	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 07-Sep-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.