

Thailand Banks

Rising seasonal expenses dragging 4Q23E profit

- We expect the seven banks under our coverage to post a weak aggregate net profit, decreasing 10.7% q-q but significantly increasing 36.1% y-y.
- Despite concerns about asset quality, we believe it could be manageable.
- Lack of positive catalysts obstructing valuation re-rating in the near term. NEUTRAL weighting reiterated with KTB and KBANK as top Buys.

Weak 4Q23E profit pressured by rising seasonal expenses

We expect the seven banks under our coverage to post a weak aggregate net profit of THB45.0b in 4Q23, decreasing by 10.7% q-q and significantly increasing by 36.1% y-y. For the q-q decrease, we expect all banks to post a net profit decrease, with KKP and KTB being the worst performers, while TISCO and BBL should be the best. For the y-y increase, we expect all banks except KKP to post positive net profit growth, with BBL, TTB, KTB, and SCB performing the best, while KKP should perform the worst. The decrease in q-q net profit should come from higher seasonal operating expenses and expected credit losses (ECL), outweighing higher net interest income (NII) and non-NII. We also predict that the aggregate cost-to-income ratio will jump significantly to 48.7% in 4Q23 from 43.8% in 3Q23. In contrast, the increase in y-y net profit should come from higher NII (rising interest rates, NIM expansion, and slight loan growth).

2023E net profit to increase substantially, +5-6% p.a. in 2024-25E

We estimate an aggregate 2023 net profit of THB197.8b, an increase of 19.6% y-y, supported by rising net interest income (aligning with the market interest rate increases), slightly growing non-NII (an increase in FVTPL investment gains, which could offset increasing expenses), operating expense and ECL, and decreasing fee income. We also estimate 2024-25 net profit to grow by merely 5.5% y-y and 6.9% y-y, respectively, due mainly to a large base in 2023 and a less positive impact from the interest rate increase compared to 2023E.

Manageable asset quality amid accelerating new NPL formation

We are still concerned about asset quality in 4Q23, with new NPL formations expected to continually climb from 3Q23, mainly from the SME and retail segments. However, banks' management are taking proactive measures, including debt restructuring, sales, and writing off bad debts. Therefore, we anticipate the 4Q23 NPL ratio of our covered banks to remain stable q-q with 3Q23's at 3.57%.

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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Weak 4Q23E results pressured by rising seasonal expenses

We expect the seven banks under our coverage to post a weak aggregate net profit of THB45.0b in 4Q23, decreasing by 10.7% q-q and significantly increasing by 36.1% y-y. For the q-q decrease, we expect all banks to post a net profit decrease, with KKP and KTB being the worst performers, while TISCO and BBL should be the best. For the y-y increase, we expect all banks except KKP to post positive net profit growth, with BBL, TTB, KTB, and SCB performing the best, while KKP should perform the worst.

The decrease in q-q net profit should come from higher seasonal operating expenses and ECL, outweighing higher NII and non-NII. We expect aggregate NII to increase by 4.4% q-q, supported by rising interest rates, loans, and NIM expansion. We also predict that covered banks' cost-to-income ratio will jump significantly to 48.7% from 43.8% in 3Q23.

In contrast, the increase in y-y net profit should come from higher NII (rising interest rates, NIM expansion, and slight loan growth).

Regarding 4Q23 PPOP, we expect the THB108.1b figure to drop by 4.8% q-q but rise by 9.7% y-y. The q-q decrease should come from an increase in seasonal operating expenses, while the significant growth of net interest income and NIM expansion would push the y-y increase.

Overall, we estimate an aggregate 2023 net profit of THB197.8b, an increase of 19.6% y-y, supported by rising net interest income (aligning with the market interest rate increases), slightly growing non-NII (an increase in FVTPL investment gains, which could offset increasing expenses), operating expense and ECL, and decreasing fee income.

Exhibit 1: Summary of 4Q23/2023 earnings preview of Thai banks under coverage

	4Q23E	3Q23	Change	4Q22	Change	2023E	Change
	(THB m)	(THB m)	(q-q%)	(THB m)	(y-y%)	(THB m)	(y-y%)
BBL	10,759	11,350	(5.2)	7,569	42.1	43,531	48.5
KBANK	10,186	11,282	(9.7)	3,191	219.2	43,203	20.8
KTB	8,503	10,282	(17.3)	8,109	4.9	39,008	15.8
SCB	8,890	9,663	(8.0)	7,143	24.5	41,416	10.3
TTB	4,367	4,735	(7.8)	3,847	13.5	17,962	26.5
KKP	533	1,281	(58.4)	1,430	(62.7)	5,307	(30.2)
TISCO	1,816	1,874	(3.1)	1,804	0.7	7,337	1.6
Coverage	45,054	50,467	(10.7)	33,094	36.1	197,765	19.6

Sources: Company data; FSSIA estimates

Manageable asset quality amid accelerating new NPL formation

We are still concerned about asset quality in 4Q23, with new NPL formations expected to continually climb from 3Q23. However, banks' management are taking proactive measures, including debt restructuring, sales, and writing off bad debts. Therefore, we anticipate the 4Q23 NPL ratio of our covered banks to remain stable q-q with 3Q23's at 3.57%.

Exhibit 2: NPL ratio, 1Q22-4Q23E

	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23E	Bank targets
	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	2023E
BBL	3.96	3.96	3.83	3.62	3.73	3.46	3.48	3.48	~ 3.5 %
KBANK	4.33	4.42	3.56	3.71	3.56	3.83	3.58	3.60	< 3.25 %
KTB	4.01	3.96	4.01	3.90	3.97	3.83	3.74	3.72	< 3.5 %
SCB	4.57	4.34	3.92	4.01	3.97	3.84	3.89	3.92	N/A
TTB	3.09	2.97	3.01	3.03	3.09	2.99	2.96	2.97	≤ 2.9 %
KKP	3.11	3.26	3.29	3.45	3.56	3.74	3.69	3.65	~ 3.50 %
TISCO	2.15	2.20	2.08	2.09	2.13	2.20	2.25	2.31	< 2.5 %
Coverage	4.01	3.97	3.69	3.68	3.69	3.62	3.56	3.57	

Sources: Company data; FSSIA estimates

KKP is the bank we are most concerned about regarding asset quality. Though we expect the bank to manage its NPL ratio, slowing it down from 3Q23, we still worry about its exposure to losses from sales of repossessed cars, for which there are no apparent signs as to when they might end. We expect the aggregate 4Q23E credit cost to remain high at 161bp compared to 159bp in 3Q23 to tackle the new NPL formation – through debt restructuring/NPL write-offs/sales and partly for the 2024E management overlay.

For KBANK, we are less concerned about its NPLs and credit costs, despite its 2023E credit cost of 208bp being higher than the upper range of the bank's guidance of 175-200bp, but it does not exceed 210bp as the bank predicted it should finish.

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

Exhibit 3: Credit cost, 1Q22-2023E

	1Q22 (bp)	2Q22 (bp)	3Q22 (bp)	4Q22 (bp)	1Q23 (bp)	2Q23 (bp)	3Q23 (bp)	4Q23E (bp)	2022 (bp)	2023E (bp)	Bank targets 2023E
BBL	100	128	145	116	127	133	132	138	124	131	~ 100 bp
KBANK	153	159	161	368	205	208	209	211	211	208	175 - 200 bp
KTB	83	86	86	116	125	120	125	130	93	125	~ 120 bp
SCB	151	175	132	120	166	201	201	201	145	193	120-140 bp
TTB	141	127	125	139	125	125	128	131	134	128	125-135 bp
KKP	169	138	182	305	233	292	304	309	202	289	~ 260-280 bp
TISCO	17	28	23	70	28	11	25	29	34	24	34 bp
Coverage	121	132	128	173	148	158	159	161	139	156	

Sources: Company data; FSSIA estimates

Exhibit 4: Aggregate banks – 4Q23 earnings preview

Year-end Dec 31	BBL (THB m)	KBANK (THB m)	KTB (THB m)	SCB (THB m)	TTB (THB m)	KKP (THB m)	TISCO (THB m)	Coverage (THB m)
Net interest income	35,976	39,173	30,960	32,590	14,873	5,343	3,570	162,485
Non-interest income	9,645	10,309	9,562	12,443	3,437	1,537	1,261	48,193
Fee income - net	7,073	7,852	5,772	8,441	2,507	1,227	1,221	34,093
Total operating income	45,621	49,482	40,522	45,033	18,310	6,880	4,831	210,678
Total operating expenses	22,468	23,403	20,146	21,025	8,479	4,633	2,406	102,560
PPOP before tax	23,153	26,079	20,376	24,008	9,831	2,247	2,425	108,119
Expected credit loss	9,500	12,850	8,600	12,400	4,420	1,600	166	49,536
Income tax	2,785	2,593	2,332	2,658	1,044	110	443	11,965
Non-controlling interest	108	450	941	60	0	4	0	1,564
Net profit	10,759	10,186	8,503	8,890	4,367	533	1,816	45,054
EPS (THB)	5.64	4.30	0.61	2.64	0.05	0.63	2.27	
Key ratios	4Q23E	4Q23E	4Q23E	4Q23E	4Q23E	4Q23E	4Q23E	4Q23E
Asset quality ratio	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)
Gross NPLs (THB m)	97,061	87,330	98,334	96,743	39,664	14,686	5,365	439,184
Change (% from prior period)	2.3	(0.1)	0.0	1.2	(1.5)	(0.5)	2.9	0.6
NPL ratio (%)	3.48	3.60	3.72	3.92	2.97	3.65	2.31	3.57
Coverage ratio (%)	280	146	175	158	144	137	192	185
Credit cost (bp)	138	211	130	201	131	309	29	161
Profitability ratio	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)
Cost to income ratio	49.3	47.3	49.7	46.7	46.3	67.3	49.8	48.7
Average yield (%)	4.73	4.90	4.80	4.97	4.80	6.11	7.07	4.91
Cost of funds (%)	1.82	1.38	1.44	1.41	1.57	2.13	2.34	1.57
NIM (%)	3.21	3.88	3.55	3.79	3.45	4.22	5.18	3.62
Non-interest income/total income (%)	21.1	19.3	23.6	27.6	18.8	22.3	26.1	22.9
Loan growth	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)
q-q	2.4	(0.5)	0.5	0.5	(2.0)	0.5	0.2	0.4
y-y	4.0	(2.8)	1.9	3.8	(3.0)	6.6	6.1	1.5
Year-to-date	4.0	(2.8)	1.9	3.8	(3.0)	6.6	6.1	1.5

Sources: Company data; FSSIA estimates

Exhibit 5: Aggregate banks – 4Q23 earnings preview

Year-end Dec 31	BBL	KBANK	KTB	SCB	TTB	KKP	TISCO	Coverage
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)
Net interest income	131,670	148,768	114,018	123,859	57,132	22,075	13,833	611,356
Change y-y%	28.8	11.9	26.1	14.8	10.7	15.7	8.6	18.3
Non-interest income	39,259	42,472	36,380	49,734	13,807	6,613	5,218	193,483
Change y-y%	7.1	5.5	4.0	6.8	(3.0)	(21.8)	(6.9)	3.6
Fee income - net	27,539	31,483	21,210	33,999	10,231	5,371	4,837	134,669
Change y-y%	0.1	(4.3)	4.4	(8.5)	(1.5)	(12.9)	(4.8)	(3.5)
Total operating income	170,929	191,241	150,398	173,593	70,939	28,688	19,051	804,839
Change y-y%	23.1	10.4	19.9	12.4	7.7	4.2	3.9	14.4
Total operating expenses	80,637	83,863	64,558	73,288	31,423	15,944	9,393	359,106
PPOP before tax	90,292	107,377	85,840	100,305	39,517	12,744	9,658	445,733
Change y-y%	29.2	9.0	21.6	18.6	10.1	(12.3)	(0.5)	16.2
Expected credit loss	35,823	51,119	32,615	46,670	17,294	6,253	531	190,305
Change y-y%	9.7	(1.5)	34.0	38.0	(5.8)	24.2	(26.5)	14.1
Income tax	10,497	10,753	10,501	11,985	4,261	1,170	1,789	50,957
Non-controlling interest	441	2,302	3,715	234	0	14	1	6,706
Net profit	43,531	43,203	39,008	41,416	17,962	5,307	7,337	197,765
Change y-y%	48.5	20.8	15.8	10.3	26.5	(30.2)	1.6	19.6
Key ratios	BBL	KBANK	KTB	SCB	TTB	KKP	TISCO	Coverage
Asset quality ratio	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)
Gross NPLs (THB m)	97,061	87,330	98,334	96,743	39,664	14,686	5,365	439,184
Change y-y%	2.3	(0.1)	0.0	1.2	(1.5)	(0.5)	2.9	(1.4)
NPL ratio (%)	3.48	3.60	3.72	3.92	2.97	3.65	2.31	3.57
Coverage ratio (%)	280	146	175	158	144	137	192	185
Credit cost (bp)	138	211	130	201	131	309	29	156
Profitability ratio	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)
Cost to income ratio	49.3	47.3	49.7	46.7	46.3	67.3	49.8	44.6
Average yield (%)	4.73	4.90	4.80	4.97	4.80	6.11	7.07	4.58
Cost of funds (%)	1.82	1.38	1.44	1.41	1.57	2.13	2.34	1.41
NIM (%)	3.21	3.88	3.55	3.79	3.45	4.22	5.18	3.42
Non-interest income/total income (%)	21.1	20.8	23.6	27.6	18.8	22.3	26.1	24.0
Liquidity ratio	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)
Loan to deposit	87.6	90.8	99.2	96.4	99.7	112.6	114.9	94.8
Loan to deposit & borrowing (LDBR)	81.9	80.4	93.5	92.2	89.7	94.1	107.8	87.5
Loan growth	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)
Year-on-year	4.0	(2.8)	1.9	3.8	(3.0)	6.6	6.1	1.5

Sources: Company data; FSSIA estimates

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

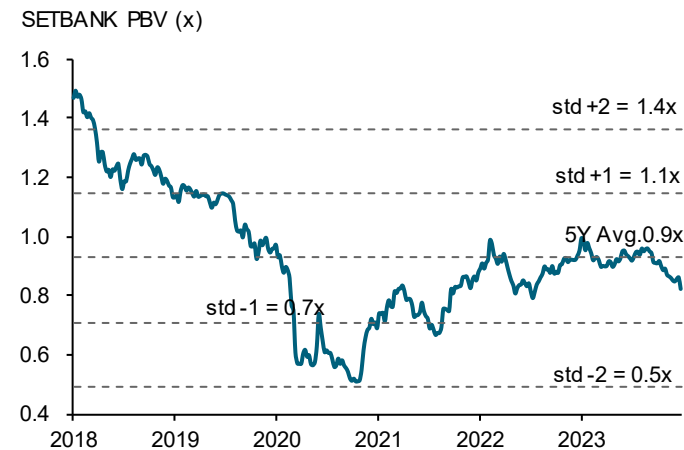
We reiterate our NEUTRAL weight Thailand banking sector call. We are sticking with the big banks and retaining KTB (TP THB23.60) as our top BUY based on its focus on the high-yield, low-risk segment – private corporate loans. We also pick KBANK (TP THB152) as another top BUY despite its poor asset quality. 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.

Exhibit 6: Thai banks – key financial summary

	2018	2019	2020	2021	2022	2023E	2024E	2025E
Net profit (THB m)	167,006	156,017	111,916	145,315	165,338	197,765	208,679	223,020
EPS (THB)	39.6	37.1	25.5	33.2	34.7	41.6	43.9	47.0
Change y-y		-6.3%	-31.1%	29.8%	4.8%	19.9%	5.5%	6.9%
P/E (x)	12.9	11.9	13.2	12.5	11.2	9.3	8.8	8.2
BVS (THB)	391.8	440.0	441.4	473.1	455.1	481.7	510.8	537.6
P/B (x)	1.3	1.0	0.8	0.9	0.9	0.8	0.8	0.7
ROE (%)	10.4	8.9	5.9	7.3	7.8	8.9	8.9	9.0
ROA (%)	1.2	1.1	0.7	0.8	0.9	1.1	1.1	1.1
Dividend yield (%)	2.9	3.8	2.3	2.5	3.6	4.2	4.4	4.7

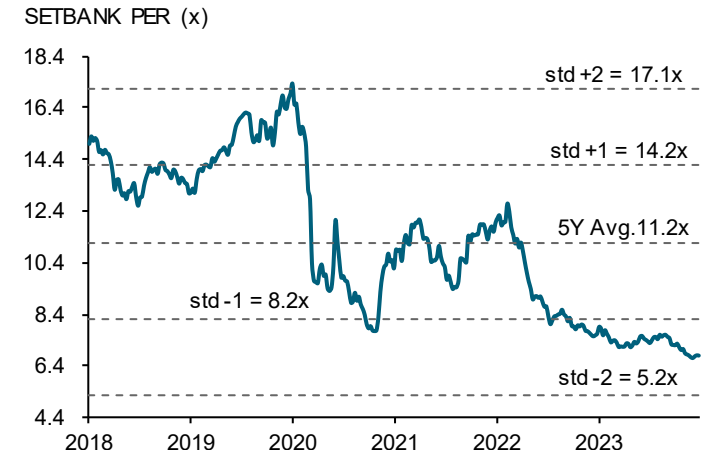
Sources: Company data; FSSIA estimates

Exhibit 7: SETBANK – one-year prospective P/BV band



Sources: Bloomberg; FSSIA estimates

Exhibit 8: SETBANK – one-year prospective PER band



Sources: Bloomberg; FSSIA estimates

Exhibit 9: Regional banks peer comparisons, as of 26 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)
Thailand												
Bangkok Bank	151.00	198.00	31	8,336	6.6	6.2	0.5	0.5	8.3	8.3	4.4	4.7
Kasikornbank	132.00	152.00	15	9,045	7.8	7.1	0.6	0.6	7.9	8.2	3.6	4.0
Krung Thai Bank	18.20	23.60	30	7,357	6.7	6.4	0.6	0.6	9.7	9.6	4.3	4.6
SCB X	104.00	121.00	16	10,128	8.5	7.8	0.7	0.7	8.7	9.1	7.0	7.2
TMBThanachart Bank	1.61	1.79	11	4,510	8.7	8.7	0.7	0.7	8.0	7.6	5.8	5.7
Kiatnakin Bank	49.25	55.00	12	1,206	7.0	6.2	0.7	0.6	10.0	10.7	6.6	6.3
Tisco Financial Group	98.50	107.00	9	2,281	10.6	10.0	1.8	1.8	17.2	17.8	8.1	8.4
Thailand weighted average				6,123	8.0	7.5	0.8	0.8	10.0	10.2	5.7	5.8
Hong Kong												
Industrial & Comm Bank of China	3.68	n/a	n/a	223,813	3.5	3.4	0.4	0.3	10.7	10.3	9.0	9.2
China Construction Bank	4.51	n/a	n/a	150,058	3.2	3.1	0.4	0.3	11.5	11.1	9.4	9.7
HSBC Holdings	61.80	n/a	n/a	154,630	6.2	6.1	0.9	0.9	15.8	15.6	8.1	10.0
Bank of China	2.90	n/a	n/a	150,941	3.6	3.5	0.4	0.3	10.1	9.8	8.8	9.0
Hong Kong average				169,861	4.1	4.0	0.5	0.5	12.0	11.7	8.8	9.5
China												
Industrial & Comm Bank of China	4.83	n/a	n/a	223,813	4.9	4.7	0.5	0.5	10.6	10.2	6.4	6.6
Agricultural Bank of China	3.69	n/a	n/a	176,561	5.0	4.8	0.5	0.5	11.2	10.8	6.2	6.4
China Construction Bank	6.55	n/a	n/a	150,058	5.0	4.7	0.6	0.5	11.6	11.2	6.1	6.3
Bank of China	4.05	n/a	n/a	150,941	5.5	5.2	0.5	0.5	10.4	10.2	5.7	5.9
China average				175,343	5.1	4.9	0.5	0.5	10.9	10.6	6.1	6.3
South Korea												
KB Financial Group	52,300	n/a	n/a	16,308	4.0	3.9	0.4	0.4	9.8	9.2	6.3	6.7
Shinhan Financial Group	39,000	n/a	n/a	15,536	4.4	4.2	0.4	0.4	9.4	8.9	5.5	5.9
Hana Financial Group	42,800	n/a	n/a	9,669	3.4	3.3	0.3	0.3	9.9	9.5	8.2	8.6
Industrial Bank of Korea	11,740	n/a	n/a	7,234	3.4	3.3	0.3	0.3	9.6	9.1	8.5	8.9
South Korea average				12,187	3.8	3.7	0.4	0.3	9.7	9.2	7.1	7.5
Indonesia												
Bank Central Asia	9,325	n/a	n/a	74,876	23.6	21.7	4.7	4.3	21.0	20.7	2.4	2.7
Bank Rakyat Indonesia Persero	5,675	n/a	n/a	55,724	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	36,281	10.9	9.9	2.2	2.0	21.3	21.0	4.7	5.7
Bank Negara Indonesia Persero	5,250	n/a	n/a	12,807	9.3	8.2	1.3	1.1	15.0	15.4	5.0	5.7
Bank Syariah Indonesia	1,695	n/a	n/a	5,066	14.3	12.1	2.0	1.8	15.5	16.1	1.0	1.2
Indonesia average				36,951	14.5	13.0	2.6	2.3	18.4	18.7	3.6	4.2
Malaysia												
Malayan Banking	8.89	n/a	n/a	23,168	11.5	11.1	1.2	1.2	10.5	10.6	6.7	6.9
Public Bank	4.24	n/a	n/a	17,764	12.1	11.5	1.5	1.4	13.0	12.7	4.4	4.6
CIMB Group Holdings	5.78	n/a	n/a	13,328	9.1	8.5	0.9	0.9	10.4	10.4	6.1	6.5
Hong Leong Bank	18.50	n/a	n/a	8,656	10.0	9.5	1.1	1.0	12.1	11.4	3.5	3.5
RHB Bank	5.40	n/a	n/a	5,005	8.0	7.9	0.7	0.7	9.6	9.4	7.2	7.5
Malaysia average				13,584	10.1	9.7	1.1	1.0	11.1	10.9	5.6	5.8
Singapore												
DBS Group Holdings	31.90	n/a	n/a	63,154	8.2	8.4	1.4	1.3	17.5	16.2	6.4	7.0
Oversea-Chinese Banking	12.65	n/a	n/a	43,401	8.1	8.0	1.0	1.0	13.2	12.6	6.5	6.7
United Overseas Bank	27.65	n/a	n/a	35,310	8.2	7.9	1.0	1.0	13.3	12.9	6.2	6.4
Singapore average				47,288	8.2	8.1	1.2	1.1	14.6	13.9	6.3	6.7
Regional average (excl. Thailand)				72,964	8.0	7.5	1.1	1.0	12.9	12.6	6.1	6.5
Total average (incl. Thailand)				53,033	7.7	7.2	1.0	0.9	12.1	12.0	6.0	6.4

Source: 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 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 (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&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. <i>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.</i>	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-top: 10px;"> <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" style="margin-top: 10px;"> <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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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; >25 to 50 = satisfactory; >50 to 75 = good; and >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 151.00	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 132.00	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.
Krung Thai Bank	KTB TB	THB 18.20	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 1.61	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 49.25	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 98.50	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 26-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.