

# TMBTHANACHART BANK

THAILAND / BANKING

# TTB TB

# BUY

UNCHANGED

## 3Q23E profit progressing positively

- We have an optimistic view on TTB's 3Q23E profit supported by NIM expansion and non-NII growth.
- No cause for concern on its asset quality, both NPL and credit cost.
- We recommend BUY on weakness as its share price approaches our 2023 TP.

TARGET PRICE	THB1.83
CLOSE	THB1.66
UP/DOWNSIDE	+10.2%
PRIOR TP	THB1.83
CHANGE IN TP	UNCHANGED
TP vs CONSENSUS	+6.0%

### KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Operating profit	17,547	20,328	21,943	23,858
Net profit	14,195	16,446	17,774	19,325
EPS (THB)	0.15	0.17	0.18	0.20
vs Consensus (%)	-	(4.5)	(4.8)	1.0
Recurring net profit	14,195	16,446	17,774	19,325
Core EPS (THB)	0.15	0.17	0.18	0.20
Chg. In EPS est. (%)	-	-	-	-
EPS growth (%)	35.3	15.9	8.1	8.7
Core P/E (x)	11.3	9.8	9.0	8.3
Dividend yield (%)	4.4	5.1	5.5	6.0
Price/book (x)	0.7	0.7	0.7	0.6
ROE (%)	6.6	7.3	7.6	7.9
ROA (%)	0.8	0.9	0.9	1.0

### NIM expansion helping support 3Q23E profit growth

We expect a 3Q23 net profit of THB4.68b, increasing 2.6% q-q and 26.2% y-y – the highest level since the merger with Thanachart Bank – with a PPOP of THB10.0b, growing 1.7% q-q and 13.0% y-y (the highest level as well). This is supported by the growth of non-NII, partly as a result of recording profits (approximately THB80m before taxes) from the partial repurchase of additional tier 1 capital securities at a 14.6% proportion of the aggregate principal amount of the Note issued (USD400m). Meanwhile, we expect the NII to increase slightly, supported by a slight increase in NIM to 3.19% in 3Q23, as it is still benefiting from lending interest rates that increased in late 2Q23, helping offset the impact from the loan forecast that increased only slightly by 0.6% q-q, and dropped 1.6% y-y and 0.3% YTD, still focusing on growth in high yield loans (Cash your Car, personal loans, and home equity).

### Well-controlled NPLs and credit costs

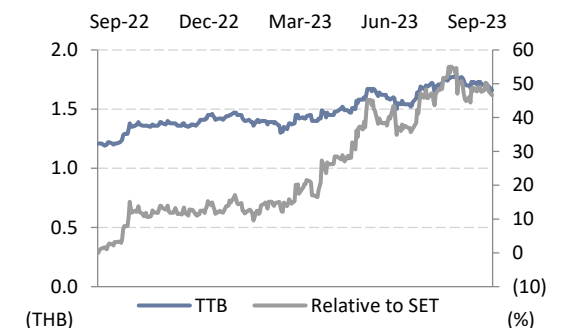
TTB's asset quality is no cause for concern, in our view. Even though NPLs are starting to see a slight spike in new and used car loan segments, the bank has control over approving new loans strictly. We expect the 3Q23 NPL ratio at 2.93%, down from 2.99% in 2Q23, while we estimate credit costs to remain stable at 125bp and the coverage ratio to be close to 2Q23 at 144bp. 9M23E credit cost is 123bp, still below our full-year 2023 target of 135bp and the bank's target of 125-135bp.

### Focus on high-yield loans to drive profit in 2024-25

We expect net profit in 2024-25 to continue growing at an average of 8-9% p.a., supported by the growth of net interest income from high-yield loans to reduce the impact of the rising cost of funds. Meanwhile, the strategy to drive more fee income through digital channels is still an issue to monitor since, for the most part, it is recurring fees, i.e., bancassurance-related and mutual fund fees, which are subject to market conditions.

### BUY on weakness as share price approaches our 2023 TP

We maintain a positive view of TTB's business prospects. Our 2023 GGM-based TP of THB1.83 implies a P/BV of 0.77x. However, as the current share price is approaching our 2023 TP, we recommend BUY on weakness instead.



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(5.7)	5.1	30.7
Relative to country (%)	(2.4)	3.5	40.6
Mkt cap (USD m)	4,449		
3m avg. daily turnover (USD m)	20.7		
Free float (%)	39		
Major shareholder	Thanachart Capital PCL (24%)		
12m high/low (THB)	1.80/1.18		
Issued shares (m)	96,778		

Sources: Bloomberg consensus; FSSIA estimates



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### Investment thesis

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

- 1) NIM improvement by recycling liquidity from low-yield (corporate) loans into new loans in high-yield segments (Cash your Car, personal loans, and home equity) for a better loan mix.
- 2) Under its prudent growth policy, loan portfolio quality appears well-controlled, resulting in better NPL flow, a stable NPL ratio, and lower risk cost.
- 3) We expect an earnings upside from the bank’s policy of leveraging new digital ecosystems to enhance performance.

We recommend BUY on weakness since the current share price is approaching our 2023 TP – a GGM-based TP of THB1.83, implying a P/BV of 0.77x

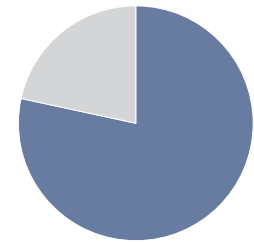
### Company profile

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

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

### Principal activities (revenue, 1H23)

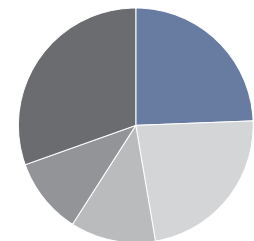
- Net interest income - 78.4 %
- Non-interest income - 21.6 %



Source: TMBThanachart Bank

### Major shareholders

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



Source: TMBThanachart Bank

### Catalysts

Potential share price catalysts for TTB include:

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

### Risks to our call

Downside risks to our GGM-based TP are 1) prolonged economic sluggishness affecting loan growth and asset quality; and 2) the impact of new regulations from the Bank of Thailand.

### Event calendar

Date	Event
17-18 October 2023	3Q23 results announcement

### Key assumptions

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

Source: FSSIA estimates

### Earnings sensitivity

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

Source: FSSIA estimates

## Exhibit 1: TTB – 3Q23E operations summary

Year end Dec 31	3Q22	2Q23	3Q23E	----- Change -----		9M22	9M23E	Change	% of	2022	2023E	Change
	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)	(THB m)	(THB m)	(y-y %)	23E	(THB m)	(THB m)	(y-y %)
Net interest income	12,968	14,093	14,173	0.6	9.3	37,791	41,767	10.5	73.7	51,617	56,682	10
Non-interest income	3,381	3,668	3,907	6.5	15.6	10,221	10,942	7.1	75.0	14,236	14,589	2
Fee income - net	2,534	2,659	2,700	1.5	6.6	7,641	7,918	3.6	74.8	10,391	10,586	2
Total operating income	16,349	17,760	18,080	1.8	10.6	48,012	52,710	9.8	74.0	65,852	71,271	8
Total operating expenses	7,447	7,863	8,019	2.0	7.7	21,696	23,185	6.9	71.9	29,952	32,225	8
PPOP before tax	8,902	9,897	10,061	1.7	13.0	26,316	29,524	12.2	75.6	35,900	39,045	9
Expected credit loss	4,361	4,244	4,260	0.4	(2.3)	13,551	12,780	(5.7)	68.3	18,353	18,717	2
Income tax	827	1,087	1,114	2.5	34.7	2,417	3,197	32.3	82.3	3,352	3,883	16
Non-controlling interest	0	0	0	28.6	200.0	0	0	0	303.0	0	0	10
Net profit	3,715	4,566	4,687	2.6	26.2	10,348	13,548	30.9	82.4	14,195	16,446	16
EPS (THB)	0.04	0.05	0.05	2.6	26.2					0.15	0.17	16
<b>Key ratios</b>	<b>3Q22</b>	<b>2Q23</b>	<b>3Q23E</b>	<b>----- Change -----</b>		<b>9M22</b>	<b>9M23</b>	<b>Change</b>		<b>2022</b>	<b>2023E</b>	<b>Change</b>
Asset quality ratio	(%)	(%)	(%)	(q-q%)	(y-y%)	(THB m)	(THB m)	(y-y %)		(%)	(%)	(y-y %)
Gross NPLs (THB m)	41,899	40,719	40,219	(1.2)	(4.0)	41,899	40,219	(4.0)		41,707	42,090	0.92
Change (% from prior period)	1.4	(3.1)	(1.2)				(4)			(1.0)	0.9	
NPL ratios (%) - reported	2.72	2.63	0.00							2.73		
NPL ratio (%)	3.01	2.99	2.93			3.01	2.93			3.03	3.01	
Coverage ratio (%) - reported	135	144								138		
Coverage ratio (%)	135	144	144			135	144			138	133	(4.3)
Credit cost (bp)	125	125	125			131.2	123	(8)		134	135	1.4
Profitability ratio	(%)	(%)	(%)							(%)	(%)	(%)
Cost to income ratio	45.6	44.3	44.4			45.2	44.0	(1.2)		45.5	45.2	(0.3)
Average yield (%)	3.75	4.38	4.48			3.72	4.35	0.6		3.76	4.28	0.5
Cost of funds (%)	0.92	1.39	1.50			0.91	1.39	0.5		0.92	1.33	0.4
NIM (%) - reported	2.92	3.18	0.00							2.95		
NIM (%)	2.94	3.17	3.19			2.92	3.14	0.22		2.96	3.13	0.2
Non-interest income/total income (%)	20.7	20.7	21.6			21.3	20.8	(0.5)		21.6	20.5	(1.1)
Liquidity ratio	(%)	(%)	(%)							(%)	(%)	(%)
Loan to deposit	101.5	97.7	99.3			101.5	99.3			98.3	96.0	(2.4)
Loan to deposit & borrowing (LDBR)	90.2	88.6	89.7			90.2	89.7			94.3	92.2	(2.2)
Capital adequacy ratio	(%)	(%)	(%)							(%)	(%)	(%)
CAR	20.0	19.8	0.0			20.0	0.0			20.0	20.5	0.6
CET 1/ Risk assets	15.1	15.6	0.0			15.1	0.0			15.7	16.4	0.7
Tier 2 / Risk assets	4.0	3.6	0.0			4.0	0.0			3.7	3.5	(0.1)
Loan growth	(%)	(%)	(%)							(%)	(%)	(%)
q-q	0.1	0.4	0.6									
y-y	2.5	(2.1)	(1.6)							0.4	1	1.1

Sources: TTB; FSSIA estimates

**Exhibit 2: TTB's loans by stage and ECL at end of 2Q23**

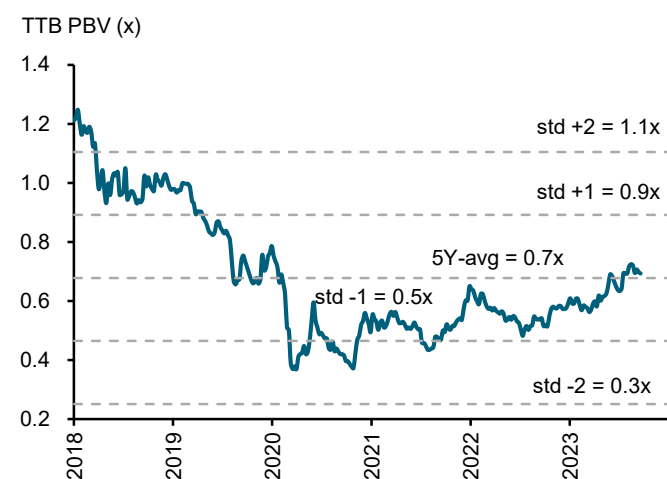
	Loans by stage						Allowance for ECL			
	1-Jan-20 (THB b)	2020 (THB b)	2021 (THB b)	2022 (THB b)	2Q22 (THB b)	2Q23 (THB b)	2021 (THB b)	2022 (THB b)	2Q22 (THB b)	2Q23 (THB b)
Stage 1 (Performing)	1,206.9	1,237.6	1,224.7	1,225.3	1,240.5	1,211.5	12.4	13.3	12.8	13.2
Stage 2 (Underperforming)	147.3	122.1	112.5	116.8	118.2	119.6	22.1	24.5	23.9	25.9
Stage 3 (Non-performing)	39.5	40.7	42.5	41.7	41.3	40.7	20.0	19.6	18.3	19.5
<b>Total loans and accrued interest</b>	<b>1,393.6</b>	<b>1,400.4</b>	<b>1,379.7</b>	<b>1,383.9</b>	<b>1,400.0</b>	<b>1,371.9</b>	<b>54.5</b>	<b>57.4</b>	<b>55.0</b>	<b>58.6</b>
% change y-y of total loans and ECL		0.5%	-1.5%	0.3%		-2.0%		5.36%		6.43%
% change y-y of NPL and ECL for NPL		3.0%	4.5%	-1.8%		-1.5%		-2.05%		6.58%
<b>Total ECL to NPL - coverage ratio</b>							<b>128%</b>	<b>138%</b>	<b>133%</b>	<b>144%</b>

	% of staged loans to total loans						% of ECL to staged loans			
	1-Jan-20	2020	2021	2022	2Q22	2Q23	2021	2022	2Q22	2Q23
Stage 1 (Performing)	86.6	88.4	88.8	88.5	88.6	88.3	1.0	1.1	1.0	1.1
Stage 2 (Underperforming)	10.6	8.7	8.2	8.4	8.4	8.7	19.6	20.9	20.3	21.6
Stage 3 (Non-performing)	2.8	2.9	3.1	3.0	3.0	3.0	47.1	47.0	44.3	47.9
<b>Total loans and accrued interest</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>3.9</b>	<b>4.1</b>	<b>3.9</b>	<b>4.3</b>

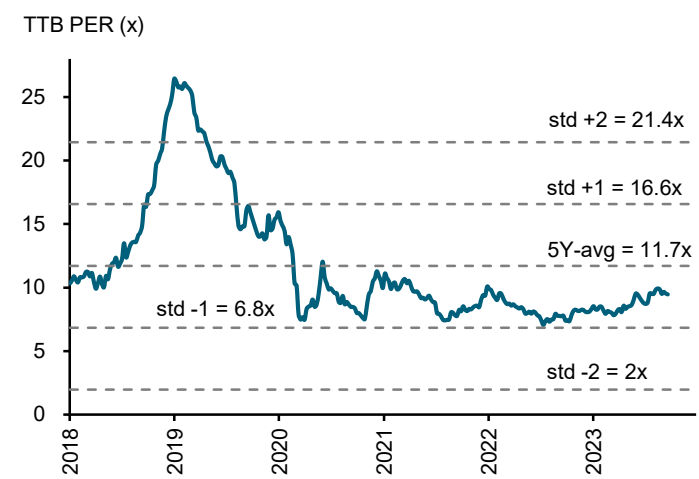
Sources: TTB; FSSIA's compilation

**Exhibit 3: One-year forward rolling P/BV**



Sources: Bloomberg; FSSIA estimates

**Exhibit 4: One-year forward rolling PER**



Sources: Bloomberg; FSSIA estimates

## Financial Statements

TMBThanachart Bank

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

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

Sources: TMBThanachart Bank ; FSSIA estimates

## Financial Statements

TMBThanachart Bank

Balance Sheet (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Gross customer loans	1,371,304	1,376,118	1,396,760	1,424,695	1,453,189
Allowance for expected credit loss	(54,472)	(57,390)	(56,107)	(55,152)	(53,858)
interest in suspense	7,369	7,777	7,962	8,121	8,283
<b>Net customer loans</b>	<b>1,324,201</b>	<b>1,326,505</b>	<b>1,348,614</b>	<b>1,377,664</b>	<b>1,407,614</b>
Bank loans	158,873	187,563	225,076	236,330	248,146
Government securities	-	-	-	-	-
Trading securities	-	-	-	-	-
Investment securities	181,649	212,965	227,490	241,106	255,537
Cash & equivalents	16,011	15,506	18,145	16,516	14,999
Other interesting assets	-	-	-	-	-
Tangible fixed assets	21,625	19,788	21,767	22,420	23,093
Associates	-	-	-	-	-
Goodwill	22,819	22,890	23,577	24,284	25,013
Other intangible assets	-	-	-	-	-
Other assets	34,002	41,062	39,603	41,195	42,855
<b>Total assets</b>	<b>1,759,181</b>	<b>1,826,279</b>	<b>1,904,273</b>	<b>1,959,514</b>	<b>2,017,256</b>
Customer deposits	1,339,195	1,399,247	1,455,216	1,491,597	1,528,887
Bank deposits	84,966	84,770	89,008	90,789	92,604
Other interest bearing liabilities	68,398	59,644	60,241	60,843	61,452
Non interest bearing liabilities	55,785	63,611	69,637	76,252	83,514
Hybrid Capital	-	-	-	-	-
<b>Total liabilities</b>	<b>1,548,345</b>	<b>1,607,271</b>	<b>1,674,102</b>	<b>1,719,480</b>	<b>1,766,457</b>
Share capital	91,792	91,937	91,937	91,937	91,937
Reserves	119,043	127,069	138,232	148,096	158,861
<b>Total equity</b>	<b>210,835</b>	<b>219,006</b>	<b>230,170</b>	<b>240,033</b>	<b>250,799</b>
Non-controlling interest	1	1	1	1	1
<b>Total liabilities &amp; equity</b>	<b>1,759,181</b>	<b>1,826,279</b>	<b>1,904,273</b>	<b>1,959,514</b>	<b>2,017,257</b>
<b>Supplementary items</b>					
Risk weighted assets (RWA)	1,228,574	1,185,415	1,236,040	1,271,896	1,309,376
Average interest earning assets	1,727,038	1,744,236	1,812,986	1,875,728	1,929,501
Average interest bearing liabilities	1,565,927	1,515,421	1,518,110	1,574,063	1,623,847
CET 1 capital	176,284	185,795	202,872	185,795	185,795
Total capital	225,341	229,097	246,174	229,097	229,097
Gross non performing loans (NPL)	42,120	41,707	42,090	42,174	42,259
<b>Per share (THB)</b>					
Book value per share	2.18	2.26	2.38	2.48	2.59
Tangible book value per share	1.95	2.03	2.13	2.23	2.33
<b>Growth</b>					
Gross customer loans	(1.6)	0.4	1.5	2.0	2.0
Average interest earning assets	(2.6)	1.0	3.9	3.5	2.9
Total asset (%)	(2.7)	3.8	4.3	2.9	2.9
Risk weighted assets (%)	3.4	(3.5)	4.3	2.9	2.9
Customer deposits (%)	(2.5)	4.5	4.0	2.5	2.5
<b>Leverage &amp; capital measures</b>					
Customer loan/deposits (%)	98.9	94.8	92.7	92.4	92.1
Equity/assets (%)	12.0	12.0	12.1	12.2	12.4
Tangible equity/assets (%)	10.7	10.7	10.8	11.0	11.2
RWA/assets (%)	69.8	64.9	64.9	64.9	64.9
CET 1 CAR (%)	14.3	15.7	16.4	14.6	14.2
Total CAR (%)	18.3	19.3	19.9	18.0	17.5
<b>Asset Quality (FSSIA's calculation)</b>					
Change in NPL (%)	6.4	(1.0)	0.9	0.2	0.2
NPL/gross loans (%)	3.1	3.0	3.0	3.0	2.9
Total provisions/gross loans (%)	4.0	4.2	4.0	3.9	3.7
Total provisions/NPL (%)	129.3	137.6	133.3	130.8	127.4
<b>Valuation</b>					
Recurring P/E (x) *	15.3	11.3	9.8	9.0	8.3
Recurring P/E @ target price (x) *	16.9	12.5	10.8	10.0	9.2
Reported P/E (x)	15.3	11.3	9.8	9.0	8.3
Dividend yield (%)	2.3	4.4	5.1	5.5	6.0
Price/book (x)	0.8	0.7	0.7	0.7	0.6
Price/tangible book (x)	0.9	0.8	0.8	0.7	0.7
Price/tangible book @ target price (x)	0.9	0.9	0.9	0.8	0.8

Sources: TMBThanachart Bank ; FSSIA estimates

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

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

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

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

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

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

### 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)<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

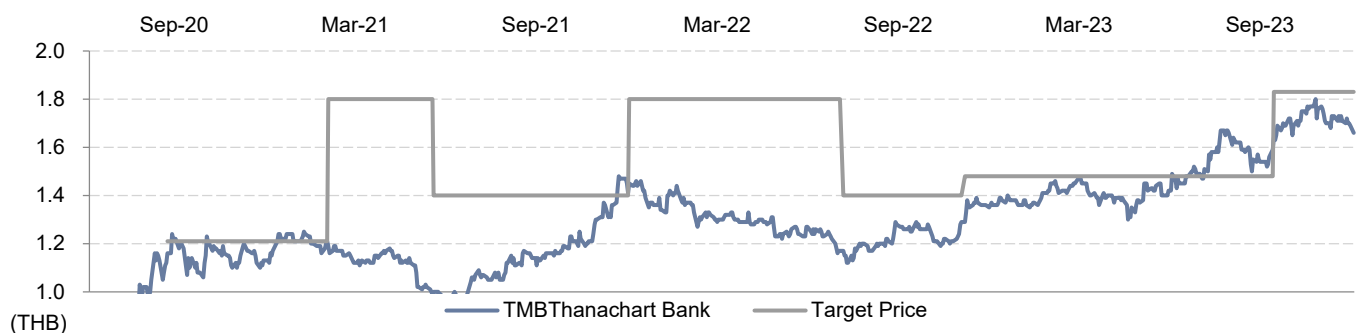
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**History of change in investment rating and/or target price**

**TMBThanachart Bank (TTB TB)**



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
03-Dec-2020	HOLD	1.21	06-Jan-2022	BUY	1.80	17-Jul-2023	BUY	1.83
21-Apr-2021	BUY	1.80	08-Jul-2022	BUY	1.40			
21-Jul-2021	BUY	1.40	21-Oct-2022	BUY	1.48			

Usanee Liurut, CISA started covering this stock from 17-Jul-2023

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
TMBThanachart Bank	TTB TB	THB 1.66	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 Finasia 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 Finasia Syrus Securities Public Company Limited, which is the parent company of FSSIA.

All share prices are as at market close on 25-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.