

TISCO FINANCIAL TISCO TB
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ปัจจัยกดดันต่อเนื่องในปี 2024

- กำไรสุทธิ 4Q23 ออกมาใกล้เคียงกับที่เราคาดแต่ต่ำกว่าที่ตลาดคาด
- เราปรับลดประมาณการกำไรปี 2024-25 เพื่อสะท้อนเป้าประมาณการของบริษัทฯ ในปี 2024 ซึ่งทำให้ประมาณการกำไรต่อหุ้นปี 2024 ลดลง 8% และค่อนข้างทรงตัวในปีประมาณการ 2025-26
- ลงคำแนะนำถือ แม้ว่าจะไม่มี Upside แต่ผลตอบแทนในรูปเงินปันผลน่าสนใจ.

| | |
|-----------------|-----------|
| TARGET PRICE | THB97.00 |
| CLOSE | THB101.00 |
| UP/DOWNSIDE | -4.0% |
| PRIOR TP | THB107.00 |
| CHANGE IN TP | -9.3% |
| TP vs CONSENSUS | -10.0% |

KEY STOCK DATA

| YE Dec (THB m) | 2023 | 2024E | 2025E | 2026E |
|----------------------|-------|--------|--------|--------|
| Operating profit | 9,092 | 8,416 | 8,481 | 8,513 |
| Net profit | 7,303 | 6,732 | 6,785 | 6,811 |
| EPS (THB) | 9.12 | 8.41 | 8.47 | 8.51 |
| vs Consensus (%) | - | (8.9) | (8.6) | (11.9) |
| Recurring net profit | 7,303 | 6,732 | 6,785 | 6,811 |
| Core EPS (THB) | 9.12 | 8.41 | 8.47 | 8.51 |
| Chg. In EPS est. (%) | - | (14.6) | (18.6) | - |
| EPS growth (%) | 1.1 | (7.8) | 0.8 | 0.4 |
| Core P/E (x) | 11.1 | 12.0 | 11.9 | 11.9 |
| Dividend yield (%) | 7.9 | 7.9 | 7.9 | 7.9 |
| Price/book (x) | 1.9 | 1.9 | 1.9 | 1.8 |
| ROE (%) | 17.1 | 15.7 | 15.6 | 15.6 |
| ROA (%) | 2.6 | 2.3 | 2.1 | 2.0 |

กำไร 4Q23 ออกมาใกล้เคียงกับที่เราคาดแต่ต่ำกว่าที่ตลาดคาด

TISCO รายงานกำไรสุทธิ 4Q23 อยู่ที่ 1.78 พัน ลบ. (-5.0% q-q, -1.4% y-y) นอกจากนี้กำไรก่อนสำรองยังลดลง 0.2% q-q และ 6.0% y-y เป็น 2.47 พัน ลบ. ส่วนมากมาจากผลขาดทุนทางเครดิตที่คาดว่าจะเกิดขึ้น (ECL) ที่สูงกว่าคาดโดยบางส่วนเป็นการจัดสรรเพื่อรับมือกับการตัดจำหน่ายหนี้ด้วยคุณภาพซึ่งค้างชำระเป็นเวลานานในกลุ่มสินเชื่อที่อยู่อาศัย อย่างไรก็ตามค่าใช้จ่ายดำเนินงานที่ต่ำกว่าคาดช่วยชดเชยผลกระทบที่มีต่อกำไร รายได้ค่าธรรมเนียมและรายได้ที่ไม่ใช่ดอกเบี้ยสุทธิอื่นใกล้เคียงกับที่เราคาด กำไรสุทธิปี 2023 เพิ่มขึ้นเป็น 7.30 พัน ลบ. ปรับขึ้นเล็กน้อย 1.1% y-y

คุณภาพสินทรัพย์เสื่อมลงตามคาด

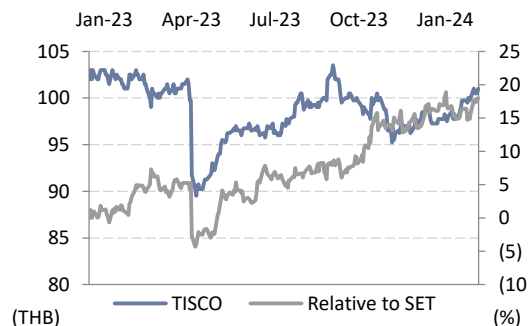
คุณภาพสินทรัพย์เสื่อมลงตามคาดส่วนมากเกิดจากหนี้ด้วยคุณภาพที่เพิ่มขึ้นในกลุ่มสินเชื่อที่ให้ผลตอบแทนสูง จากการบริหารหนี้ด้วยคุณภาพเชิงรุกโดยตั้งต้นทุนความเสี่ยงในการปล่อยสินเชื่อเพิ่ม 43bp ใน 4Q23 ซึ่งบางส่วนเพื่อรับมือกับการตัดจำหน่ายหนี้ด้วยคุณภาพดังที่ได้กล่าวมาข้างต้น สัดส่วนหนี้ด้วยคุณภาพลดลงเหลือ 2.22% (เรคาดไว้ที่ 2.31% แต่ยังคงสอดคล้องกับเป้าประมาณการของ TISCO ที่น้อยกว่า 2.50%) ในขณะที่สัดส่วนสำรองต่อหนี้ด้วยคุณภาพลดลงเหลือ 190% จาก 206% ใน 3Q23 (เรคาดไว้ที่ 192%) นอกจากนี้หนี้จัดชั้นที่ 2 (8% ของตัวเลขรวม) ยังลดลงอย่างมีนัยสำคัญถึง 10.4% q-q และ 10.0% y-y TISCO แจ้งว่าตัวเลขที่ลดลงเกิดจากผลกระทบของการจัดชั้นหนี้ใหม่โดยผ่อนคลายนโยบายเพิ่มความเสี่ยงทางเครดิตอย่างมีนัยสำคัญ (SICR) เป็นจำนวนประมาณ 1% ของสินเชื่อรวม

แนวโน้มปี 2024 ไม่สดใสพร้อมปัจจัยกดดันหลายประการที่ทำให้ต้องปรับลดประมาณการกำไร

จากเป้าประมาณการปี 2024 ของผู้บริหารได้แสดงให้เห็นว่าในหน้า 5 เราปรับลดประมาณการกำไรสุทธิปี 2024-25 จากเดิมลง 14.6% และ 18.6% ตามลำดับ ส่วนมากเกิดจาก 1) สมมติฐานส่วนต่างดอกเบี้ยที่ลดลงจาก Cost of funds ที่เพิ่มขึ้น; 2) เป้าการเติบโตเฉลี่ยของสินเชื่อที่ลดลงเป็น 6% ต่อปี (จาก 8% ต่อปี); 3) สมมติฐานต้นทุนความเสี่ยงในการปล่อยสินเชื่อที่เพิ่มเป็น 50-70bp (จากประมาณ 30bp); และ 4) สมมติฐานสัดส่วนค่าใช้จ่ายดำเนินงานต่อรายได้ที่เพิ่มเป็นประมาณ 49-50% (จาก 47.5%) ซึ่งทำให้ประมาณการกำไรสุทธิปี 2024 พลิกเป็นลดลง 7.8% y-y ก่อนโตเล็กน้อยที่ 0.8% y-y และ 0.4% y-y ในประมาณการปี 2025-26 ตามลำดับ

ลงคำแนะนำถือ แม้ว่าจะไม่มี Upside แต่ผลตอบแทนในรูปเงินปันผลน่าสนใจ

เราปรับลดราคาเป้าหมายปี 2024 เป็น 97 จาก 107 บาท (GGM) ส่วนมากจากการปรับลดสมมติฐานผลตอบแทนต่อส่วนผู้ถือหุ้นระยะยาวเป็น 16% (จาก 17.8%) ซึ่งคิดเป็นค่า P/BV ที่ 1.79x (จาก 1.9x) เราคงคำแนะนำถือ แม้ว่าการาคาหุ้นในปัจจุบันจะไม่มี Upside หุ้นให้ผลตอบแทนในรูปเงินปันผลที่น่าสนใจที่ประมาณ 8% ต่อปี



| Share price performance | 1 Month | 3 Month | 12 Month |
|--------------------------------|-----------------|---------|----------|
| Absolute (%) | 2.8 | 1.0 | (1.9) |
| Relative to country (%) | (0.1) | 3.7 | 17.1 |
| Mkt cap (USD m) | 2,306 | | |
| 3m avg. daily turnover (USD m) | 8.5 | | |
| Free float (%) | 80 | | |
| Major shareholder | Thai NVDR (11%) | | |
| 12m high/low (THB) | 104.00/89.50 | | |
| Issued shares (m) | 801 | | |

Sources: Bloomberg consensus; FSSIA estimates



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Investment thesis

We have a less favourable view on TISCO due to several headwinds in 2024 from:

- 1) Tighter lending, especially in the high-yield segment. Although it would help slow loan deterioration, it may put pressure on yields and NIM in 2024.
- 2) Rising cost of funds should be a key source of pressure on 2024 NIM.
- 3) Fee income pressures in tandem with the growth of the core business, namely car hire purchases, should continue in 2024.
- 4) TISCO is trading close to its 5-year average P/BV of 1.7x, while having no upside to our 2024 GGM-based TP of THB97. Hence, we view TISCO as a dividend stock from its attractive dividend yield of c8% p.a.

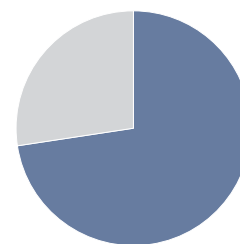
Company profile

TISCO was the first Thai investment bank (in 1969) and the first finance company to be upgraded to a commercial bank (in 2005). At present, TISCO is a financial group holding company with a sustainable development operating framework. TISCO's businesses are both retail banking and corporate banking.

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Principal activities (revenue, 2023)

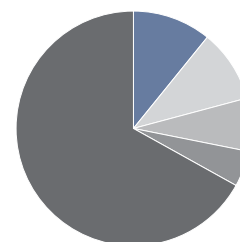
- Net interest income - 72.6 %
- Non-interest income - 27.4 %



Source: Tisco Financial

Major shareholders

- Thai NVDR - 10.8 %
- CDIB & Partners Investment Holding - 10.0 %
- South East Asia UK (Type C) Nominees - 7.3 %
- Tokyo Century Corp - 4.9 %
- Others - 66.9 %



Source: Tisco Financial

Catalysts

Potential share price catalysts for TISCO include:

- Aggressive growth in high-yield auto title loans;
- A higher dividend payout ratio;
- A lower-than-expected credit cost.

Risks to our call

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

Event calendar

| Date | Event |
|----------|---------------------------|
| Apr 2024 | 1Q24 results announcement |

Key assumptions

| | 2024E |
|-----------------------|-------|
| Net profit (THB m) | 6,732 |
| EPS (THB) | 8.41 |
| Net profit growth (%) | (7.8) |
| NIM (%) | 4.69 |
| Loan growth (%) | 6.0 |
| Fee growth (%) | 2.3 |
| Non-NII growth (%) | 4.8 |
| Credit cost (bp) | 50.0 |
| Cost to income (%) | 50.3 |

Source: FSSIA estimates

Earnings sensitivity

| | | ----- 2024E ----- | | |
|------------------------|-------|-------------------|------|------|
| Loan growth | ±2ppt | 4 | 6 | 8 |
| % change in net profit | | (2) | - | 2 |
| NIM (%) | ±5bp | 4.64 | 4.69 | 4.74 |
| % change in net profit | | (2) | - | 2 |
| Credit cost (bp) | ±10bp | 40 | 50 | 60 |
| % change in net profit | | 3 | - | (3) |

Source: FSSIA estimates

4Q23 results were in line with our estimate but 4% below BBG consensus

TISCO reported a 4Q23 net profit of THB1.78b, dropping by 5.0% q-q and 1.4% y-y. PPOP also decreased by 0.2% q-q and 6.0% y-y to THB2.47b, mainly dragged by the acceleration of higher-than-expected credit losses (ECL), partly to tackle the NPL write-offs – long overdue in the housing loan segment. Lower-than-expected operating expenses helped offset the bottom-line impact. Fee income and other non-NII were in line with our forecasts. 2023 net profit increased to THB7.30b, slightly rising by 1.1% y-y.

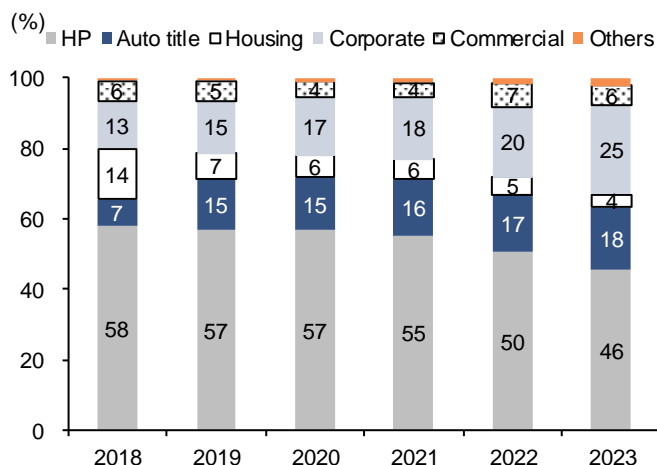
Highlights:

(0) Net interest income was relatively stable q-q but increased 6.6% y-y.

TISCO's NIM decreased more than expected to 5.07%, down 13bp from 3Q23, affected by a significantly rising cost of funds by 22bp, but the loan yield increased by only 6bp. 2023 NIM was 4.99%, down 1bp from 2022, but still better than TISCO's guidance of c4.60%.

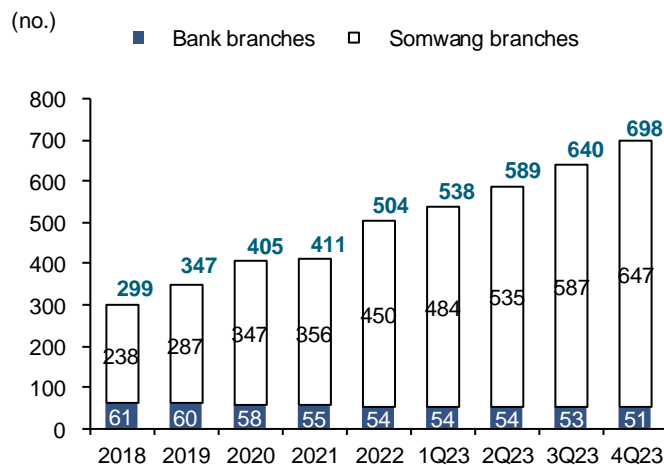
(+) Loans grew better than expected by 1.3% q-q and 7.2% y-y, in line with TISCO's target of around 5-10% y-y and our forecast of 6.1% y-y, mainly from corporate (25%) and commercial loans – floor plans (6%). Retail loans (67%) were relatively stable, dragged by the low-yield segment – auto hire purchase and housing loans. In contrast, in the high-yield segment, auto title loans (Somwang) continued to grow as guided, with an additional 195 branches opening in 2023 and an additional 400 staff increase during the same period.

Exhibit 1: TISCO – loan breakdown as of 4Q23



Sources: TISCO; FSSIA's compilation

Exhibit 2: TISCO – branches as of 4Q23



Source: TISCO

(+) Operating expenses were THB2.35b in 4Q23, slightly lower than expected, with the cost-to-income ratio remaining stable q-q at 48.8%. The 2023 cost-to-income ratio was 49.0%, compared to 46.9% in 2022, but still better than the 2023 guidance of c50%. Key drags on operating expenses were personnel, IT, and premises expenses related to the new Somwang branch openings during the year.

(-) Asset quality deteriorated as expected, mainly due to increasing NPLs in the high-yield segment. Thanks to its aggressive NPL management by setting up a higher credit cost of 43bp in 4Q23, partly for the NPL write-offs, the NPL ratio narrowed to 2.22% (we expected 2.31%, but it was still in line with TISCO's guidance of lower than 2.50%) and the coverage ratio decreased to 190% from 206% in 3Q23 (we expected 192%). In addition, stage 2 loans (8% of total) fell significantly by 10.4% q-q and 10.0% y-y. TISCO claimed that it was from the impact of reclassification regarding the loosening of a significant increase in credit risk (SICR) policy of c1% of total loans.

Exhibit 3: TISCO – 4Q23 results summary

| | 4Q22 | 1Q23 | 2Q23 | 3Q23 | 4Q23 | ---- Change ---- | | 2022 | 2023 | Change |
|---------------------------------|--------------|--------------|--------------|--------------|--------------|------------------|--------------|--------------|--------------|------------|
| | (THB m) | (THB m) | (THB m) | (THB m) | (THB m) | (q-q%) | (y-y%) | (THB m) | (THB m) | (y-y%) |
| Net interest income | 3,344 | 3,287 | 3,420 | 3,557 | 3,565 | 0.2 | 6.6 | 12,734 | 13,829 | 8.6 |
| Non-interest income | 1,518 | 1,384 | 1,324 | 1,250 | 1,260 | 0.8 | (17.0) | 5,571 | 5,217 | (6.4) |
| Fee income - net | 1,352 | 1,266 | 1,152 | 1,198 | 1,251 | 4.5 | (7.4) | 5,046 | 4,867 | (3.5) |
| Total operating income | 4,862 | 4,671 | 4,743 | 4,807 | 4,825 | 0.4 | (0.8) | 18,305 | 19,046 | 4.0 |
| Total operating expenses | 2,233 | 2,282 | 2,378 | 2,329 | 2,353 | 1.0 | 5.4 | 8,591 | 9,340 | 8.7 |
| PPOP before tax | 2,630 | 2,389 | 2,366 | 2,478 | 2,473 | (0.2) | (6.0) | 9,714 | 9,705 | (0.1) |
| Expected credit loss | 379 | 155 | 63 | 147 | 248 | 69.4 | (34.4) | 723 | 613 | (15.1) |
| Net profit | 1,807 | 1,793 | 1,854 | 1,874 | 1,782 | (5.0) | (1.4) | 7,225 | 7,303 | 1.1 |
| EPS (THB) | 2.26 | 2.24 | 2.32 | 2.34 | 2.23 | (5.0) | (1.4) | 9.02 | 9.12 | 1.1 |
| Asset quality ratio | (%) | (%) | (%) | (%) | (%) | (q-q%) | (y-y%) | (%) | (%) | |
| Gross NPLs (THB m) | 4,577 | 4,694 | 5,065 | 5,213 | 5,223 | 0.2 | 14.1 | 4,577 | 5,223 | |
| Change (% from prior period) | 3.0 | 2.6 | 7.9 | 2.9 | 3.1 | | | (7.7) | 14.1 | |
| NPL ratios (%) - reported | 2.09 | 2.13 | 2.20 | 2.25 | 2.22 | | | 2.09 | 2.22 | |
| NPL ratio (%) | 2.09 | 2.13 | 2.20 | 2.25 | 2.22 | | | 2.09 | 2.22 | |
| Coverage ratio (%) - reported | 259 | 248 | 224 | 206 | 190 | | | 259 | 190 | |
| Coverage ratio (%) | 259 | 248 | 224 | 206 | 190 | | | 259 | 190 | |
| Credit cost (bp) | 70.1 | 28.3 | 11.2 | 25.4 | 42.6 | | | 34.3 | 27.0 | |
| Profitability ratio | (%) | (%) | (%) | (%) | (%) | | | (%) | (%) | |
| Cost to income ratio | 45.9 | 48.9 | 50.1 | 48.4 | 48.8 | | | 46.9 | 49.0 | |
| Average yield (%) | 6.10 | 6.15 | 6.44 | 6.82 | 6.89 | | | 5.86 | 6.51 | |
| Cost of funds (%) | 1.23 | 1.60 | 1.80 | 2.02 | 2.24 | | | 1.09 | 1.89 | |
| NIM (%) - reported | 5.09 | 4.98 | 5.02 | 5.14 | 5.04 | | | 5.09 | 5.04 | |
| NIM (%) | 5.13 | 4.89 | 5.01 | 5.20 | 5.07 | | | 5.00 | 4.99 | |
| Non-int inc/total income (%) | 31.2 | 29.6 | 27.9 | 26.0 | 26.1 | | | 30.4 | 27.4 | |
| Liquidity ratio | (%) | (%) | (%) | (%) | (%) | | | (%) | (%) | |
| Loan/deposit | 116.3 | 111.9 | 115.6 | 115.4 | 112.5 | | | 116.3 | 112.5 | |
| Loan/deposit & borrowing (LDBR) | 107.3 | 106.0 | 108.0 | 109.1 | 103.9 | | | 107.3 | 103.9 | |
| Capital adequacy ratio | (%) | (%) | (%) | (%) | (%) | | | (%) | (%) | |
| CAR | 20.6 | 20.6 | 20.2 | 19.9 | 19.5 | | | 20.6 | 19.5 | |
| CET 1/ Risk assets | 17.2 | 17.2 | 16.9 | 16.6 | 16.3 | | | 17.2 | 16.3 | |
| Tier 2 / Risk assets | 3.5 | 3.5 | 3.3 | 3.3 | 3.2 | | | 3.5 | 3.2 | |
| Loan growth | (%) | (%) | (%) | (%) | (%) | | | (%) | (%) | |
| q-q | 2.7 | 0.5 | 4.7 | 0.6 | 1.3 | | | | | |
| y-y | 7.9 | 8.1 | 13.4 | 8.7 | 7.2 | | | 7.9 | 7.2 | |
| Year-to-date | 7.9 | 0.5 | 5.2 | 5.8 | 7.2 | | | | | |

Sources: TISCO; FSSIA's compilation

Exhibit 4: Staged loans and ECL, 2021-23

| | 2021 | 2022 | 2023 | | 2021 | 2022 | 2023 |
|-------------------------------|-------------------|---------|---------|--|-----------------------|--------|--------|
| | (THB b) | (THB b) | (THB b) | | (%) | (%) | (%) |
| | Staged loans | | | | % Staged loans | | |
| Stage 1 | 175,837 | 192,339 | 209,709 | | 86.64 | 87.82 | 89.31 |
| Stage 2 | 22,155 | 22,088 | 19,884 | | 10.92 | 10.09 | 8.47 |
| Stage 3 | 4,957 | 4,577 | 5,223 | | 2.44 | 2.09 | 2.22 |
| Total | 202,950 | 219,004 | 234,815 | | 100.00 | 100.00 | 100.00 |
| | Allowance for ECL | | | | % ECL to staged loans | | |
| Stage 1 | 6,703 | 6,992 | n/a | | 3.81 | 3.64 | n/a |
| Stage 2 | 3,319 | 3,070 | n/a | | 14.98 | 13.90 | n/a |
| Stage 3 | 1,720 | 1,786 | n/a | | 34.70 | 39.03 | n/a |
| Total | 11,743 | 11,847 | 9,914 | | 5.79 | 5.41 | 4.22 |
| LLR / Loans | (%) | (%) | (%) | | | | |
| Stage 1 | 3.81 | 3.64 | n/a | | | | |
| Stage 2 | 14.98 | 13.90 | n/a | | | | |
| Stage 3 | 34.70 | 39.03 | n/a | | | | |
| Total | 5.79 | 5.41 | 4.22 | | | | |
| | (%) | (%) | (%) | | | | |
| NPL / TL | 2.44 | 2.09 | 2.22 | | | | |
| NPL vs. Stage 2 loans / TL | 13.36 | 12.18 | 10.69 | | | | |
| LLR / NPL | 236.88 | 258.87 | 189.82 | | | | |
| LLR / (NPL vs. Stage 2 loans) | 43.31 | 44.43 | 39.49 | | | | |

Sources: TISCO; FSSIA's compilation

Cloudy 2024 outlook with many headwinds

Regarding the 2024 guidance by management, we revise down our 2024-25E net profit by 14.6% and 18.6%, respectively, from previous due mainly to 1) NIM reduction from the rising cost of funds; 2) loan growth target cut to average growth of 6% p.a. (from 8% p.a.); 3) credit costs rising to 50-70bp (from c30bp); and 4) cost-to-income ratio jumping to c49-50% (from 47.5%). Hence, the 2024E net profit growth would turn to decrease by 7.8% y-y, with slight growth by 0.8% y-y and 0.4% y-y in 2025-26E, respectively.

Exhibit 5: 2024-25 earnings revisions

| | ----- Current ----- | | ----- Previous ----- | | ----- Change ----- | |
|-----------------------|---------------------|-------|----------------------|-------|--------------------|--------|
| | 2024E | 2025E | 2024E | 2025E | 2024E | 2025E |
| | | | | | (%) | (%) |
| Net profit (THB m) | 6,732 | 6,785 | 7,881 | 8,340 | (14.6) | (18.6) |
| EPS (THB) | 8.41 | 8.47 | 9.84 | 10.42 | (14.6) | (18.6) |
| Net profit growth (%) | (7.8) | 0.8 | 5.6 | 5.8 | | |
| NIM (%) | 4.69 | 4.73 | 4.90 | 4.91 | | |
| Loan growth (%) | 6.0 | 6.0 | 8.0 | 8.0 | | |
| Fee growth (%) | 2.3 | 2.0 | 1.0 | 1.0 | | |
| Non-NII growth (%) | 4.8 | 2.2 | 1.3 | 1.3 | | |
| Credit cost (bp) | 50.0 | 70.0 | 30.0 | 30.0 | | |
| Cost to income (%) | 50.3 | 49.7 | 47.5 | 47.5 | | |
| NPL | 2.41 | 2.49 | 2.21 | 2.29 | | |

Source: FSSIA estimates

Exhibit 6: 2024 guidance – TISCO vs FSSIA estimates

| | TISCO | FSSIA | TISCO |
|-----------------------|-------|-------|-----------|
| | 2023 | 2024E | 2024E |
| | (%) | (%) | (%) |
| Loan growth | 7.22 | 6.00 | n/a |
| NPL ratio (gross) | 2.22 | 2.41 | 2.50-2.75 |
| Net interest margin | 4.99 | 4.69 | Lower |
| Net fee income growth | -3.53 | 2.28 | n/a |
| Cost to income | 49.04 | 50.33 | ~49.00 |
| Credit cost (bp) | 27.04 | 50.00 | ~100.00 |

Sources: TISCO; FSSIA estimates

Exhibit 7: GGM-based 2024 TP

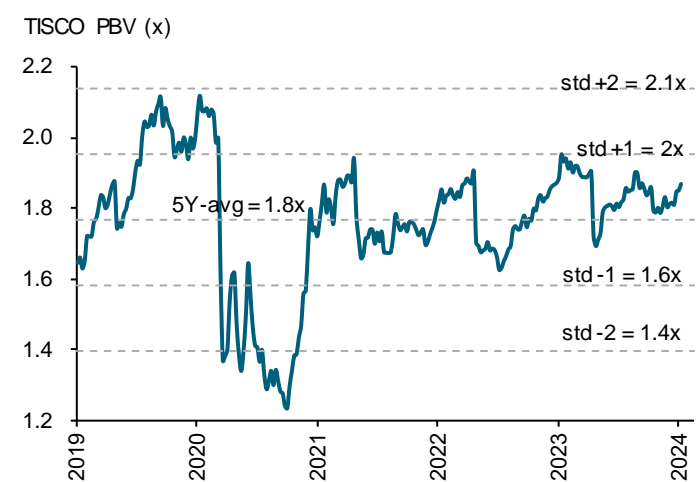
| Gordon Growth Model | New | Old |
|---------------------|------|------|
| Sustainable ROE | 16% | 18% |
| G (ROE*B) | 1% | 1% |
| ROE-G | 15% | 17% |
| Beta | 0.80 | 0.85 |
| Risk free rate | 3% | 3% |
| Risk premium | 8% | 8% |
| COE | 9% | 10% |
| COE-g | 8% | 9% |
| PBV (X) | 1.79 | 1.90 |

Source: FSSIA estimates

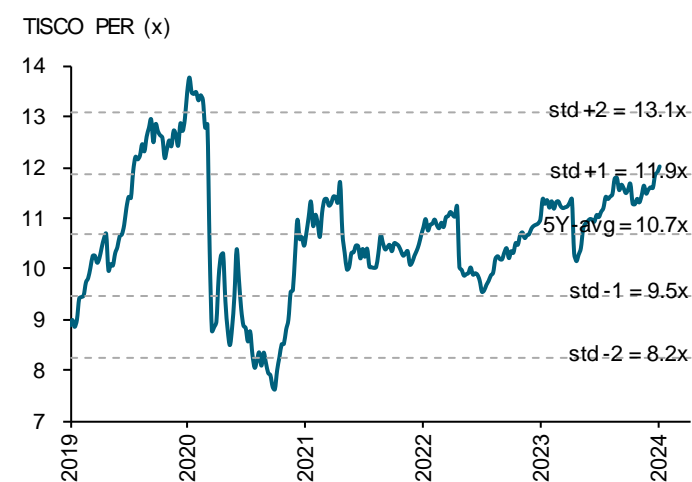
Exhibit 8: Share price performance of banks under our coverage, as of 12 January 2024

| ----- Price performance ----- | | | | | |
|-------------------------------|--------|---------|---------|---------|--------|
| | 1M | 3M | 6M | 1Y | YTD |
| | (%) | (%) | (%) | (%) | (%) |
| BBL TB | (0.99) | (11.21) | (4.75) | (3.83) | (3.83) |
| KBANK TB | 1.15 | 3.53 | (0.38) | (14.84) | (2.22) |
| KKP TB | (0.51) | (8.80) | (17.92) | (33.22) | (1.99) |
| KTB TB | (0.54) | (6.12) | (6.12) | 3.95 | 0.00 |
| SCB TB | 3.47 | 0.48 | (3.69) | (6.28) | (1.42) |
| TISCO TB | 3.06 | 1.00 | 3.86 | (2.42) | 1.25 |
| TTB TB | 2.53 | (5.26) | 3.85 | 14.89 | (2.99) |
| SETBANK | 1.36 | (4.23) | (4.16) | (6.17) | (1.72) |
| SET | 1.25 | (2.92) | (7.22) | (16.25) | (0.53) |

Source: Bloomberg

Exhibit 9: TISCO – one-year prospective P/BV band

Sources: Bloomberg; FSSIA estimates

Exhibit 10: TISCO – one-year prospective PER band

Sources: Bloomberg; FSSIA estimates

Exhibit 11: Regional bank peers comparison, as of 12 January 2024

| Company name | BBG | Share | Target | Upside | Market | ----- PE ----- | | ----- PBV ---- | | ----- ROE ---- | | -- Div yld -- | |
|--|------------|--------|--------|--------|----------------|----------------|-------------|----------------|------------|----------------|-------------|---------------|------------|
| | code | price | price | | Cap. | 23E | 24E | 23E | 24E | 23E | 24E | 23E | 24E |
| | | (LCY) | (LCY) | (%) | (USD b) | (x) | (x) | (x) | (x) | (%) | (%) | (x) | (x) |
| Thailand | | | | | | | | | | | | | |
| Bangkok Bank | BBL TB | 150.00 | 198.00 | 32 | 8,165.4 | 6.6 | 6.2 | 0.5 | 0.5 | 8.3 | 8.3 | 4.5 | 4.7 |
| Kasikornbank | KBANK TB | 132.50 | 160.00 | 21 | 8,952.7 | 7.9 | 7.1 | 0.6 | 0.6 | 7.9 | 8.2 | 3.6 | 4.0 |
| Krung Thai Bank | KTB TB | 18.40 | 23.10 | 26 | 7,333.6 | 6.8 | 6.4 | 0.6 | 0.6 | 9.7 | 9.6 | 4.3 | 4.5 |
| SCB X | SCB TB | 105.00 | 121.00 | 15 | 10,082.3 | 8.6 | 7.9 | 0.7 | 0.7 | 8.7 | 9.1 | 6.9 | 7.1 |
| TMBThanachart Bank | TTB TB | 1.63 | 1.79 | 10 | 4,502.7 | 8.8 | 8.9 | 0.7 | 0.7 | 8.0 | 7.6 | 5.7 | 5.6 |
| Kiatnakin Bank | KKP TB | 49.25 | 55.00 | 12 | 1,189.3 | 7.0 | 6.2 | 0.7 | 0.6 | 10.0 | 10.7 | 6.6 | 6.3 |
| Tisco Financial Group | TISCO TB | 101.00 | 97.00 | 6 | 2,306.0 | 11.1 | 12.0 | 1.9 | 1.9 | 17.1 | 15.7 | 7.9 | 7.9 |
| Thailand weighted average | | | | | 6,076 | 8.1 | 7.8 | 0.8 | 0.8 | 10.0 | 9.9 | 5.6 | 5.7 |
| Hong Kong | | | | | | | | | | | | | |
| Industrial & Comm Bank of China | 1398 HK | 3.70 | n/a | n/a | 223,749.0 | 3.4 | 3.4 | 0.4 | 0.3 | 10.7 | 10.4 | 9.1 | 9.3 |
| China Construction Bank | 939 HK | 4.53 | n/a | n/a | 148,042.8 | 3.2 | 3.0 | 0.3 | 0.3 | 11.5 | 11.1 | 9.5 | 9.8 |
| HSBC Holdings | 5 HK | 60.95 | n/a | n/a | 149,591.0 | 6.0 | 5.9 | 0.9 | 0.8 | 15.8 | 15.5 | 8.4 | 10.2 |
| Bank of China | 3988 HK | 2.93 | n/a | n/a | 150,338.8 | 3.6 | 3.5 | 0.4 | 0.3 | 10.2 | 9.9 | 8.7 | 9.0 |
| Hong Kong average | | | | | 167,930 | 4.1 | 4.0 | 0.5 | 0.5 | 12.0 | 11.7 | 8.9 | 9.6 |
| China | | | | | | | | | | | | | |
| Industrial & Comm Bank of China | 601398 CH | 4.86 | n/a | n/a | 223,748.9 | 4.9 | 4.7 | 0.5 | 0.5 | 10.6 | 10.2 | 6.4 | 6.6 |
| Agricultural Bank of China | 601288 CH | 3.71 | n/a | n/a | 176,767.5 | 5.1 | 4.8 | 0.5 | 0.5 | 11.1 | 10.7 | 6.2 | 6.4 |
| China Construction Bank | 601939 CH | 6.58 | n/a | n/a | 148,042.7 | 5.0 | 4.8 | 0.6 | 0.5 | 11.6 | 11.1 | 6.0 | 6.3 |
| Bank of China | 601988 CH | 4.05 | n/a | n/a | 150,338.7 | 5.5 | 5.3 | 0.5 | 0.5 | 10.4 | 10.1 | 5.7 | 6.0 |
| China average | | | | | 174,724 | 5.1 | 4.9 | 0.5 | 0.5 | 10.9 | 10.5 | 6.1 | 6.3 |
| South Korea | | | | | | | | | | | | | |
| KB Financial Group | 105560 KS | 51,600 | n/a | n/a | 15,764.7 | 4.1 | 3.8 | 0.4 | 0.3 | 9.7 | 9.3 | 6.3 | 6.7 |
| Shinhan Financial Group | 055550 KS | 37,200 | n/a | n/a | 14,442.3 | 4.2 | 4.1 | 0.4 | 0.3 | 9.3 | 8.9 | 5.7 | 6.2 |
| Hana Financial Group | 086790 KS | 42,500 | n/a | n/a | 9,407.7 | 3.4 | 3.3 | 0.3 | 0.3 | 9.8 | 9.5 | 8.2 | 8.7 |
| Industrial Bank of Korea | 024110 KS | 11,620 | n/a | n/a | 7,015.8 | 3.4 | 3.3 | 0.3 | 0.3 | 9.5 | 9.1 | 8.6 | 9.0 |
| South Korea average | | | | | 11,658 | 3.8 | 3.6 | 0.3 | 0.3 | 9.6 | 9.2 | 7.2 | 7.6 |
| Indonesia | | | | | | | | | | | | | |
| Bank Central Asia | BBCA IJ | 9,700 | n/a | n/a | 76,868.6 | 24.4 | 22.5 | 4.9 | 4.4 | 21.0 | 20.7 | 2.3 | 2.6 |
| Bank Rakyat Indonesia Persero | BBRI IJ | 5,850 | n/a | n/a | 56,995.4 | 15.0 | 13.2 | 2.8 | 2.6 | 19.0 | 20.1 | 4.9 | 5.6 |
| Bank Mandiri Persero | BMRI IJ | 6,575 | n/a | n/a | 39,148.9 | 11.8 | 10.8 | 2.4 | 2.1 | 21.2 | 21.0 | 4.1 | 5.2 |
| Bank Negara Indonesia Persero | BBNI IJ | 5,600 | n/a | n/a | 13,486.6 | 9.8 | 8.7 | 1.4 | 1.3 | 15.0 | 15.4 | 4.2 | 4.8 |
| Bank Syariah Indonesia | BRIS IJ | 1,980 | n/a | n/a | 5,752.8 | 16.6 | 14.0 | 2.3 | 2.1 | 15.3 | 15.9 | 0.8 | 1.1 |
| Indonesia average | | | | | 38,450 | 15.5 | 13.8 | 2.7 | 2.5 | 18.3 | 18.6 | 3.3 | 3.9 |
| Malaysia | | | | | | | | | | | | | |
| Malayan Banking | MAY MK | 9.06 | n/a | n/a | 23,440.8 | 11.7 | 11.3 | 1.2 | 1.2 | 10.5 | 10.6 | 6.6 | 6.8 |
| Public Bank | PBK MK | 4.30 | n/a | n/a | 18,135.8 | 12.4 | 11.8 | 1.6 | 1.5 | 13.0 | 12.8 | 4.2 | 4.4 |
| CIMB Group Holdings | CIMB MK | 5.92 | n/a | n/a | 13,712.8 | 9.3 | 8.7 | 0.9 | 0.9 | 10.4 | 10.4 | 5.9 | 6.3 |
| Hong Leong Bank | HLBK MK | 18.82 | n/a | n/a | 8,807.4 | 10.2 | 9.7 | 1.2 | 1.1 | 12.1 | 11.4 | 3.5 | 3.4 |
| RHB Bank | RHBBANK MK | 5.51 | n/a | n/a | 5,107.1 | 8.2 | 8.1 | 0.8 | 0.7 | 9.6 | 9.3 | 7.0 | 7.2 |
| Malaysia average | | | | | 13,841 | 10.4 | 9.9 | 1.1 | 1.1 | 11.1 | 10.9 | 5.4 | 5.6 |
| Singapore | | | | | | | | | | | | | |
| DBS Group Holdings | DBS SP | 32.61 | n/a | n/a | 63,173.9 | 8.3 | 8.5 | 1.4 | 1.3 | 17.5 | 16.2 | 6.3 | 6.9 |
| Oversea-Chinese Banking | OCBC SP | 12.88 | n/a | n/a | 43,608.9 | 8.2 | 8.1 | 1.0 | 1.0 | 13.2 | 12.6 | 6.4 | 6.7 |
| United Overseas Bank | UOB SP | 28.30 | n/a | n/a | 35,592.3 | 8.3 | 8.1 | 1.1 | 1.0 | 13.3 | 12.9 | 6.0 | 6.3 |
| Singapore average | | | | | 47,458 | 8.3 | 8.2 | 1.2 | 1.1 | 14.6 | 13.9 | 6.2 | 6.6 |
| Regional average (excl. Thailand) | | | | | 72,843 | 8.2 | 7.7 | 1.1 | 1.0 | 12.9 | 12.6 | 6.0 | 6.5 |
| Total average (incl. Thailand) | | | | | 52,842 | 8.3 | 7.8 | 1.1 | 1.0 | 12.3 | 12.1 | 6.0 | 6.4 |

Sources: Bloomberg; FSSIA estimates

Financial Statements

Tisco Financial

| Profit and Loss (THB m) Year Ending Dec | 2022 | 2023 | 2024E | 2025E | 2026E |
|---|---------|---------|---------|----------|----------|
| Interest Income | 14,904 | 18,037 | 19,182 | 20,414 | 21,617 |
| Interest expense | (2,171) | (4,208) | (5,272) | (5,578) | (5,909) |
| Net interest income | 12,734 | 13,829 | 13,910 | 14,837 | 15,709 |
| Net fees & commission | 5,046 | 4,867 | 4,978 | 5,078 | 5,281 |
| Foreign exchange trading income | 0 | 0 | 0 | 0 | 0 |
| Securities trading income | 89 | (24) | 96 | 96 | 96 |
| Dividend income | 73 | 90 | 94 | 99 | 104 |
| Other income | 363 | 284 | 298 | 314 | 330 |
| Non interest income | 5,571 | 5,217 | 5,467 | 5,587 | 5,811 |
| Total income | 18,305 | 19,046 | 19,377 | 20,424 | 21,520 |
| Staff costs | (6,104) | (6,384) | (6,639) | (6,904) | (7,181) |
| Other operating costs | (2,487) | (2,957) | (3,113) | (3,244) | (3,380) |
| Operating costs | (8,591) | (9,340) | (9,752) | (10,148) | (10,561) |
| Pre provision operating profit | 9,714 | 9,705 | 9,625 | 10,275 | 10,959 |
| Expected credit loss | (723) | (613) | (1,209) | (1,795) | (2,446) |
| Other provisions | - | - | - | - | - |
| Operating profit | 8,991 | 9,092 | 8,416 | 8,481 | 8,513 |
| Recurring non operating income | 0 | 0 | 0 | 0 | 0 |
| Associates | - | - | - | - | - |
| Goodwill amortization | - | - | - | - | - |
| Non recurring items | 0 | 0 | 0 | 0 | 0 |
| Profit before tax | 8,991 | 9,092 | 8,416 | 8,481 | 8,513 |
| Tax | (1,766) | (1,789) | (1,683) | (1,696) | (1,703) |
| Profit after tax | 7,225 | 7,303 | 6,732 | 6,785 | 6,811 |
| Non-controlling interest | 0 | 0 | 0 | 0 | 0 |
| Preferred dividends | - | - | - | - | - |
| Other items | 0 | 0 | 0 | 0 | 0 |
| Reported net profit | 7,225 | 7,303 | 6,732 | 6,785 | 6,811 |
| Non recurring items & goodwill (net) | - | - | 0 | 0 | 0 |
| Recurring net profit | 7,225 | 7,303 | 6,732 | 6,785 | 6,811 |
| Per share (THB) | | | | | |
| Recurring EPS * | 9.02 | 9.12 | 8.41 | 8.47 | 8.51 |
| Reported EPS | 9.02 | 9.12 | 8.41 | 8.47 | 8.51 |
| DPS | 7.75 | 8.00 | 8.00 | 8.00 | 8.00 |
| Growth | | | | | |
| Net interest income (%) | 2.2 | 8.6 | 0.6 | 6.7 | 5.9 |
| Non interest income (%) | (12.6) | (6.4) | 4.8 | 2.2 | 4.0 |
| Pre provision operating profit (%) | (8.0) | (0.1) | (0.8) | 6.8 | 6.7 |
| Operating profit (%) | 5.9 | 1.1 | (7.4) | 0.8 | 0.4 |
| Reported net profit (%) | 6.5 | 1.1 | (7.8) | 0.8 | 0.4 |
| Recurring EPS (%) | 6.5 | 1.1 | (7.8) | 0.8 | 0.4 |
| Reported EPS (%) | 6.5 | 1.1 | (7.8) | 0.8 | 0.4 |
| Income Breakdown | | | | | |
| Net interest income (%) | 69.6 | 72.6 | 71.8 | 72.6 | 73.0 |
| Net fees & commission (%) | 27.6 | 25.6 | 25.7 | 24.9 | 24.5 |
| Foreign exchange trading income (%) | - | - | - | - | - |
| Securities trading income (%) | 0.5 | (0.1) | 0.5 | 0.5 | 0.4 |
| Dividend income (%) | 0.4 | 0.5 | 0.5 | 0.5 | 0.5 |
| Other income (%) | 2.0 | 1.5 | 1.5 | 1.5 | 1.5 |
| Operating performance | | | | | |
| Gross interest yield (%) | 5.86 | 6.51 | 6.46 | 6.51 | 6.52 |
| Cost of funds (%) | 1.09 | 1.89 | 2.19 | 2.19 | 2.19 |
| Net interest spread (%) | 4.77 | 4.62 | 4.27 | 4.32 | 4.33 |
| Net interest margin (%) | 5.0 | 5.0 | 4.7 | 4.7 | 4.7 |
| Cost/income(%) | 46.9 | 49.0 | 50.3 | 49.7 | 49.1 |
| Cost/assets(%) | 3.4 | 3.4 | 3.3 | 3.2 | 3.2 |
| Effective tax rate (%) | 19.6 | 19.7 | 20.0 | 20.0 | 20.0 |
| Dividend payout on recurring profit (%) | 85.9 | 87.7 | 95.1 | 94.4 | 94.0 |
| ROE (%) | 17.2 | 17.1 | 15.7 | 15.6 | 15.6 |
| ROE - COE (%) | 6.4 | 6.3 | 4.9 | 4.8 | 4.8 |
| ROA (%) | 2.8 | 2.6 | 2.3 | 2.1 | 2.0 |
| RORWA (%) | 4.0 | 3.8 | 3.3 | 3.2 | 6.2 |

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Tisco Financial; FSSIA estimates

Financial Statements

Tisco Financial

| Balance Sheet (THB m) Year Ending Dec | 2022 | 2023 | 2024E | 2025E | 2026E |
|---|----------------|----------------|----------------|----------------|----------------|
| Gross customer loans | 219,004 | 234,815 | 248,904 | 263,838 | 279,669 |
| Allowance for expected credit loss | (11,845) | (9,914) | (10,223) | (10,618) | (10,664) |
| interest in suspense | 1,722 | 1,929 | 1,991 | 2,111 | 2,237 |
| Net customer loans | 208,881 | 226,830 | 240,672 | 255,331 | 271,242 |
| Bank loans | 40,272 | 48,490 | 50,429 | 52,446 | 54,544 |
| Government securities | - | - | - | - | - |
| Trading securities | 2,172 | 2,082 | 2,186 | 2,295 | 2,410 |
| Investment securities | 4,863 | 4,205 | 4,398 | 4,599 | 4,810 |
| Cash & equivalents | 1,005 | 918 | 1,430 | 1,256 | 1,187 |
| Other interesting assets | - | - | - | - | - |
| Tangible fixed assets | 2,786 | 3,179 | 3,338 | 3,505 | 3,680 |
| Associates | - | - | - | - | - |
| Goodwill | 100 | 79 | 79 | 79 | 79 |
| Other intangible assets | - | - | - | - | - |
| Other assets | 5,334 | 4,944 | 5,153 | 5,375 | 5,611 |
| Total assets | 265,414 | 290,726 | 307,685 | 324,886 | 343,563 |
| Customer deposits | 188,266 | 208,645 | 221,163 | 234,433 | 248,734 |
| Bank deposits | 6,195 | 8,506 | 8,932 | 9,378 | 9,847 |
| Other interest bearing liabilities | 15,757 | 17,286 | 17,805 | 18,695 | 19,630 |
| Non interest bearing liabilities | 12,405 | 13,840 | 16,507 | 18,773 | 21,364 |
| Hybrid Capital | - | - | - | - | - |
| Total liabilities | 222,623 | 248,277 | 264,407 | 281,279 | 299,574 |
| Share capital | 8,007 | 8,007 | 8,007 | 8,007 | 8,007 |
| Reserves | 34,782 | 34,440 | 35,268 | 35,597 | 35,978 |
| Total equity | 42,788 | 42,446 | 43,274 | 43,604 | 43,985 |
| Non-controlling interest | 3 | 3 | 3 | 4 | 4 |
| Total liabilities & equity | 265,414 | 290,726 | 307,685 | 324,886 | 343,563 |
| Supplementary items | | | | | |
| Risk weighted assets (RWA) | 188,747 | 195,658 | 208,580 | 218,786 | 0 |
| Average interest earning assets | 254,501 | 277,069 | 296,849 | 313,616 | 331,346 |
| Average interest bearing liabilities | 199,901 | 222,328 | 241,168 | 255,203 | 270,358 |
| CET 1 capital | 32,372 | 34,828 | 35,655 | 35,985 | 0 |
| Total capital | 38,920 | 41,241 | 42,068 | 42,398 | 0 |
| Gross non performing loans (NPL) | 4,577 | 5,223 | 6,000 | 6,580 | 6,950 |
| Per share (THB) | | | | | |
| Book value per share | 53.44 | 53.02 | 54.05 | 54.46 | 54.94 |
| Tangible book value per share | 53.32 | 52.92 | 53.95 | 54.36 | 54.84 |
| Growth | | | | | |
| Gross customer loans | 7.9 | 7.2 | 6.0 | 6.0 | 6.0 |
| Average interest earning assets | (1.9) | 8.9 | 7.1 | 5.6 | 5.7 |
| Total asset (%) | 8.9 | 9.5 | 5.8 | 5.6 | 5.7 |
| Risk weighted assets (%) | 8.1 | 3.7 | 6.6 | 4.9 | nm |
| Customer deposits (%) | 13.0 | 10.8 | 6.0 | 6.0 | 6.1 |
| Leverage & capital measures | | | | | |
| Customer loan/deposits (%) | 111.0 | 108.7 | 108.8 | 108.9 | 109.0 |
| Equity/assets (%) | 16.1 | 14.6 | 14.1 | 13.4 | 12.8 |
| Tangible equity/assets (%) | 16.1 | 14.6 | 14.0 | 13.4 | 12.8 |
| RWA/assets (%) | 71.1 | 67.3 | 67.8 | 67.3 | - |
| CET 1 CAR (%) | 17.2 | 17.8 | 17.1 | 16.4 | - |
| Total CAR (%) | 20.6 | 21.1 | 20.2 | 19.4 | - |
| Asset Quality (FSSIA's calculation) | | | | | |
| Change in NPL (%) | (7.7) | 14.1 | 14.9 | 9.7 | 5.6 |
| NPL/gross loans (%) | 2.1 | 2.2 | 2.4 | 2.5 | 2.5 |
| Allowance for ECL/gross loans (%) | 5.4 | 4.2 | 4.1 | 4.0 | 3.8 |
| Allowance for ECL/NPL (%) | 258.8 | 189.8 | 170.4 | 161.4 | 153.4 |
| Valuation | | | | | |
| Recurring P/E (x) * | 11.2 | 11.1 | 12.0 | 11.9 | 11.9 |
| Recurring P/E @ target price (x) * | 10.7 | 10.6 | 11.5 | 11.4 | 11.4 |
| Reported P/E (x) | 11.2 | 11.1 | 12.0 | 11.9 | 11.9 |
| Dividend yield (%) | 7.7 | 7.9 | 7.9 | 7.9 | 7.9 |
| Price/book (x) | 1.9 | 1.9 | 1.9 | 1.9 | 1.8 |
| Price/tangible book (x) | 1.9 | 1.9 | 1.9 | 1.9 | 1.8 |
| Price/tangible book @ target price (x) | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 |
| * Pre-exceptional, pre-goodwill and fully diluted | | | | | |

Sources: Tisco Financial; FSSIA estimates

Tisco Financial Group PCL (TISCO TB)

FSSIA ESG rating


61.17 /100

Exhibit 12: FSSIA ESG score implication

| Rating | Score | Implication |
|--------|---------|--|
| ★★★★★ | >79-100 | Leading its industry peers in managing the most significant ESG risks which not only better cost efficiency but also lead to higher profitability. |
| ★★★★★ | >59-79 | A mixed track record of managing the most significant ESG risks and opportunities relative to industry peers. |
| ★★★ | >39-59 | Relevant ESG materiality matrix has been constructively addressed, well-managed and incorporated into day-to-day operations, in which targets and achievements are evaluated annually. |
| ★★ | >19-39 | Relevant ESG materiality matrix has been identified with key management in charge for progress to be followed up on and to provide intensive disclosure. Most targets are conventional and achievable. |
| ★ | 1-19 | The company has adopted the United Nations Sustainable Development Goals (UN SDGs), established sustainability management guidelines and fully complies with regulations or ESG suggested guidance from related organizations such as the SET and SEC. |

Sources: FSSIA estimates

Exhibit 13: ESG – peer comparison

| | FSSIA | Domestic ratings | | | | | | Global ratings | | | | | | Bloomberg | |
|----------|-----------|------------------|----------|------|----------|-----------|-----------|----------------------|----------|------|---------|-----------|------------|-----------|------------------|
| | ESG score | DJSI | SET THSI | THSI | CG score | AGM level | Thai CAC | Morningstar ESG risk | ESG Book | MSCI | Moody's | Refinitiv | S&P Global | ESG score | Disclosure score |
| SET100 | 69.20 | 5.34 | 4.40 | 4.40 | 4.76 | 4.65 | 3.84 | Medium | 51.76 | BBB | 20.87 | 58.72 | 63.91 | 3.72 | 28.17 |
| Coverage | 67.12 | 5.11 | 4.15 | 4.17 | 4.83 | 4.71 | 3.53 | Medium | 52.04 | BB | 16.97 | 56.85 | 62.09 | 3.40 | 31.94 |
| BBL | 62.08 | -- | Y | Y | 5.00 | 5.00 | Certified | Medium | 54.70 | -- | 29.00 | 58.68 | 67.00 | 2.19 | 60.06 |
| KBANK | 84.17 | Y | Y | Y | 5.00 | 5.00 | Certified | Medium | 62.19 | AA | 46.00 | 73.83 | 83.00 | 4.05 | 59.77 |
| KTB | 63.10 | -- | Y | Y | 5.00 | 5.00 | Certified | Medium | 53.59 | BBB | 34.00 | 64.64 | 64.00 | 2.12 | 61.33 |
| SCB | 62.57 | Y | Y | Y | 5.00 | 4.00 | -- | High | -- | A | -- | -- | 86.00 | 3.43 | -- |
| KKP | 62.96 | -- | Y | Y | 5.00 | 5.00 | Certified | Medium | 52.81 | BBB | -- | 77.56 | 26.00 | 2.18 | 45.90 |
| TISCO | 61.17 | -- | Y | Y | 5.00 | 5.00 | Certified | Medium | 61.41 | -- | -- | 66.13 | 29.00 | 3.57 | 44.21 |
| TTB | 63.69 | -- | Y | Y | 5.00 | 5.00 | Certified | Medium | 53.98 | -- | 36.00 | 56.17 | 71.00 | 3.20 | 52.96 |

Sources: [SETTRADE.com](https://settrade.com); FSSIA's compilation

Exhibit 14: ESG score by Bloomberg

| FY ending Dec 31 | FY 2015 | FY 2016 | FY 2017 | FY 2018 | FY 2019 | FY 2020 | FY 2021 | FY 2022 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| ESG financial materiality scores - ESG score | 2.48 | 2.46 | 3.70 | 3.73 | 3.72 | 3.69 | 3.78 | 3.57 |
| BESG environmental pillar score | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.08 | 0.08 | 0.08 |
| BESG social pillar score | 2.88 | 2.94 | 6.10 | 6.14 | 6.29 | 5.96 | 6.16 | 6.16 |
| BESG governance pillar score | 5.54 | 5.29 | 5.28 | 5.36 | 5.08 | 5.25 | 5.32 | 4.47 |
| ESG disclosure score | 42.20 | 43.38 | 44.93 | 45.75 | 42.97 | 45.33 | 45.44 | 44.21 |
| Environmental disclosure score | 18.24 | 19.57 | 22.41 | 23.07 | 23.07 | 30.14 | 30.47 | 30.47 |
| Social disclosure score | 27.12 | 29.32 | 31.14 | 32.95 | 24.61 | 24.61 | 24.61 | 24.61 |
| Governance disclosure score | 81.10 | 81.10 | 81.10 | 81.10 | 81.10 | 81.10 | 81.10 | 81.10 |
| Environmental | | | | | | | | |
| Emissions reduction initiatives | No | No | No | Yes | Yes | Yes | Yes | Yes |
| Climate change policy | No | No | No | Yes | Yes | Yes | Yes | Yes |
| Climate change opportunities discussed | No | No | No | No | No | No | No | No |
| Risks of climate change discussed | No | No | No | No | No | No | Yes | Yes |
| GHG scope 1 | — | — | 0 | 0 | 0 | 0 | 0 | 0 |
| GHG scope 2 location-based | — | — | 4 | 4 | 4 | 4 | 3 | 3 |
| GHG Scope 3 | — | — | — | — | — | — | — | — |
| Carbon per unit of production | — | — | — | — | — | — | — | — |
| Biodiversity policy | No | No | No | No | No | No | No | No |
| Energy efficiency policy | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Total energy consumption | — | — | — | — | — | — | — | — |
| Renewable energy use | — | — | — | — | — | — | — | — |
| Electricity used | 12 | 12 | 12 | 9 | 9 | 8 | 7 | 2 |
| Fuel used - natural gas | — | — | — | — | — | — | — | — |

Sources: Bloomberg; FSSIA's compilation

Exhibit 15: ESG score by Bloomberg (cont.)

| FY ending Dec 31 | FY 2015 | FY 2016 | FY 2017 | FY 2018 | FY 2019 | FY 2020 | FY 2021 | FY 2022 |
|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Fuel used - crude oil/diesel | No | No | No | No | No | No | No | No |
| Waste reduction policy | No | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Hazardous waste | — | — | — | — | — | 0 | 0 | 0 |
| Total waste | — | — | — | — | — | — | — | — |
| Waste recycled | — | — | — | — | — | — | — | — |
| Waste sent to landfills | — | — | — | — | — | — | — | — |
| Environmental supply chain management | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Water policy | No | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Water consumption | — | — | — | — | — | 29 | 29 | 30 |
| Social | | | | | | | | |
| Human rights policy | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Policy against child labor | No | No | No | No | No | No | No | No |
| Quality assurance and recall policy | No | No | No | No | No | No | No | No |
| Consumer data protection policy | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Equal opportunity policy | No | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Gender pay gap breakout | No | No | No | No | No | No | No | No |
| Pct women in workforce | 62 | 63 | 63 | 64 | 64 | 65 | 65 | 65 |
| Pct disabled in workforce | — | — | — | — | — | — | — | — |
| Business ethics policy | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Anti-bribery ethics policy | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Health and safety policy | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Lost time incident rate - employees | — | — | — | 0 | 0 | 0 | 0 | 0 |
| Total recordable incident rate - employees | — | — | 0 | 0 | 0 | 0 | 0 | 0 |
| Training policy | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Fair remuneration policy | No | No | No | No | No | No | No | No |
| Number of employees – CSR | 4,250 | 4,525 | 4,986 | 4,837 | 5,031 | 4,548 | 4,532 | 5,090 |
| Employee turnover pct | 11 | 10 | 15 | 7 | 6 | 4 | 5 | 7 |
| Total hours spent by firm - employee training | 88,528 | 93,260 | 99,022 | 161,266 | 132,667 | 123,069 | 99,704 | 99,102 |
| Social supply chain management | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| Governance | | | | | | | | |
| Board size | 12 | 12 | 12 | 11 | 12 | 12 | 13 | 13 |
| No. of independent directors (ID) | 6 | 7 | 6 | 6 | 6 | 6 | 7 | 5 |
| No. of women on board | 4 | 5 | 5 | 5 | 3 | 3 | 3 | 3 |
| No. of non-executive directors on board | 8 | 8 | 8 | 8 | 8 | 8 | 9 | 9 |
| Company conducts board evaluations | Yes | Yes | Yes | Yes | Yes | Yes | Yes | Yes |
| No. of board meetings for the year | 6 | 7 | 6 | 7 | 7 | 8 | 8 | 7 |
| Board meeting attendance pct | 93 | 97 | 94 | 99 | 100 | 96 | 99 | 94 |
| Board duration (years) | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Director share ownership guidelines | No | No | No | No | No | No | No | No |
| Age of the youngest director | 38 | 39 | 40 | 41 | 42 | 43 | 46 | 47 |
| Age of the oldest director | 69 | 70 | 71 | 72 | 73 | 74 | 75 | 76 |
| No. of executives / company managers | 41 | 40 | 36 | 40 | 39 | 39 | 38 | 39 |
| No. of female executives | 18 | 17 | 14 | 17 | 18 | 15 | 16 | 15 |
| Executive share ownership guidelines | No | No | No | No | No | No | No | No |
| Size of audit committee | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| No. of ID on audit committee | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Audit committee meetings | 12 | 12 | 12 | 12 | 14 | 14 | 12 | 12 |
| Audit meeting attendance % | 100 | 97 | 100 | 100 | 100 | 100 | 100 | 100 |
| Size of compensation committee | 4 | 3 | 3 | 3 | 4 | 4 | 4 | 4 |
| No. of ID on compensation committee | 1 | 2 | 2 | 2 | 3 | 3 | 3 | 2 |
| No. of compensation committee meetings | 7 | 8 | 6 | 6 | 4 | 5 | 7 | 9 |
| Compensation meeting attendance % | 75 | 89 | 83 | 100 | 100 | 95 | 100 | 100 |
| Size of nomination committee | 4 | 3 | 3 | 3 | 4 | 4 | 4 | 4 |
| No. of nomination committee meetings | 7 | 8 | 6 | 6 | 4 | 5 | 7 | 9 |
| Nomination meeting attendance % | 75 | 89 | 83 | 100 | 100 | 95 | 100 | 100 |
| Sustainability governance | | | | | | | | |
| Verification type | No | No | No | No | No | No | No | No |

Sources: Bloomberg; FSSIA's compilation

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><tr><th>NEGL</th><th>Low</th><th>Medium</th><th>High</th><th>Severe</th></tr><tr><td>0-10</td><td>10-20</td><td>20-30</td><td>30-40</td><td>40+</td></tr></table> | | NEGL | Low | Medium | High | Severe | 0-10 | 10-20 | 20-30 | 30-40 | 40+ |
| NEGL | Low | Medium | High | Severe | | | | | | | | | | |
| 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. | | | | | | | | | | | | | |
| | 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 | Average: | a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers | | | | | | | | | | |
| | BBB | 4.286-5.713 | | | | | | | | | | | | |
| | BB | 2.857-4.285 | | | | | | | | | | | | |
| | B | 1.429-2.856 | Laggard: | lagging its industry based on its high exposure and failure to manage significant ESG risks | | | | | | | | | | |
| | CCC | 0.000-1.428 | | | | | | | | | | | | |
| 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

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

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| Company | Ticker | Price | Rating | Valuation & Risks |
|--------------------|----------|------------|--------|---|
| Tisco Financial | TISCO TB | THB 101.00 | 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. |
| Bangkok Bank | BBL TB | THB 150.00 | 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 132.50 | 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 18.40 | 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 105.00 | 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 1.63 | 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. |

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 12-Jan-2024 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.