

TISCO FINANCIAL TISCO TB

THAILAND / BANKING

BUY

UNCHANGED

TARGET PRICE	THB111.00
CLOSE	THB100.50
UP/DOWNSIDE	+10.4%
PRIOR TP	THB111.00
CHANGE IN TP	UNCHANGED
TP vs CONSENSUS	+2.4%

A worthwhile risk-reward profile

- We have a positive view of TISCO's strategy to tackle the rising cost of funds via shifting focus to the high-yield segment.
- 3Q23E earnings of THB1.86b to deliver slight growth q-q and y-y, thanks to the sustainable NIM and rising non-NII.
- Reiterate our BUY call as a dividend stock.

Managing yield to reduce the impact of accelerating cost of funds

TISCO's effective strategy in managing loan yield is still vital to reducing the impact of the continuously rising cost of funds. Since the end of 2Q23, TISCO has increased fixed deposit interest rates three times (May, June, and August 2023), averaging approximately 35bp, and increased the savings deposit interest rate one time (June 2023), averaging 5bp. Meanwhile, the lending interest rate was increased for all types only once during May 2023, averaging around 40-45bp. Hence, the increases affect the 3Q23E NIM trend. However, the bank has adjusted its lending strategy to focus more on the high-yield group (title loans, motorcycle hire purchases, and used car hire purchases). In contrast, the low-yield segment (commercial and new car hire purchases) has yet to see much growth, reducing the impact on NIM to a certain extent in 3Q23E.

Expect 3Q23 profit to sustain on credit cost acceleration

We expect a 3Q23 net profit of THB1.86b, increasing 0.4% q-q and 5.0% y-y. Excluding the rising ECL and credit cost, we expect a PPOP of THB2.52b, rising 6.7% q-q and 8.5% y-y, supported by loan growth in every segment (except for housing loans) led by retail loans, especially the high-yield segment. We expect the 3Q23 NIM to be flat q-q at 5.02%, but contract from 3Q22 at 5.14%, pressured by the significant rise in cost of funds. Overall, we estimate 9M23 net profit to be THB5.50b, +1.7% y-y, and account for 74% of our 2023 forecast.

Poorer asset quality, rising NPLs and credit cost as expected

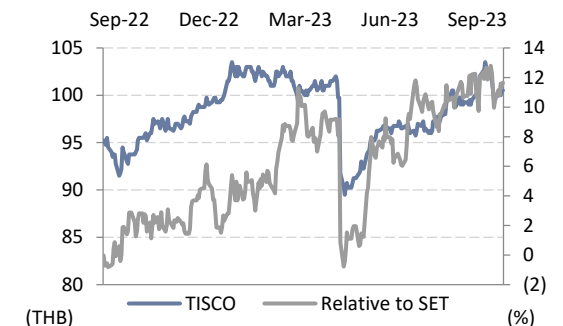
The acceleration of NPLs and credit cost is in line with the bank's guidance, as its credit policy is more focused on the high-yield segment, resulting in some weakening of asset quality. We expect the NPL ratio at end-3Q23 to equal 2.28%, up from 2.20% in 2Q23, while credit cost should be at 36.1bp, up from 11.2bp in 2Q23. Regarding TISCO's guidance, credit cost should remain lower than normal (the 2020-21 average was 0.97-142bp) in 2024 and rise to normal levels in 2025.

BUY with TP of THB111

We reiterate our BUY call and GGM-based TP of THB111, which implies a P/BV of 2.02x. We like TISCO as a dividend stock from its attractive dividend yields projected at c8-9% during 2023-25.

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 (%)	-	0.6	2.2	2.4
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)	11.1	10.8	10.2	9.6
Dividend yield (%)	7.7	8.0	8.2	8.5
Price/book (x)	1.9	1.8	1.8	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 (%)	1.5	4.1	7.5
Relative to country (%)	0.0	5.3	13.6
Mkt cap (USD m)	2,248		
3m avg. daily turnover (USD m)	8.3		
Free float (%)	80		
Major shareholder	Thai NVDR (11%)		
12m high/low (THB)	104.00/89.50		
Issued shares (m)	801		

Sources: Bloomberg consensus; FSSIA estimates



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Investment thesis

We still like TISCO despite its exposure to the upward trend in interest rate 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 (NPL) may accelerate.
- 3) TISCO is still trading at only 1.83x 2023E P/BV while offering very attractive dividend yields.

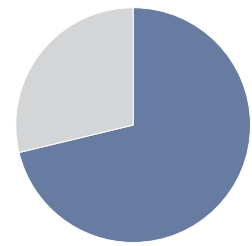
Company profile

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, 1H23)

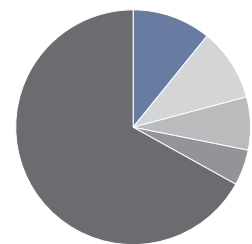
- Net interest income - 71.2 %
- Non-interest income - 28.8 %



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 October 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 (%)	0.6	1.3	1.3
Credit cost (bp)11	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

Expect 3Q23 profit to sustain on credit cost acceleration

We expect a 3Q23 net profit of THB1.86b, increasing 0.4% q-q and 5.0% y-y. Excluding the rising ECL and credit cost, we expect a PPOP of THB2.52b, rising 6.7% q-q and 8.5% y-y, supported by loan growth in every segment (except for housing loans) led by retail loans, especially the high-yield segment. We expect the 3Q23 NIM to be flat q-q at 5.02%, but contract from 3Q22 at 5.14%, pressured by the significant rise in cost of funds. 3Q23 non-NII should have some degree of recovery from mutual fund fees, which could offset the brokerage fees that continue to be pressured by the poor capital market conditions. Meanwhile, we expect the 3Q23 cost-to-income ratio to be at 49.1%, a slight decrease from 50.1% in 2Q23, with nothing much to highlight about its operating expenses.

Overall, we estimate 9M23 net profit to be THB5.50b, +1.7% y-y, and account for 74% of our 2023 forecast.

Exhibit 1: TISCO – 3Q23E operations summary

Year end Dec 31	3Q22	2Q23	3Q23E	---- Change ----		9M22	9M23E	Change	% of	2023E	Change
	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)	(THB m)	(THB m)	(y-y %)	23E	(THB m)	(y-y %)
Net interest income	3,221	3,420	3,487	2.0	8.2	9,389	10,194	8.6	75.8	13,451	5.6
Non-interest income	1,257	1,324	1,474		17.3	4,072	4,181	2.7	74.1	5,643	0.6
Fee income - net	1,267	1,152	1,243	7.9	(1.9)	3,713	3,661	(1.4)	71.3	5,137	1.1
Total operating income	4,478	4,743	4,961	4.6	10.8	13,461	14,375	6.8	75.3	19,094	4.1
Total operating expenses	2,153	2,378	2,438	2.5	13.2	6,377	7,097	11.3	78.1	9,083	5.3
PPOP before tax	2,325	2,366	2,523	6.7	8.5	7,084	7,278	2.7	72.7	10,011	3.1
Expected credit loss	119	63	210	232.9	77.0	344	428	24.6	62.7	683	(5.4)
Income tax	433	449	451	0.5	4.3	1,323	1,340	1.3	71.9	1,865	5.6
Non-controlling interest	0.1	0.1	0.1	0.0	11.3	0.3	0.4	11.5		0.0	
Net profit	1,773	1,854	1,862	0.4	5.0	5,417	5,508	1.7	73.8	7,462	3.3
EPS (THB)	2.21	2.32	2.33	0.4	5.0	6.77	6.88	1.7	73.8	9.32	3.3
Key ratios	3Q22	2Q23	3Q23E	---- Change ----		9M22	9M23E	Change	%of	2023E	Change
Asset quality ratio	(%)	(%)	(%)	(q-q%)	(y-y%)	(THB m)	(THB m)	(y-y %)	23E	(%)	(y-y %)
Gross NPLs (THB m)	4,442	5,065	5,365	5.9	20.8	4,442	5,365	20.8	106.6	5,034	4,442
Change (% from prior period)	(0.5)	7.9	5.9			(27.1)	20.8			10.0	(0.5)
NPL ratios (%) - reported	2.08	2.20				2.08	-				2.08
NPL ratio (%)*	2.08	2.20	2.28			2.08	2.28			2.13	2.08
Coverage ratio (%) - reported	248	224								231	248
Coverage ratio (%)*	248	224	206			248	206			231	248
Credit cost (bp)	22.8	11.2	36.1			22.0	25.5			30.0	22.8
Profitability ratio	(%)	(%)	(%)							(%)	(%)
Cost to income ratio	48.1	50.1	49.1			47.4	49.4	2.0		47.6	48.1
Average yield (%)	6.00	6.44	6.66			5.82	6.53	0.70		6.18	6.00
Cost of funds (%)	1.08	1.80	2.07			1.04	1.87	0.83		1.63	1.08
NIM (%) - reported	5.15	5.02	0.00								5.15
NIM (%)*	5.14	5.01	5.02			5.00	5.06	0.05		4.89	5.14
Non-int inc/total income (%)	28.1	27.9	29.7			30.2	29.1	(1.2)		29.6	28.1
Liquidity ratio	(%)	(%)	(%)							(%)	(%)
Loan/deposit	116.8	115.6	117.1			116.8	117.1			116.9	116.8
Loan/deposit & borrowing (LDBR)	107.8	108.0	109.9			107.8	109.9			108.2	107.8
Capital adequacy ratio	(%)	(%)	(%)							(%)	(%)
CAR	21.5	20.2	0.0			21.5	-			21.1	21.5
CET 1/ Risk assets	17.6	16.9	0.0			17.6	-			17.9	17.6
Tier 2 / Risk assets	3.9	3.3	0.0			3.9	-			3.2	3.9
Loan growth	(%)	(%)	(%)							(%)	(%)
Year-to-date	4.8	4.7	2.0								4.8
q-q	4.3	13.4	10.3			4.3	10.3			8.0	4.3
y-y	5.0	5.2	7.4			5.0	7.4				5.0

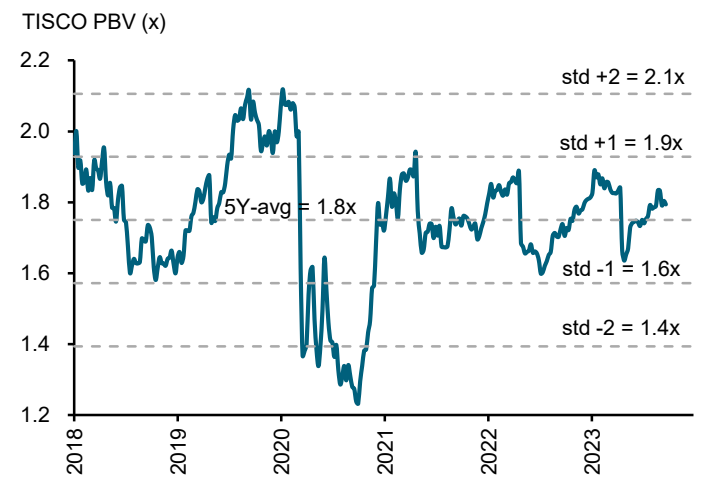
* FSSIA's calculation

Sources: TISCO; FSSIA estimates

Poorer asset quality, rising NPLs and credit cost as expected

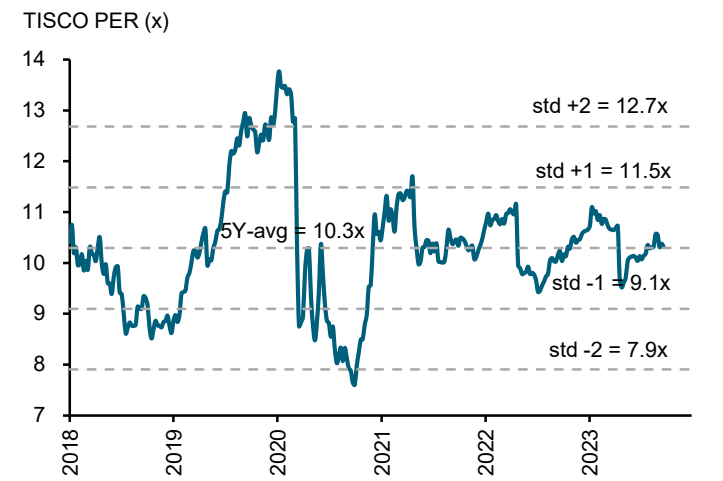
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Exhibit 2: One-year forward rolling P/BV



Sources: Bloomberg; FSSIA estimates

Exhibit 3: One-year forward rolling PER



Sources: Bloomberg; FSSIA estimates

Exhibit 4: Regional peers comparison as of 15 September, 2023

Company name	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	168.50	8.99	8.5	7.8	0.6	0.6	7.2	7.3	3.4	3.7
Kasikornbank	KBANK TB	131.00	8.64	7.8	7.1	0.6	0.5	7.9	8.2	3.7	4.0
Krung Thai Bank	KTB TB	19.30	7.42	7.1	6.8	0.7	0.6	9.7	9.6	4.1	4.3
SCB X	SCB TB	114.50	10.72	8.7	8.0	0.8	0.8	9.4	9.7	6.3	6.6
TMBThanachart Bank	TTB TB	1.73	4.63	10.2	9.4	0.7	0.7	7.3	7.6	4.9	5.3
Kiatnakin Bank	KKP TB	56.75	1.34	7.3	6.3	0.8	0.7	11.0	11.8	5.7	6.2
Tisco Financial Group	TISCO TB	100.50	2.25	10.8	10.2	1.8	1.8	17.2	17.8	8.0	8.2
Thailand weighted average			43.98	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	3.80	212.78	3.5	3.4	0.4	0.3	10.7	10.4	8.9	9.2
China Construction Bank	939 HK	4.41	142.00	3.1	2.9	0.3	0.3	11.6	11.3	9.9	10.3
HSBC Holdings	5 HK	60.85	151.12	6.0	5.9	0.9	0.8	15.2	14.8	8.4	10.2
Bank of China	3988 HK	2.73	135.68	3.4	3.2	0.3	0.3	10.3	10.1	9.5	9.9
Hong Kong average			641.58	4.0	3.9	0.5	0.4	12.0	11.6	9.2	9.9
China											
Industrial & Comm Bank of China	601398 CH	4.63	212.78	4.6	4.4	0.5	0.4	10.9	10.6	6.7	7.0
Agricultural Bank of China	601288 CH	3.47	162.78	4.7	4.5	0.5	0.5	11.0	10.8	6.6	6.9
China Construction Bank	601939 CH	6.12	142.00	4.6	4.4	0.5	0.5	11.7	11.4	6.6	6.9
Bank of China	601988 CH	3.70	135.68	4.8	4.6	0.5	0.5	10.3	10.2	6.4	6.7
China average			653.24	4.7	4.5	0.5	0.5	11.0	10.7	6.6	6.9
South Korea											
KB Financial Group	105560 KS	57,300	17	4.5	4.3	0.4	0.4	9.6	9.1	5.9	6.2
Shinhan Financial Group	055550 KS	38,000	15	4.2	4.1	0.4	0.4	9.2	8.7	5.7	6.0
Hana Financial Group	086790 KS	43,500	10	3.4	3.4	0.3	0.3	9.9	9.5	8.1	8.4
Industrial Bank of Korea	024110 KS	11,340	7	3.3	3.2	0.3	0.3	9.6	9.2	8.7	9.0
South Korea average			49	3.9	3.8	0.4	0.3	9.6	9.1	7.1	7.4
Indonesia											
			0								
Bank Central Asia	BBCA IJ	9,000	72	22.9	21.1	4.5	4.1	20.8	20.5	2.5	2.8
Bank Rakyat Indonesia Persero	BBRI IJ	5,375	53	13.5	12.1	2.4	2.3	18.9	19.8	5.4	6.0
Bank Mandiri Persero	BMRI IJ	5,925	36	11.1	10.1	2.2	2.0	20.2	20.4	4.9	5.6
Bank Negara Indonesia Persero	BBNI IJ	9,475	11	8.2	7.3	1.2	1.1	14.8	15.1	4.2	5.2
Bank Syariah Indonesia	BRIS IJ	1,655	5	13.9	11.6	2.0	1.7	15.3	16.2	1.3	1.6
Indonesia average			176.98	13.9	12.4	2.5	2.2	18.0	18.4	3.7	4.2
Malaysia											
Malayan Banking	MAY MK	8.91	22.87	11.4	10.9	1.2	1.2	10.6	10.7	6.8	7.1
Public Bank	PBK MK	4.19	17.40	12.0	11.5	1.5	1.4	13.0	12.8	4.4	4.5
CIMB Group Holdings	CIMB MK	5.78	13.09	9.2	8.5	0.9	0.9	10.1	10.2	5.9	6.3
Hong Leong Bank	HLBK MK	20.06	9.21	10.7	10.2	1.2	1.1	12.1	11.4	3.3	3.3
RHB Bank	RHBBANK MK	5.62	5.19	8.3	8.0	0.8	0.7	9.6	9.5	7.1	7.5
Malaysia average			67.75	10.3	9.9	1.1	1.1	11.1	10.9	5.5	5.7
Singapore											
DBS Group Holdings	DBS SP	34.24	64.68	8.8	8.8	1.5	1.4	17.4	16.2	5.9	6.4
Oversea-Chinese Banking	OCBC SP	12.90	42.15	8.1	8.0	1.0	1.0	13.1	12.7	6.3	6.6
United Overseas Bank	UOB SP	29.20	35.55	8.4	8.1	1.1	1.0	13.2	13.0	5.9	6.2
Singapore average			142.38	8.4	8.3	1.2	1.1	14.6	14.0	6.1	6.4
Regional average (excluding Thailand)			1,730.57	7.9	7.4	1.1	1.0	12.8	12.6	6.2	6.6
Total average (including Thailand)			1,774.83	8.0	7.4	1.0	0.9	12.2	12.1	6.0	6.4

Sources: Bloomberg consensus; FSSIA estimates for Thai banks

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) *	11.9	11.1	10.8	10.2	9.6
Recurring P/E @ target price (x) *	13.1	12.3	11.9	11.3	10.7
Reported P/E (x)	11.9	11.1	10.8	10.2	9.6
Dividend yield (%)	7.1	7.7	8.0	8.2	8.5
Price/book (x)	2.0	1.9	1.8	1.8	1.7
Price/tangible book (x)	2.0	1.9	1.8	1.8	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

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
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.
Bangkok Bank	BBL TB	THB 168.50	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 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.
Krung Thai Bank	KTB TB	THB 19.00	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.
SCB X	SCB TB	THB 114.00	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.
TMBThanachart Bank	TTB TB	THB 1.71	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 56.75	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.

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 15-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.