

# Thailand banks

## Unimpressive November 2023 loan growth

- Most big banks showed negative loan growth; KKP, TISCO, and KBANK performed better than their peers.
- We are more optimistic about the 4Q23E PPOP, supported by NIM expansion.
- Lack of positive catalysts obstructing valuation re-rating in the near term. NEUTRAL weighting reiterated with KTB and KBANK as top Buys.

### Most big banks showed negative loan growth; KBANK performed the best

Seven banks under our coverage reported a decline in aggregate net loan growth (net of allowances for ECL) for November 2023, which slipped for two consecutive months despite entering a seasonal period by 0.58% m-m, 0.43% y-y, and 0.75% YTD (below our 2023 forecast of 4% y-y). Most big banks showed a m-m decrease in net loan growth, except KBANK (from the corporate segment), which increased m-m. Small banks, KKP and TISCO, posted a minor m-m increase in net loan growth. Most net loan decreases were due primarily to a decline in corporate (BBL, KTB, and SCB) and government loans (KTB). In contrast, high-yield retail loans showed an increase (TISCO, TTB, and KKP) as did personal loans (KTB). However, hire-purchase loans for both new and used cars still offered unimpressive growth for most banks (TTB, KKP, and TISCO) due to their prudent credit strategies in this segment.

### Deposits turned to m-m negative growth, except for KKP and BBL

November 2023 deposits decreased in tandem with net loans by 0.81% m-m and 1.75% y-y, but increased by 1.46% YTD. KTB and SCB reported the most significant decreases in deposits this month, in contrast to KKP and BBL, which showed the highest increases. Most of the decline in deposits occurred in the savings group due to its relatively low interest rate, which was relatively stable at the same rate as in the past. Hence, some saving deposits were migrated to fixed deposits, as most banks had increased their fixed deposits along with market rate hikes.

### More positive view on 4Q23 PPOP outlook

For the 4Q23 outlook, we expect PPOP to be stable or show slight q-q growth, pushed by rising NIM momentum. In particular, the RP rate increases in August and late September 2023 should fully benefit banks' NIMs in 4Q23, which should partly offset the rising seasonal operating expenses. We expect BBL to post a solid performance in 4Q23 from NIM expansion due to rising loan yields and ample liquidity, which could allow it to enjoy the RP rate hikes.

### Reiterate our NEUTRAL weight call with KTB and KBANK as our top BUYs

We reiterate our NEUTRAL weight Thailand banking sector call. We are sticking with the big banks and retaining KTB (TP THB23.60) as our top BUY based on its focus on the high-yield, low-risk segment – private corporate loans. We also pick KBANK (TP THB152) as another top BUY despite its poor asset quality. The current share price with a P/BV of merely 0.6x, which still lags the sector's average and is much below its 5Y average P/BV of 0.8x, has already factored in the negatives, in our view.



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## Most big banks showed negative loan growth; KBANK performed the best

Seven banks under our coverage reported a decline in aggregate net loan growth (net of allowances for ECL) for November 2023 of THB10.79t, slipping for two consecutive months despite entering a seasonal period by 0.58% m-m, 0.43% y-y, and 0.75% YTD (below our 2023 forecast of 4% y-y). Most big banks showed a m-m decrease in net loan growth, except KBANK (from the corporate segment), which increased m-m. KTB and BBL showed a decrease in net loans above the average this month, while SCB and TTB showed the most negligible decrease in net loans, respectively. Small banks, KKP and TISCO, posted a minor m-m increase in net loan growth. Most net loan decreases were due primarily to a decline in corporate (BBL, KTB, and SCB) and government loans (KTB). At the same time, SME loans were relatively flat m-m (TTB, TISCO, and KTB), except for KKP, which posted an increase in this segment. In contrast, high-yield retail loans showed an increase (TISCO, TTB, and KKP) as did personal loans (KTB). However, hire-purchase loans for both new and used cars still offered unimpressive growth for most banks (TTB, KKP, and TISCO) due to their prudent credit strategies in this segment.

## Deposits turned to m-m negative growth, except for KKP and BBL

For November 2023 deposits, the outstanding amount was THB12.32t, decreasing in tandem with net loans by 0.81% m-m and 1.75% y-y, but increased by 1.46% YTD. KTB and SCB reported the most significant decreases in deposits this month, in contrast to KKP and BBL, which showed the highest increases. Most of the decline in deposits occurred in the savings group due to its relatively low interest rate, which was relatively stable at the same rate as in the past. Hence, some saving deposits were migrated to fixed deposits, as most banks had increased their fixed deposits along with market rate hikes.

## More positive view on 4Q23 outlook

For the 4Q23 outlook, we expect PPOP to be stable or show slight q-q growth, pushed by rising NIM momentum. In particular, the RP rate increases in August and late September 2023 should fully benefit banks' NIMs in 4Q23, which should partly offset the rising seasonal operating expenses. We expect BBL to post a solid performance in 4Q23 from NIM expansion due to rising loan yields and ample liquidity, which could allow it to enjoy the RP rate hikes.

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

	BBL	KBANK	KKP	KTB	SCB	TISCO	TTB	Coverage
<b>Growth (m-m %)</b>								
Loan	(1.41)	0.44	0.76	(1.48)	(0.23)	0.48	(0.48)	(0.58)
Deposit	0.93	(0.67)	1.61	(2.09)	(2.00)	(0.03)	(0.49)	(0.81)
Deposit + Borrowing	0.66	(0.53)	1.57	(2.00)	(1.90)	1.13	(0.50)	(0.76)
<b>Growth (y-y %)</b>								
Loan	(2.50)	(2.55)	7.62	(0.63)	3.67	8.39	(3.51)	(0.43)
Deposit	(0.11)	(3.01)	8.41	(1.50)	(4.01)	11.11	(2.88)	(1.75)
Deposit + Borrowing	0.69	(2.05)	9.69	(1.17)	(2.44)	9.99	(2.91)	(0.90)
<b>Growth (YTD %)</b>								
Loan	(0.97)	(3.22)	6.33	(1.29)	1.89	7.51	(2.93)	(0.75)
Deposit	(0.32)	(3.71)	7.71	1.29	(3.13)	7.86	(4.98)	1.46
Deposit + Borrowing	0.65	(2.88)	8.66	1.52	(1.48)	7.02	(4.91)	2.17
<b>LDR (%)</b>	<b>76.70</b>	<b>83.88</b>	<b>109.04</b>	<b>88.69</b>	<b>92.51</b>	<b>110.59</b>	<b>96.59</b>	<b>87.60</b>

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	448,871	20.1	74.7	600,913	16.2
Non-interest income	46,262	46,816	49,994	50,687	44,609	(12.0)	(3.6)	145,290	3.8	75.1	193,442	3.6
Fee income - net	35,253	34,391	34,453	32,865	33,258	1.2	(5.7)	100,576	(4.3)	74.0	135,939	(2.5)
Total operating income	177,419	190,061	191,520	200,470	202,170	0.8	14.0	594,161	15.7	74.8	794,355	12.9
Total operating expenses	79,219	91,467	81,874	86,033	88,639	3.0	11.9	256,546	12.3	73.0	351,204	9.7
PPOP before tax	98,199	98,593	109,646	114,437	113,532	(0.8)	15.6	337,615	18.4	76.2	443,150	15.5
Expected credit loss	38,822	52,559	44,726	47,701	48,343	1.3	24.5	140,769	23.2	73.1	192,502	15.4
Income tax	13,346	10,741	12,922	12,837	13,233	3.1	(0.9)	38,992	11.3	78.6	49,614	8.4
Non-controlling interest	1,470	2,199	1,895	1,758	1,490	(15.3)	1.4	5,143	45.8	80.0	6,428	12.3
<b>Net profit</b>	<b>44,561</b>	<b>33,094</b>	<b>50,104</b>	<b>52,140</b>	<b>50,467</b>	<b>(3.2)</b>	<b>13.3</b>	<b>152,711</b>	<b>15.5</b>	<b>78.5</b>	<b>194,607</b>	<b>17.7</b>
EPS (THB)	9.36	6.95	10.53	10.96	10.60	(3.2)	13.3	32.09	15.5	78.3	40.98	18.0
<b>Key ratios</b>	<b>3Q22</b>	<b>4Q22</b>	<b>1Q23</b>	<b>2Q23</b>	<b>3Q23</b>	<b>--- Change ---</b>		<b>9M23</b>	<b>Change</b>	<b>2023E</b>		
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	3.67			
Coverage ratio (%)*	175	179	183	183	186			186	183			
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	44.2			
Average yield (%)	3.67	4.02	4.22	4.50	4.73			4.51	4.50			
Cost of funds (%)	0.82	0.94	1.25	1.38	1.46			1.37	1.39			
NIM (%)*	2.99	3.25	3.19	3.37	3.53			3.38	3.35			
Non-interest income/total income (%)	26.1	24.6	26.1	25.3	22.1			24.5	24.4			
Liquidity ratio	(%)	(%)	(%)	(%)	(%)			(%)	(%)			
Loan to deposit	94.8	93.0	92.7	94.2	95.0			95.0	95.1			
Loan to deposit & borrowing (LDBR)	88.2	87.3	86.8	87.7	88.1			88.1	88.9			
Capital adequacy ratio	(%)	(%)	(%)	(%)	(%)			(%)	(%)			
CAR	19.2	19.1	19.1	19.3	19.5			19.5	19.5			
CET 1 / Risk assets	15.7	15.9	15.9	16.0	16.3			16.3	16.3			
Tier 2 / Risk assets	2.8	2.6	2.6	2.6	2.6			2.6	2.6			
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			3				
Year-to-date	3.1	2.5	(0.6)	0.2	1.0			1.0				

Sources: Company data; FSSIA estimates

## Exhibit 3: SETBANK – one-year prospective P/BV band



Sources: Bloomberg; FSSIA estimates

## Exhibit 4: Share price performance of Thai banks under our coverage, as of 22 December 2023

	Price performance				
	1M	3M	6M	1Y	YTD
	(%)	(%)	(%)	(%)	(%)
BBL TB	(0.66)	(9.06)	(7.67)	3.44	1.69
KBANK TB	(0.38)	4.78	1.15	(8.68)	(10.85)
KKP TB	(1.00)	(9.59)	(17.50)	(33.11)	(32.88)
KTB TB	1.10	(1.61)	(5.67)	2.23	3.39
SCB TB	4.79	0.48	(3.26)	(0.95)	(2.80)
TISCO TB	(1.01)	(1.51)	1.82	(1.26)	(1.51)
TTB TB	1.92	(4.22)	0.63	16.06	12.77
SETBANK	0.69	(3.70)	(4.55)	(2.23)	(3.66)
SET	0.55	(6.78)	(6.67)	(13.13)	(15.80)

Sources: Bloomberg; FSSIA's compilation

## Exhibit 5: Peer regional bank comparisons as of 22 December 2023

Company name	Share price (LCY)	Target price (LCY)	Upside (%)	Market Cap. (USD m)	PE		PBV		ROE		Div yld	
					23E (x)	24E (x)	23E (x)	24E (x)	23E (%)	24E (%)	23E (x)	24E (x)
<b>Thailand</b>												
Bangkok Bank	150.50	208.00	38	8,302.4	7.6	7.0	0.5	0.5	7.2	7.3	3.9	4.2
Kasikornbank	131.50	160.00	22	9,004.3	7.8	7.1	0.6	0.5	7.9	8.2	3.7	4.0
Krung Thai Bank	18.30	23.10	26	7,391.5	6.8	6.4	0.6	0.6	9.7	9.6	4.3	4.5
SCB X	104.00	121.00	16	10,120.2	8.5	7.8	0.7	0.7	8.7	9.1	7.0	7.2
TMBThanachart Bank	1.59	1.79	13	4,451.1	8.6	8.6	0.7	0.6	8.0	7.6	5.8	5.8
Kiatnakin Bank	49.50	55.00	11	1,211.3	7.0	6.2	0.7	0.6	10.0	10.7	6.6	6.3
Tisco Financial Group	97.75	107.00	9	2,261.8	10.5	9.9	1.8	1.7	17.2	17.8	8.2	8.4
<b>Thailand weighted average</b>				<b>42,743</b>	<b>8.2</b>	<b>7.6</b>	<b>0.8</b>	<b>0.8</b>	<b>10.2</b>	<b>10.4</b>	<b>4.0</b>	<b>4.3</b>
<b>Hong Kong</b>												
Industrial & Comm Bank of China	3.68	n/a	n/a	222,174.5	3.4	3.3	0.4	0.3	10.7	10.3	9.2	9.4
China Construction Bank	4.51	n/a	n/a	147,391.1	3.1	3.0	0.3	0.3	11.5	11.1	9.6	9.9
HSBC Holdings	61.80	n/a	n/a	152,399.2	6.1	6.0	0.9	0.8	15.6	15.4	8.2	10.1
Bank of China	2.90	n/a	n/a	149,437.3	3.6	3.4	0.4	0.3	10.1	9.8	8.9	9.2
<b>Hong Kong average</b>				<b>671,402</b>	<b>4.0</b>	<b>3.9</b>	<b>0.5</b>	<b>0.5</b>	<b>12.0</b>	<b>11.6</b>	<b>9.0</b>	<b>9.7</b>
<b>China</b>												
Industrial & Comm Bank of China	4.78	n/a	n/a	222,289.1	4.9	4.6	0.5	0.5	10.6	10.2	6.5	6.7
Agricultural Bank of China	3.63	n/a	n/a	174,852.4	5.0	4.7	0.5	0.5	11.2	10.8	6.3	6.5
China Construction Bank	6.40	n/a	n/a	147,467.1	4.9	4.6	0.5	0.5	11.6	11.2	6.2	6.4
Bank of China	3.99	n/a	n/a	149,514.4	5.4	5.2	0.5	0.5	10.4	10.2	5.8	6.0
<b>China average</b>				<b>694,123</b>	<b>5.0</b>	<b>4.8</b>	<b>0.5</b>	<b>0.5</b>	<b>10.9</b>	<b>10.6</b>	<b>6.2</b>	<b>6.4</b>
<b>South Korea</b>												
KB Financial Group	52,500	n/a	n/a	16,311.4	4.1	3.9	0.4	0.4	9.8	9.2	6.3	6.7
Shinhan Financial Group	38,800	n/a	n/a	15,400.7	4.4	4.2	0.4	0.4	9.4	8.9	5.5	5.9
Hana Financial Group	42,900	n/a	n/a	9,657.1	3.4	3.3	0.3	0.3	9.9	9.5	8.1	8.6
Industrial Bank of Korea	11,910	n/a	n/a	7,312.7	3.4	3.4	0.3	0.3	9.6	9.1	8.4	8.8
<b>South Korea average</b>				<b>48,682</b>	<b>3.8</b>	<b>3.7</b>	<b>0.4</b>	<b>0.3</b>	<b>9.7</b>	<b>9.2</b>	<b>7.1</b>	<b>7.5</b>
<b>Indonesia</b>												
Bank Central Asia	9,325	n/a	n/a	74,259.7	23.5	21.6	4.7	4.3	21.0	20.7	2.4	2.7
Bank Rakyat Indonesia Persero	5,675	n/a	n/a	55,561.8	14.5	12.9	2.7	2.5	19.0	20.1	5.0	5.8
Bank Mandiri Persero	5,975	n/a	n/a	36,025.0	10.8	9.9	2.1	2.0	21.3	21.0	4.7	5.7
Bank Negara Indonesia Persero	5,250	n/a	n/a	12,649.3	9.2	8.1	1.3	1.1	15.0	15.4	5.0	5.8
Bank Syariah Indonesia	1,695	n/a	n/a	5,051.0	14.3	12.1	2.0	1.8	15.5	16.1	1.0	1.2
<b>Indonesia average</b>				<b>183,547</b>	<b>14.5</b>	<b>12.9</b>	<b>2.6</b>	<b>2.3</b>	<b>18.4</b>	<b>18.7</b>	<b>3.6</b>	<b>4.2</b>
<b>Malaysia</b>												
Malayan Banking	8.89	n/a	n/a	23,161.7	11.5	11.1	1.2	1.2	10.5	10.6	6.7	6.9
Public Bank	4.25	n/a	n/a	17,821.4	12.1	11.5	1.5	1.4	13.0	12.7	4.4	4.5
CIMB Group Holdings	5.80	n/a	n/a	13,363.1	9.1	8.5	0.9	0.9	10.4	10.4	6.1	6.4
Hong Leong Bank	18.98	n/a	n/a	8,888.2	10.2	9.7	1.2	1.1	12.1	11.4	3.5	3.4
RHB Bank	5.42	n/a	n/a	5,018.8	8.0	7.9	0.7	0.7	9.6	9.4	7.2	7.5
<b>Malaysia average</b>				<b>68,253</b>	<b>10.2</b>	<b>9.8</b>	<b>1.1</b>	<b>1.1</b>	<b>11.1</b>	<b>10.9</b>	<b>5.6</b>	<b>5.8</b>
<b>Singapore</b>												
DBS Group Holdings	32.00	n/a	n/a	62,342.2	8.1	8.3	1.4	1.3	17.5	16.2	6.4	7.0
Oversea-Chinese Banking	12.66	n/a	n/a	42,978.1	8.0	7.9	1.0	1.0	13.2	12.7	6.5	6.8
United Overseas Bank	27.60	n/a	n/a	34,866.1	8.0	7.8	1.0	1.0	13.3	12.9	6.3	6.5
<b>Singapore average</b>				<b>140,186</b>	<b>8.1</b>	<b>8.0</b>	<b>1.1</b>	<b>1.1</b>	<b>14.7</b>	<b>13.9</b>	<b>6.4</b>	<b>6.8</b>
<b>Regional average (excl. Thailand)</b>				<b>1,806,193</b>	<b>8.0</b>	<b>7.5</b>	<b>1.1</b>	<b>1.0</b>	<b>12.9</b>	<b>12.6</b>	<b>6.2</b>	<b>6.6</b>
<b>Total average (incl. Thailand)</b>				<b>1,848,936</b>	<b>8.0</b>	<b>7.5</b>	<b>1.0</b>	<b>1.0</b>	<b>12.4</b>	<b>12.2</b>	<b>6.1</b>	<b>6.5</b>

Sources: Bloomberg; 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 <b>THSI inclusion</b> , 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. <b>SETTHSI Index</b> 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 (60-69), 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%). <i>(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&amp;A. The third involves the meeting minutes that should contain discussion issues, resolutions and voting results.)</i>	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. <i>(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.)</i>	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" data-bbox="877 1137 1500 1205"> <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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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" data-bbox="239 1400 1500 1601"> <tbody> <tr> <td><b>AAA</b></td> <td>8.571-10.000</td> <td rowspan="3"><b>Leader:</b></td> <td rowspan="3">leading its industry in managing the most significant ESG risks and opportunities</td> </tr> <tr> <td><b>AA</b></td> <td>7.143-8.570</td> </tr> <tr> <td><b>A</b></td> <td>5.714-7.142</td> </tr> <tr> <td><b>BBB</b></td> <td>4.286-5.713</td> <td rowspan="3"><b>Average:</b></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><b>BB</b></td> <td>2.857-4.285</td> </tr> <tr> <td><b>B</b></td> <td>1.429-2.856</td> </tr> <tr> <td><b>CCC</b></td> <td>0.000-1.428</td> <td><b>Laggard:</b></td> <td>lagging its industry based on its high exposure and failure to manage significant ESG risks</td> </tr> </tbody> </table>	<b>AAA</b>	8.571-10.000	<b>Leader:</b>	leading its industry in managing the most significant ESG risks and opportunities	<b>AA</b>	7.143-8.570	<b>A</b>	5.714-7.142	<b>BBB</b>	4.286-5.713	<b>Average:</b>	a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers	<b>BB</b>	2.857-4.285	<b>B</b>	1.429-2.856	<b>CCC</b>	0.000-1.428	<b>Laggard:</b>	lagging its industry based on its high exposure and failure to manage significant ESG risks
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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. <i>(Score ratings are 0 to 25 = poor; &gt;25 to 50 = satisfactory; &gt;50 to 75 = good; and &gt;75 to 100 = excellent.)</i>																				
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

## GENERAL DISCLAIMER

### ANALYST(S) CERTIFICATION

#### 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 150.50	BUY	Downside risks to our GGM-based TP are 1) prolonged economic sluggishness affecting loan growth and asset quality; and 2) an impact of new regulations from the Bank of Thailand.
Kasikornbank	KBANK TB	THB 131.50	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 18.30	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 104.00	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 1.59	HOLD	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. Upside risks are 1) a faster-than-expected economic recovery; and 2) improved asset quality leading to lower credit costs.
Kiatnakin Bank	KKP TB	THB 49.50	HOLD	Downside risks to our GGM-based target price include weakening asset quality and lower fee income and upside risks include better capital market conditions, higher used car price, and strengthening asset quality.
Tisco Financial	TISCO TB	THB 97.75	HOLD	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. Upside risks are 1) aggressive loan growth; and 2) well-controlled 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.

All share prices are as at market close on 22-Dec-2023 unless otherwise stated.

## RECOMMENDATION STRUCTURE

### Stock ratings

Stock ratings are based on absolute upside or downside, which we define as (target price\* - current price) / 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.