

Thailand Banks

การเติบโตของสินเชื่อเดือน ต.ค. 2023 พลิกเป็นลบ; ตัวเลขในรอบ 10M23 ลดลง 0.17%

- ธนาคารส่วนมากรายงานการเติบโตของสินเชื่อเป็นลบในเดือน ต.ค. 2023 ยกเว้น TISCO และ BBL
- เรามีความมั่นใจมากขึ้นเกี่ยวกับประมาผลการทำไร 4Q23 ซึ่งน่าจะได้ปัจจัยหนุนจากการขยายตัวของส่วนต่างดอกเบี้ย (NIM) ซึ่งอาจช่วยหักล้างค่าใช้จ่ายในการดำเนินงานตามฤดูกาลที่สูงขึ้น
- คุณภาพสินทรัพย์ที่อ่อนแอยังเป็นอุปสรรคสำหรับการปรับระดับการประเมินมูลค่าขึ้นในระยะสั้น คงน้ำหนักเท่ากับตลาดโดยมี KTB และ KBANK เป็นหุ้นเด่น

ธนาคารส่วนมากรายงานสินเชื่อสุทธิลดลงยกเว้น TISCO และ BBL

ธนาคารที่เราทำการศึกษากว่า 7 แห่งรายงานสินเชื่อสุทธิรวม (หักสำรองผลขาดทุนทางเครดิตที่คาดว่าจะเกิดขึ้น) สำหรับเดือน ต.ค. 2023 อยู่ที่ 10.86 ล้าน ลบ. ลดลง 0.74% m-m, 0.57% y-y, และ 0.17% YTD ธนาคารส่วนมากรายงานการเติบโตของสินเชื่อสุทธิลดลง m-m ยกเว้น TISCO และ BBL ซึ่งปรับขึ้น m-m TTB SCB และ KTB รายงานสินเชื่อสุทธิลดลงมากกว่าค่าเฉลี่ยในเดือนนี้ ในขณะที่ KKP และ KBANK รายงานสินเชื่อสุทธิลดลงน้อยที่สุดตามลำดับ สินเชื่อที่ลดลงส่วนมากเกิดจากการลดลงของสินเชื่อขนาดใหญ่ (TTB KTB SCB และ KBANK) และสินเชื่อภาครัฐ (KTB) ในขณะเดียวกันสินเชื่อ SME ก็ปรับตัวลดลง (KBANK, KKP และ TISCO) ยกเว้น TTB ซึ่งรายงานการเติบโตในสินเชื่อประเภทดังกล่าว ในทางตรงกันข้ามสินเชื่อรายย่อยที่ให้ผลตอบแทนสูง (TISCO และ TTB) และสินเชื่อบุคคล (KTB) กลับเพิ่มขึ้น อย่างไรก็ตามสินเชื่อเช่าซื้อทั้งประเภทรถใหม่และรถมือสองของธนาคารส่วนมาก (TTB KKP และ TISCO) รายงานการเติบโตที่ไม่น่าประทับใจจากกลยุทธ์การปล่อยสินเชื่อด้วยความรอบคอบในกลุ่มดังกล่าว

เงินฝากโตต่อเนื่องยกเว้น SCB และ KBANK

ในเดือน ต.ค. 2023 ตัวเลขเงินฝากคงค้างอยู่ที่ 12.42 ล้าน ลบ. เพิ่มขึ้น 0.46% m-m ส่วนสินเชื่อสุทธิแต่ลดลง 0.83% y-y และเพิ่ม 2.28% YTD โดยมี KTB TISCO และ BBL รายงานเงินฝากเพิ่มสูงสุดในเดือนนี้ตรงกันข้ามกับ SCB และ KBANK ซึ่งรายงานเงินฝากลดลงสูงสุดตามลำดับ เงินฝากที่ลดลงส่วนมากเกิดจากเงินฝากประเภทสะสมทรัพย์จากอัตราดอกเบี้ยที่ค่อนข้างต่ำโดยทรงตัวในระดับเดิมเท่ากับในอดีต ด้วยเหตุดังกล่าวเงินฝากสะสมทรัพย์บางส่วนจึงย้ายไปเงินประจำเนื่องจากธนาคารส่วนมากปรับอัตราดอกเบี้ยเงินฝากประจำขึ้นตามการขึ้นอัตราดอกเบี้ยในตลาด

มองแนวโน้ม 4Q23 เป็นบวกมากยิ่งขึ้น

สำหรับแนวโน้มใน 4Q23 เราคาดว่าถ้าไรก่อนหักสำรอง (PPOP) จะทรงตัวหรือโตเล็กน้อย q-q โดยน่าจะได้ปัจจัยหนุนจาก NIM ที่กำลังปรับขึ้น กล่าวโดยเฉพาะเจาะจงการขึ้นอัตราดอกเบี้ยอ้างอิงในเดือน ส.ค. และปลายเดือน ก.ย. 2023 น่าจะเป็นประโยชน์อย่างเต็มที่ต่อ NIM ใน 4Q23 และฤดูกาลความต้องการสินเชื่อที่กำลังจะมาถึง ทั้งสองปัจจัยอาจช่วยหักล้างค่าใช้จ่ายในการดำเนินงานตามฤดูกาลที่สูงขึ้น เราคาดว่า BBL และ KTB จะรายงานผลประกอบการที่ดีใน 4Q23 จากการขยายตัวของ NIM จากสภาพคล่องที่มีเหลือเฟือ

คงให้น้ำหนักเท่ากับตลาดโดยมี KTB และ KBANK เป็นหุ้นเด่น

เราคงให้น้ำหนักกลุ่มธนาคารไทยเท่ากับตลาดและยังชอบธนาคารขนาดใหญ่ เราคงคำแนะนำซื้อสำหรับ KTB และยังคงเลือกหุ้นดังกล่าวเป็นหุ้นเด่นจากกลยุทธ์ของธนาคารฯ ที่เน้นไปที่ตลาดผลตอบแทนสูงซึ่งความเสี่ยงต่ำอย่างสินเชื่อบรรษัทขนาดใหญ่ เราเอา BBL ออก (จากความกังวลที่สูงขึ้นเกี่ยวกับการเติบโตของธุรกิจต่างประเทศในเวียดนามและจีน) และเลือก KBANK เป็นหุ้นเด่นแทนแม้ว่าคุณภาพสินทรัพย์จะตกต่ำ เราเห็นว่าราคาหุ้นในปัจจุบันซึ่งยังล้าหลังกว่าค่าเฉลี่ยของกลุ่มฯ ได้สะท้อนปัจจัยลบไปแล้ว



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Exhibit 1: Loan and deposit movement of banks under our coverage in October 2023

	BBL	KBANK	KKP	KTB	SCB	TISCO	TTB	Coverage
Growth (m-m %)								
Loan	0.05	(0.23)	(0.54)	(1.19)	(1.20)	0.23	(1.47)	(0.74)
Deposit	0.42	(0.36)	0.34	2.57	(0.81)	1.16	0.41	0.46
Deposit + Borrowing	(0.36)	(0.60)	0.89	2.47	(0.78)	1.62	0.37	0.25
Growth (y-y %)								
Loan	(4.56)	(3.70)	8.01	1.65	3.56	8.85	(3.16)	(0.57)
Deposit	(0.97)	(2.12)	0.83	(1.26)	0.91	9.70	(2.17)	(0.83)
Deposit + Borrowing	(0.39)	(1.39)	4.85	(1.62)	2.21	7.68	(3.18)	(0.38)
Growth (YTD %)								
Loan	0.44	(3.64)	5.52	0.20	2.13	6.99	(2.46)	(0.17)
Deposit	(1.24)	(3.06)	6.01	3.45	(1.16)	7.90	(4.52)	2.28
Deposit + Borrowing	(0.02)	(2.36)	6.98	3.60	0.43	5.83	(4.42)	2.95
LDR (%)	78.51	82.96	109.95	88.15	90.88	110.02	96.58	87.40

Sources: Company data; FSSIA's compilation

Exhibit 2: 3Q23 earnings results of Thai banks under coverage

Year end 31 Dec	3Q22	4Q22	1Q23	2Q23	3Q23	--- Change ---		9M23	Change	%of	2023E	Change
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)	(THB m)	(y-y %)	23E	(THB m)	(y-y %)
Net interest income	131,157	143,245	141,527	149,784	157,561	5.2	20.1	448,873	20.1	75.3	596,124	15.3
Non-interest income	46,262	46,816	49,994	50,687	44,609	(12.0)	(3.6)	145,290	3.8	77.1	188,447	0.9
Fee income - net	35,253	34,391	34,453	32,865	33,258	1.2	(5.7)	100,576	(4.3)	73.7	136,383	(2.2)
Total operating income	177,419	190,061	191,521	200,471	202,170	0.8	14.0	594,162	15.7	75.7	784,570	11.5
Total operating expenses	79,219	91,467	81,874	86,033	88,639	3.0	11.9	256,546	12.3	73.5	349,201	9.1
PPOP before tax	98,199	98,593	109,647	114,438	113,532	(0.8)	15.6	337,616	18.4	77.5	435,369	13.5
Expected credit loss	38,822	52,559	44,726	47,701	48,343	1.3	24.5	140,769	23.2	72.9	193,102	15.7
Income tax	13,346	10,741	12,922	12,837	13,233	3.1	(0.9)	38,992	11.3	80.7	48,335	5.6
Non-controlling interest	1,470	2,199	1,895	1,758	1,490	(15.3)	1.4	5,143	45.8	79.7	6,449	12.6
Net profit	44,561	33,094	50,104	52,141	50,467	(3.2)	13.3	152,712	15.5	81.5	187,484	13.4
EPS (THB)	9.36	6.95	10.53	10.96	10.60	(3.2)	13.3	32.09	15.5	81.3	39.48	13.6
Key ratios	3Q22	4Q22	1Q23	2Q23	3Q23	--- Change ---		9M23	Change		2023E	
Asset quality ratio	(%)	(%)	(%)	(%)	(%)	(q-q%)	(y-y%)	(THB m)	(y-y %)		(%)	
Gross NPLs (THB m)	449,730	445,464	444,054	439,669	436,408	(0.7)	(3.0)	436,408	(3.0)		460,057	
Change (% from prior period)	(6.1)	(0.9)	(0.3)	(1.0)	(0.7)			(3.0)			3.3	
NPL ratio (%)*	3.69	3.68	3.69	3.62	3.56			3.56			3.65	
Coverage ratio (%)*	175	179	183	183	186			186			180	
Credit cost (bp)	128	173	148	158	159			154			156	
Profitability ratio	(%)	(%)	(%)	(%)	(%)			(%)			(%)	
Cost to income ratio	44.7	48.1	42.7	42.9	43.8			43.2			44.5	
Average yield (%)	3.67	4.02	4.22	4.50	4.73			4.51			4.35	
Cost of funds (%)	0.82	0.94	1.25	1.38	1.46			1.37			1.28	
NIM (%)*	2.99	3.25	3.19	3.37	3.53			3.38			3.30	
Non-interest income/total income (%)	26.1	24.6	26.1	25.3	22.1			24.5			24.0	
Liquidity ratio	(%)	(%)	(%)	(%)	(%)			(%)			(%)	
Loan to deposit	94.8	93.0	92.7	94.2	95.0			95.0			93.6	
Loan to deposit & borrowing (LDBR)	88.2	87.3	86.8	87.7	88.1			88.1			87.8	
Capital adequacy ratio	(%)	(%)	(%)	(%)	(%)			(%)			(%)	
CAR	19.2	19.1	19.1	19.3	19.5			19.5			19.3	
CET 1/ Risk assets	15.7	15.9	15.9	16.0	16.3			16.3			16.1	
Tier 2 / Risk assets	2.8	2.6	2.6	2.6	2.6			2.6			2.5	
Loan growth	(%)	(%)	(%)	(%)	(%)			(%)			(%)	
q-q	1.0	(0.6)	(0.6)	0.8	0.8							
y-y	4.5	2.5	1.0	0.6	0.5						4	
Year-to-date	3.1	2.5	(0.6)	0.2	1.0			1.0				

Source: FSSIA estimates

Exhibit 3: Peers comparisons – Thai banks under coverage as of 21 September 2023

Company name	code	Rec	Share	Target	Up	Market	----- PE -----		----- PBV -----		----- ROE -----		---- Div yld ----	
			price	price	side	Cap.	23E	24E	23E	24E	23E	24E	23E	24E
			(LCY)	(LCY)	(%)	(USD m)	(x)	(x)	(x)	(x)	(%)	(%)	(x)	(x)
Thailand														
Bangkok Bank	BBL TB	BUY	152.00	208	37	8,241	7.7	7.1	0.5	0.5	7.2	7.3	3.8	4.1
Kasikornbank	KBANK TB	BUY	131.50	160	22	8,850	7.8	7.1	0.6	0.5	7.9	8.2	3.7	4.0
Krung Thai Bank	KTB TB	BUY	18.30	23	26	7,265	6.8	6.4	0.6	0.6	9.7	9.6	4.3	4.5
SCB X	SCB TB	BUY	99.25	121	22	9,492	8.1	7.5	0.7	0.7	8.7	9.1	7.3	7.6
TMBThanachart Bank	TTB TB	BUY	1.56	2	17	4,292	9.2	8.5	0.7	0.6	7.3	7.6	5.4	5.9
Kiatnakin Bank	KKP TB	HOLD	50.50	55	9	1,215	7.2	6.3	0.7	0.7	10.0	10.7	6.4	6.1
Tisco Financial Group	TISCO TB	BUY	98.50	111	13	2,240	10.6	10.0	1.8	1.8	17.2	17.8	8.1	8.4
Thailand weighted average					24	41,595	9.7	9.0	0.8	0.8	8.6	8.8	4.0	4.3

Sources: Bloomberg consensus; FSSIA estimates

Disclaimer for ESG scoring

ESG score	Methodology	Rating																				
The Dow Jones Sustainability Indices (DJSI) By S&P Global	The DJSI World applies a transparent, rules-based component selection process based on the companies' Total Sustainability Scores resulting from the annual S&P Global Corporate Sustainability Assessment (CSA). Only the top-ranked companies within each industry are selected for inclusion.	Be a member and invited to the annual S&P Global Corporate Sustainability Assessment (CSA) for DJSI. Companies with an S&P Global ESG Score of less than 45% of the S&P Global ESG Score of the highest scoring company are disqualified. The constituents of the DJSI indices are selected from the Eligible Universe.																				
Sustainability Investment List (THSI) by The Stock Exchange of Thailand (SET)	THSI quantifies responsibility in Environmental and Social issues by managing business with transparency in Governance, updated annually. Candidates must pass the preemptive criteria, with two crucial conditions: 1) no irregular trading of the board members and executives; and 2) free float of >150 shareholders, and combined holding must be >15% of paid-up capital. Some key disqualifying criteria include: 1) CG score of below 70%; 2) independent directors and free float violation; 3) executives' wrongdoing related to CG, social & environmental impacts; 4) equity in negative territory; and 5) earnings in red for > 3 years in the last 5 years.	To be eligible for THSI inclusion , verified data must be scored at a minimum of 50% for each indicator, unless the company is a part of DJSI during the assessment year. The scoring will be fairly weighted against the nature of the relevant industry and materiality. SETTHSI Index is extended from the THSI companies whose 1) market capitalization > 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.																				
CG Score by Thai Institute of Directors Association (Thai IOD)	An indicator of CG strength in sustainable development, measured annually by the Thai IOD, with support from the Stock Exchange of Thailand (SET). The results are from the perspective of a third party, not an evaluation of operations.	Scores are rated in six categories: 5 for Excellent (90-100), 4 for Very Good (80-89), 3 for Good (70-79), 2 for Fair (60-69), 1 for Pass (50-59), and not rated for scores below 50. Weightings include: 1) the rights; 2) and equitable treatment of shareholders (weight 25% combined); 3) the role of stakeholders (25%); 4) disclosure & transparency (15%); and 5) board responsibilities (35%).																				
AGM level By Thai Investors Association (TIA) with support from the SEC	It quantifies the extent to which shareholders' rights and equitable treatment are incorporated into business operations and information is transparent and sufficiently disclosed. All form important elements of two out of five the CG components to be evaluated annually. 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 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 scores are classified into four categories: 5 for Excellent (100), 4 for Very Good (90-99), 3 for Fair (80-89), and not rated for scores below 79.																				
Thai CAC By Thai Private Sector Collective Action Against Corruption (CAC)	The core elements of the Checklist include corruption risk assessment, establishment of key controls, and the monitoring and developing of policies. The Certification is good for three years. (Companies deciding to become a CAC certified member start by submitting a Declaration of Intent to kick off an 18-month deadline to submit the CAC Checklist for Certification, including 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 document will be reviewed by a committee of nine professionals. A passed Checklist will move for granting certification by the CAC Council approvals whose members are twelve highly respected individuals in professionalism and ethical achievements.																				
Morningstar Sustainalytics	The Sustainalytics' ESG risk rating provides an overall company score based on an assessment of how much of a company's exposure to ESG risk is unmanaged. Sources to be reviewed include corporate publications and regulatory filings, news and other media, NGO reports/websites, multi-sector information, company feedback, ESG controversies, issuer feedback on draft ESG reports, and quality & peer reviews.	A company's ESG risk rating score is the sum of unmanaged risk. The more risk is unmanaged, the higher ESG risk is scored. <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>NEGL</th> <th>Low</th> <th>Medium</th> <th>High</th> <th>Severe</th> </tr> </thead> <tbody> <tr> <td>0-10</td> <td>10-20</td> <td>20-30</td> <td>30-40</td> <td>40+</td> </tr> </tbody> </table>	NEGL	Low	Medium	High	Severe	0-10	10-20	20-30	30-40	40+										
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0-10	10-20	20-30	30-40	40+																		
ESG Book	The ESG score identifies sustainable companies that are better positioned to outperform over the long term. The methodology considers the principle of financial materiality including information that significantly helps explain future risk-adjusted performance. Materiality is applied by over-weighting features with higher materiality and rebalancing these weights on a rolling quarterly basis.	The total ESG score is calculated as a weighted sum of the features scores using materiality-based weights. The score is scaled between 0 and 100 with higher scores indicating better performance.																				
MSCI	MSCI ESG ratings aim to measure a company's management of financially relevant ESG risks and opportunities. It uses a rules-based methodology to identify industry leaders and laggards according to their exposure to ESG risks and how well they manage those risks relative to peers.																					
	<table border="1"> <tbody> <tr> <td>AAA</td> <td>8.571-10.000</td> <td rowspan="3">Leader:</td> <td rowspan="3">leading its industry in managing the most significant ESG risks and opportunities</td> </tr> <tr> <td>AA</td> <td>7.143-8.570</td> </tr> <tr> <td>A</td> <td>5.714-7.142</td> </tr> <tr> <td>BBB</td> <td>4.286-5.713</td> <td rowspan="3">Average:</td> <td rowspan="3">a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers</td> </tr> <tr> <td>BB</td> <td>2.857-4.285</td> </tr> <tr> <td>B</td> <td>1.429-2.856</td> </tr> <tr> <td>CCC</td> <td>0.000-1.428</td> <td>Laggard:</td> <td>lagging its industry based on its high exposure and failure to manage significant ESG risks</td> </tr> </tbody> </table>	AAA	8.571-10.000	Leader:	leading its industry in managing the most significant ESG risks and opportunities	AA	7.143-8.570	A	5.714-7.142	BBB	4.286-5.713	Average:	a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers	BB	2.857-4.285	B	1.429-2.856	CCC	0.000-1.428	Laggard:	lagging its industry based on its high exposure and failure to manage significant ESG risks	
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BBB	4.286-5.713	Average:	a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers																			
BB	2.857-4.285																					
B	1.429-2.856																					
CCC	0.000-1.428	Laggard:	lagging its industry based on its high exposure and failure to manage significant ESG risks																			
Moody's ESG solutions	Moody's assesses the degree to which companies take into account ESG objectives in the definition and implementation of their strategy policies. It believes that a company integrating ESG factors into its business model and relatively outperforming its peers is better positioned to mitigate risks and create sustainable value for shareholders over the medium to long term.																					
Refinitiv ESG rating	Designed to transparently and objectively measure a company's relative ESG performance, commitment and effectiveness across 10 main themes, based on publicly available and auditable data. The score ranges from 0 to 100 on relative ESG performance and insufficient degree of transparency in reporting material ESG data publicly. (Score ratings are 0 to 25 = poor; >25 to 50 = satisfactory; >50 to 75 = good; and >75 to 100 = excellent.)																					
S&P Global	The S&P Global ESG Score is a relative score measuring a company's performance on and management of ESG risks, opportunities, and impacts compared to its peers within the same industry classification. The score ranges from 0 to 100.																					
Bloomberg	ESG Score	Bloomberg score evaluating the company's aggregated Environmental, Social and Governance (ESG) performance. The score is based on Bloomberg's view of ESG financial materiality. The score is a weighted generalized mean (power mean) of Pillar Scores, where the weights are determined by the pillar priority ranking. Values range from 0 to 10; 10 is the best.																				
Bloomberg	ESG Disclosure Score	Disclosure of a company's ESG used for Bloomberg ESG score. The score ranges from 0 for none to 100 for disclosure of every data point, measuring the amount of ESG data reported publicly, and not the performance on any data point.																				

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"**; 2) **"AGM Level"**; 3) **"Thai CAC"**; and 4) **THSI**. The ratings are updated on an annual basis. FSSIA does not confirm nor certify the accuracy of such ratings.

Source: FSSIA's compilation

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

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Company	Ticker	Price	Rating	Valuation & Risks
Bangkok Bank	BBL TB	THB 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

All share prices are as at market close on 21-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.