

## TMBTHANACHART BANK

THAILAND / BANKING

TTB TB



BUY

FROM HOLD

TARGET PRICE	THB2.19
CLOSE	THB1.69
UP/DOWNSIDE	+29.6%
PRIOR TP	THB1.79
CHANGE IN TP	+22.3%
TP vs CONSENSUS	+21.4%

## Limited earnings downside risks

- 4Q23 net profit was better than expected despite rising seasonal operating expenses and ECL.
- We see no significant catalysts for its 2024 core business outlook, but tax benefits could create a potential earnings upside.
- Upgrade recommendation to BUY with a new 2024 TP of THB2.19.

## Better-than-expected 4Q23 profit

TTB reported a 4Q23 net profit of THB4.87b, 11% and 9% above our estimate and the BBG consensus, respectively, increasing by 2.8% q-q and 26.5% y-y, despite rising seasonal operating expenses, which made the cost-to-income ratio jump to 45.5% from 43.2% in 3Q23. The bank reported reversal income tax expenses of THB4.19b in 4Q23 from using tax benefits after the completion of TBCO's liquidation, formerly Thanachart Bank (TBANK), a subsidiary of TTB. Hence, TTB decided to set up extra provisions for ECL of THB4.89b in 4Q23 against future uncertainties without affecting the 4Q23 net profit. Excluding those extra items, 4Q23 PPOP aligned with our forecast of THB9.99b, decreasing by 2.2% q-q but increasing 4.3% y-y. NIM continued to expand, benefitting from rising interest rates for all types of loans by 0.25% in early October 2023. In contrast, loan growth contracted by 2.6% q-q and 3.5% y-y, mainly due to decreased corporate loans, while retail loans increased, mainly from high-yield loan growth in tandem with TTB's strategy.

## Asset quality was manageable

The overall asset quality was within TTB's 2023 guidance, except for credit costs. The 2023 NPL ratio dipped slightly to 2.62%, below the bank's guidance of not exceeding 2.90%. 4Q23 credit costs shot to 277bp, aligning with the rising ECL, exceeding TTB's guidance of 125-135bp, resulting in a coverage ratio at the end of 2023 of 155%, from 144% in 3Q23. Excluding the extra provisions, the 4Q23 normal credit cost was 128bp, still in line with the bank's guidance of 125-135bp.

## Tax benefits to create a potential profit upside

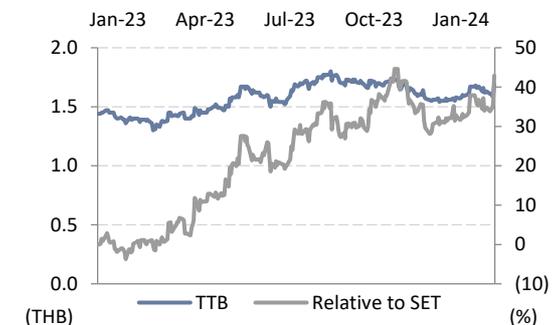
We cut our 2024-25E net profit by 8-11% to reflect a lower expected NIM, loan, fees, and non-NII growth, causing the expected 2024 net profit to contract by 11.4% y-y, with slight growth of c2-3% p.a. in 2025-26. Despite the remaining tax benefits, we exclude those in our assumptions. We are still concerned with its 2024 core business outlook, auto hire-purchases, which is cloudier and less profitable.

## Upgrade to BUY call with a new 2024 TP of THB2.19

We upgrade our call to BUY (from Hold) with an attractive dividend yield of 5-6% p.a. The 2024 TP is THB2.19 (from THB1.79) at a P/BV of 0.9x (from THB0.73x) based on a GGM valuation (LT-ROE lifted to 8.0%, from 7.7% to reflect the tax benefits left, and COE down to 8.8% from 10.2%).

## KEY STOCK DATA

YE Dec (THB m)	2023	2024E	2025E	2026E
Operating profit	17,483	20,187	20,713	21,223
Net profit	18,463	16,351	16,777	17,191
EPS (THB)	0.19	0.17	0.17	0.18
vs Consensus (%)	-	(7.6)	(11.5)	(10.0)
Recurring net profit	18,463	16,351	16,777	17,191
Core EPS (THB)	0.19	0.17	0.17	0.18
Chg. In EPS est. (%)	-	(8.3)	(11.0)	-
EPS growth (%)	30.1	(11.4)	2.6	2.5
Core P/E (x)	8.9	10.0	9.7	9.5
Dividend yield (%)	5.6	5.6	5.8	5.9
Price/book (x)	0.7	0.7	0.7	0.6
ROE (%)	8.2	7.0	7.0	6.9
ROA (%)	1.0	0.9	0.9	0.9



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	7.6	(1.7)	19.0
Relative to country (%)	8.6	1.1	45.4
Mkt cap (USD m)	4,610		
3m avg. daily turnover (USD m)	9.1		
Free float (%)	39		
Major shareholder	Thanachart Capital PCL (24%)		
12m high/low (THB)	1.80/1.29		
Issued shares (m)	96,778		

Sources: Bloomberg consensus; FSSIA estimates



## Usanee Liurut, CISA

Fundamental Investment Analyst on Capital Market; License no. 017928  
usanee.l@fssia.com, +66 2646 9967

## Maeta Cherdsatirakul

Research Assistant  
maeta.c@fssia.com, +66 2646 9971

### Investment thesis

We have a positive view on TTB despite its cloudy 2024 core business outlook, due to the following:

- We raise the expected L-T ROE under GGM valuation base to 8.0% (from 7.7%) to reflect the THB15.5b in tax benefits remaining, causing the 2024 TP to increase to THB2.19;
- However, auto hire-purchase loans, which is TTB's leading portfolio (30% of total loans), may slow in 2024. Our 2024 net loan forecast is relatively flat y-y;
- We expect 2024-25 net profit to decrease by 11.4% y-y and increase by 2.6% y-y, respectively. Despite the remaining tax benefits, we exclude those in our assumptions under a conservative approach.

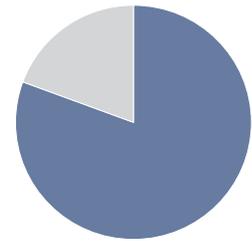
### Company profile

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

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

### Principal activities (revenue, 2023)

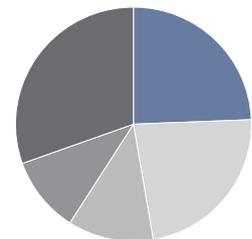
- Net interest income - 80.6 %
- Non-interest income - 19.4 %



Source: TMBThanachart Bank

### Major shareholders

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



Source: TMBThanachart Bank

### Catalysts

Potential share price catalysts for TTB include:

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

### Risks to our call

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

### Event calendar

Date	Event
Apr 2024	1Q24 results announcement

### Key assumptions

	2024E (%)	2025E (%)	2026E (%)
Net profit (THB m)	16,351	16,777	17,191
EPS (THB)	0.17	0.17	0.18
Net profit growth (%)	-11.4%	2.6%	2.5%
NIM (%)	3.15%	3.18%	3.19%
Loan growth (%)	0.0%	0.5%	0.5%
Fee growth (%)	1.0%	1.0%	1.0%
Non-NII growth (%)	1.5%	1.5%	1.5%
Credit cost (bp)	135	135	135
Cost to income (%)	45.8%	46.0%	46.2%
NPL ratio	3.15	3.18	3.17

Source: FSSIA estimates

### Earnings sensitivity

		----- 2024E -----		
Loan growth	±2ppt	(2.0)	<b>0.0</b>	2.0
% change in net profit		(1.7)		1.7
NIM (%)	±5bp	3.10	<b>3.15</b>	3.20
% change in net profit		(4.5)		4.5
Credit cost (bp)	±10bp	125	<b>135</b>	145
% change in net profit		6.6		(6.6)

Source: FSSIA estimates

## Better-than-expected 4Q23 profit despite rising seasonal OPEX

TTB reported a 4Q23 net profit of THB4.87b, 11% and 9% above our estimate and the BBG consensus, respectively, increasing by 2.8% q-q and 26.5% y-y, despite rising seasonal operating expenses, which made the cost-to-income ratio jump to 45.5% from 43.2% in 3Q23. The bank reported reversal income tax expenses of THB4.19b in 4Q23 from using tax benefits after the completion of TBCO's liquidation, formerly Thanachart Bank (TBANK), a subsidiary of TTB. Hence, TTB decided to set up extra provisions for ECL of THB4.89b in 4Q23 against future uncertainties without affecting the 4Q23 net profit.

**Note on tax shield:** Regarding the merger transaction, TTB had tax losses incurred from the investment in TBANK. The tax losses could be utilized as taxable expenses after TBANK's completion of liquidation in Nov-23. Hence, TTB started recognizing the tax benefit in 4Q23 for the first time. The remaining tax benefit is THB15.5b, expiring in 2028. The recognition will not be on a straight-line basis but will be subject to future net profit stream estimations.

Excluding those extra items, 4Q23 PPOP aligned with our forecast of THB9.99b, decreasing by 2.2% q-q but increasing 4.3% y-y. NIM continued to expand, benefitting from rising interest rates for all types of loans by 0.25% in early October 2023. In contrast, loan growth contracted by 2.6% q-q and 3.5% y-y, mainly due to decreased corporate loans, while retail loans increased, mainly from high-yield loan growth (Cash Your Car, Cash Your Book, and unsecured loans) in tandem with TTB's strategy.

Non-interest income grew by 1.5% q-q (but decreased by 15.7% y-y), mainly from FX fee growth. Fee income also rose by 5.3% q-q (but dropped by 4.1% y-y), supported by bancassurance and credit card fees. In contrast to capital market-related fees, mutual fund fees remained soft in 4Q under unfavorable market conditions.

2023 net profit finished at THB18.5b, significantly rising by 30.1% y-y, pushed by 1) increasing net interest income and NIM, aligning with a rising market interest rate, recycling liquidity, and pre-funding strategy; and 2) minimal income tax expenses from using tax benefits, which helped offset the impacts from contracting non-NII and rising ECL and credit cost.

## Exhibit 1: TTB – 4Q23 results summary

Year-end Dec 31	4Q22	1Q23	2Q23	3Q23	4Q23	----- Change -----		2022	2023	Change
	(THB m)	(q-q%)	(y-y%)	(THB m)	(THB m)	(y-y %)				
Net interest income	13,827	13,502	14,093	14,665	14,948	1.9	8.1	51,618	57,208	10.8
Non-interest income	4,014	3,368	3,668	3,335	3,384	1.5	(15.7)	14,236	13,754	(3.4)
Fee income - net	2,750	2,559	2,659	2,505	2,638	5.3	(4.1)	10,391	10,362	(0.3)
Total operating income	17,842	16,870	17,760	18,000	18,332	1.8	2.7	65,854	70,962	7.8
Total operating expenses	8,256	7,303	7,863	7,777	8,336	7.2	1.0	29,952	31,280	4.4
PPOP before tax	9,585	9,567	9,897	10,223	9,996	(2.2)	4.3	35,902	39,682	10.5
Expected credit loss	4,802	4,276	4,244	4,354	9,326	114.2	94.2	18,353	22,199	21.0
Income tax	935	996	1,087	1,133	(4,197)	n/a	n/a	3,352	(980)	(129.2)
Net profit	3,849	4,295	4,566	4,735	4,867	2.8	26.5	14,196	18,463	30.1
EPS (THB)	0.04	0.04	0.05	0.05	0.05	2.8	26.5	0.15	0.19	30.1
<b>Key ratios</b>	<b>4Q22</b>	<b>1Q23</b>	<b>2Q23</b>	<b>3Q23</b>	<b>4Q23</b>	<b>----- Change -----</b>		<b>2022</b>	<b>2023</b>	
Asset quality ratio	(%)	(%)	(%)	(%)	(%)	(q-q%)	(y-y%)	(%)	(%)	
Gross NPLs (THB m)	41,707	42,006	40,719	40,279	41,006	1.8	(1.7)	41,707	41,006	
Change (% from prior period)	(0.5)	0.7	(3.1)	(1.1)	1.8			(1.0)	(1.7)	
NPL ratios (%) - reported	2.73	2.69	2.63	2.67	2.62			2.73	2.62	
NPL ratio (%)	3.03	3.09	2.99	2.96	3.09			3.03	3.09	
Coverage ratio (%) - reported	140	140	144	144	155			138	155	
Coverage ratio (%)	138	140	144	144	155			138	155	
Credit cost (bp)	139	125	125	128	277			134	164	
Profitability ratio	(%)	(%)	(%)	(%)	(%)			(%)	(%)	
Cost to income ratio	46.3	43.3	44.3	43.2	45.5			45.5	44.1	
Average yield (%)	3.97	4.15	4.38	4.64	4.81			3.76	4.45	
Cost of funds (%)	0.96	1.29	1.39	1.47	1.60			0.92	1.42	
NIM (%) - reported	3.10	3.08	3.18	3.34	3.39			2.95	3.24	
NIM (%)	3.13	3.04	3.17	3.36	3.42			2.96	3.22	
Non-interest income/total income (%)	22.5	20.0	20.7	18.5	18.5			21.6	19.4	
Liquidity ratio	(%)	(%)	(%)	(%)	(%)			(%)	(%)	
Loan to deposit	98.3	96.8	97.7	102.5	95.8			98.3	95.8	
Loan to deposit & borrowing (LDBR)	89.1	87.9	88.6	91.9	86.6			94.3	91.8	
Capital adequacy ratio	(%)	(%)	(%)	(%)	(%)			(%)	(%)	
CAR	20.0	19.9	19.8	19.9	20.7			20.0	20.7	
CET 1/ Risk assets	15.7	15.7	15.6	16.3	17.0			15.7	17.0	
Tier 2 / Risk assets	3.7	3.7	3.6	3.6	3.7			3.7	3.7	
Loan growth	(%)	(%)	(%)	(%)	(%)			(%)	(%)	
q-q	(1.3)	(1.3)	0.4	(0.1)	(2.6)					
y-y	0.4	(0.6)	(2.1)	(2.2)	(3.5)			0.4	(3)	
Year-to-date	0.4	(1.3)	(0.9)	(1.0)	(3.5)					

Sources: TTB; FSSIA's compilation

## Asset quality was manageable

The overall asset quality was within TTB's 2023 guidance, except for credit costs. At the end of 2023, the NPL ratio dipped slightly to 2.62%, below the bank's guidance of not exceeding 2.90%. 4Q23 credit cost shot to 277bp, up 150bp q-q and 30bp y-y, aligning with the rising ECL as previously mentioned, exceeding TTB's guidance of 125-135bp, resulting in a coverage ratio at the end of 2023 of 155%, from 144% in 3Q23. Excluding the extra provisions, the 4Q23 normal credit cost was 128bp, still in line with the bank's guidance.

### Exhibit 2: TTB – Staged loans and ECL

	2021	2022	2023	2021	2022	2023
	(THB m)	(THB m)	(THB m)	(%)	(%)	(%)
<b>Staged loans</b>			<b>% Staged loans</b>			
Stage 1	1,224,662	1,225,348	1,174,852	88.76	88.54	87.90
Stage 2	112,530	116,840	120,780	8.16	8.44	9.04
Stage 3	42,492	41,707	41,006	3.08	3.01	3.07
Total	1,379,684	1,383,895	1,336,638	100.00	100.00	100.00
<b>Allowance for ECL</b>			<b>% ECL to staged loans</b>			
Stage 1	12,413	13,325	15,602	1.01	1.09	1.33
Stage 2	22,052	24,469	28,195	19.60	20.94	23.34
Stage 3	20,007	19,596	19,705	47.08	46.98	48.05
Total	54,472	57,390	63,502	3.95	4.15	4.75
<b>LLR / Loans</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>			
Stage 1	1.01	1.09	1.33			
Stage 2	19.60	20.94	23.34			
Stage 3	47.08	46.98	48.05			
Total	3.95	4.15	4.75			
	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>			
NPL / TL	3.08	3.01	3.07			
NPL vs. Stage 2 loans / TL	11.24	11.46	12.10			
LLR / NPL	128.19	137.60	154.86			
LLR / (NPL vs. Stage 2 loans)	35.14	36.20	39.25			

Sources: TTB; FSSIA's compilation

## Cloudy 2024 outlook despite potential profit upside

We revise down our 2024-25E net profit by 8-11% to reflect a lower expected NIM, loan, fees, and non-NII growth, causing the expected 2024 net profit to contract 11.4% y-y, with slight growth of c2-3% p.a. in 2025-26. Despite the remaining tax benefits, we exclude the positive upside in our assumptions. We are still concerned with its 2024 core business outlook, auto hire-purchases, which is cloudier and less profitable with no other apparent outstanding catalysts.

### Exhibit 3: 2024-26E earnings revisions

	Current			Previous			Change		
	2024E	2025E	2026E	2024E	2025E	2026E	2024E	2025E	2026E
	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)
Net profit (THB m)	16,351	16,777	17,191	17,822	18,841	19,329	-8.3%	-11.0%	-11.1%
EPS (THB)	0.17	0.17	0.18	0.18	0.19	0.20	-8.3%	-11.0%	-11.1%
Net profit growth (%)	-11.4%	2.6%	2.5%	-0.8%	5.7%	2.6%			
NIM (%)	3.15%	3.18%	3.19%	3.34%	3.36%	3.37%			
Loan growth (%)	0.0%	0.5%	0.5%	2.0%	2.0%	2.0%			
Fee growth (%)	1.0%	1.0%	1.0%	3.4%	3.0%	3.0%			
Non-NII growth (%)	1.5%	1.5%	1.5%	3.3%	3.0%	3.0%			
Credit cost (bp)	135	135	135	135	130	130			
Cost to income (%)	45.8%	46.0%	46.2%	44.6%	44.8%	44.9%			
NPL ratio	3.15	3.18	3.17	3.10	3.04	2.99			

Source: FSSIA estimates

**Exhibit 4: 2024: FSSIA estimates vs TTB guidance**

Guidance	2023	FSSIA 2024E	TTB 2024E
Loan growth	-3.50	0.01	Flat
Deposit growth	-0.91	0.00	Flat
NIM	3.22	3.15	3.10-3.25
Non-NII growth	-3.38	1.51	Low single digit
Cost-to-income ratio	44.08	45.81	Mid-40s
NPL ratio	3.09	3.15	<2.9%
Credit cost	164	135	125-135

Sources: TTB; FSSIA estimates

**Upgrade to BUY call with a new 2024 TP of THB2.19**

We upgrade our recommendation to BUY (from Hold) with an attractive dividend yield of 5-6% p.a. The 2024 TP is THB2.19 (from THB1.79) at a P/BV of 0.9x (from THB0.73x) based on a GGM valuation (LT-ROE lifted to 8.0%, from 7.7% to reflect the tax benefits left, and COE lowered to 8.8% from 10.2%).

**Exhibit 5: GGM-based 2024 TP**

Gordon Growth Model	New	Previous
Sustainable ROE	8.00%	7.70%
g	1.00%	1.00%
ROE-g	7.00%	6.70%
Beta	0.73	0.90
Risk free rate	3.0%	3.0%
Risk premium	8.0%	8.0%
COE	8.81%	10.20%
COE-g	7.81%	9.20%
<b>ROE-g/COE-g</b>	<b>0.90</b>	<b>0.73</b>

Source: FSSIA estimates

**Exhibit 6: Share price performance of banks under our coverage as of 19 January 2024**

	Price performance				
	1M (%)	3M (%)	6M (%)	1Y (%)	YTD (%)
BBL TB	(3.65)	(13.17)	(11.85)	(4.29)	(7.35)
KBANK TB	(7.60)	(5.81)	(5.81)	(15.92)	(10.00)
KKP TB	(6.57)	(10.19)	(23.55)	(35.09)	(7.96)
KTB TB	(12.02)	(16.15)	(20.30)	(5.85)	(12.50)
SCB TB	0.00	4.26	(5.88)	(4.15)	(1.89)
TISCO TB	(0.26)	1.04	(0.26)	(4.88)	(2.26)
<b>TTB TB</b>	<b>13.84</b>	<b>4.62</b>	<b>7.10</b>	<b>28.37</b>	<b>8.38</b>
SETBANK	(2.54)	(5.58)	(8.81)	(6.18)	(4.87)
SET	(1.94)	(1.54)	(9.90)	(17.85)	(2.69)

Source: Bloomberg

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



Sources: Bloomberg; FSSIA estimates

**Exhibit 8: TTB – one-year prospective PER band**



Sources: Bloomberg; FSSIA estimates

## Exhibit 9: Regional bank peers comparison, as of 19 January 2024

Company name	BBG code	Share price (LCY)	Target price (LCY)	Upside (%)	Market Cap. (USD b)	----- PE -----		----- PBV ----		----- ROE ----		-- Div yld --	
						23E (x)	24E (x)	23E (x)	24E (x)	23E (%)	24E (%)	23E (x)	24E (x)
<b>Thailand</b>													
Bangkok Bank	BBL TB	144.50	191.00	32	7,767.2	6.6	6.6	0.5	0.5	8.1	7.7	4.4	4.5
Kasikornbank	KBANK TB	125.50	140.00	12	8,373.2	7.2	6.8	0.6	0.5	8.2	8.1	3.8	4.1
Krung Thai Bank	KTB TB	18.10	19.90	10	7,123.4	6.9	6.7	0.6	0.6	9.4	9.0	4.2	4.3
SCB X	SCB TB	105.00	118.00	12	9,956.0	8.1	8.0	0.7	0.7	9.3	9.0	7.1	7.4
TMBThanachart Bank	TTB TB	1.69	2.19	30	4,609.8	8.9	10.0	0.7	0.7	8.2	7.0	5.6	5.6
Kiatnakin Bank	KKP TB	48.00	55.00	15	1,144.5	6.8	6.0	0.7	0.6	10.0	10.7	6.8	6.5
Tisco Financial Group	TISCO TB	97.75	97.00	(1)	2,203.8	10.7	11.6	1.8	1.8	17.1	15.7	8.2	8.2
<b>Thailand weighted average</b>					<b>5,825</b>	<b>9.0</b>	<b>8.5</b>	<b>0.8</b>	<b>0.7</b>	<b>8.9</b>	<b>8.9</b>	<b>4.4</b>	<b>4.6</b>
<b>Hong Kong</b>													
Industrial & Comm Bank of China	1398 HK	3.59	n/a	n/a	224,304.5	3.3	3.3	0.3	0.3	10.7	10.4	9.4	9.6
China Construction Bank	939 HK	4.39	n/a	n/a	142,484.0	3.1	2.9	0.3	0.3	11.5	11.1	9.9	10.2
HSBC Holdings	5 HK	58.65	n/a	n/a	142,591.2	5.7	5.6	0.9	0.8	15.8	15.5	8.8	10.6
Bank of China	3988 HK	2.88	n/a	n/a	147,693.7	3.5	3.4	0.3	0.3	10.2	9.9	9.0	9.3
<b>Hong Kong average</b>					<b>164,268</b>	<b>3.9</b>	<b>3.8</b>	<b>0.5</b>	<b>0.4</b>	<b>12.0</b>	<b>11.7</b>	<b>9.3</b>	<b>9.9</b>
<b>China</b>													
Industrial & Comm Bank of China	601398 CH	4.89	n/a	n/a	224,421.8	5.0	4.8	0.5	0.5	10.6	10.2	6.3	6.5
Agricultural Bank of China	601288 CH	3.68	n/a	n/a	175,734.4	5.1	4.8	0.5	0.5	11.1	10.7	6.2	6.4
China Construction Bank	601939 CH	6.48	n/a	n/a	142,558.5	5.0	4.8	0.6	0.5	11.6	11.1	6.1	6.3
Bank of China	601988 CH	3.97	n/a	n/a	147,770.9	5.4	5.2	0.5	0.5	10.4	10.1	5.8	6.0
<b>China average</b>					<b>172,621</b>	<b>5.1</b>	<b>4.9</b>	<b>0.5</b>	<b>0.5</b>	<b>10.9</b>	<b>10.6</b>	<b>6.1</b>	<b>6.3</b>
<b>South Korea</b>													
KB Financial Group	105560 KS	49,500	n/a	n/a	15,035.3	4.0	3.8	0.4	0.3	9.6	9.1	6.5	6.9
Shinhan Financial Group	055550 KS	36,800	n/a	n/a	14,305.5	4.3	4.1	0.4	0.3	9.2	8.8	5.6	6.1
Hana Financial Group	086790 KS	41,200	n/a	n/a	9,043.3	3.3	3.2	0.3	0.3	9.8	9.6	8.4	9.0
Industrial Bank of Korea	024110 KS	11,630	n/a	n/a	6,952.0	3.5	3.4	0.3	0.3	9.5	9.2	8.5	8.9
<b>South Korea average</b>					<b>11,334</b>	<b>3.8</b>	<b>3.6</b>	<b>0.3</b>	<b>0.3</b>	<b>9.5</b>	<b>9.2</b>	<b>7.3</b>	<b>7.7</b>
<b>Indonesia</b>													
Bank Central Asia	BBCA IJ	9,625	n/a	n/a	75,827.5	24.2	22.2	4.8	4.4	21.0	20.7	2.3	2.7
Bank Rakyat Indonesia Persero	BBRI IJ	5,800	n/a	n/a	56,323.6	14.9	13.1	2.7	2.5	18.9	20.2	5.0	5.7
Bank Mandiri Persero	BMRI IJ	6,525	n/a	n/a	39,021.0	11.9	10.8	2.4	2.1	21.2	21.0	4.1	5.2
Bank Negara Indonesia Persero	BBNI IJ	5,500	n/a	n/a	13,323.0	9.7	8.6	1.4	1.3	15.0	15.5	4.2	4.8
Bank Syariah Indonesia	BRIS IJ	2,010	n/a	n/a	6,147.8	17.7	14.9	2.5	2.2	15.3	16.0	0.8	1.0
<b>Indonesia average</b>					<b>38,129</b>	<b>15.7</b>	<b>13.9</b>	<b>2.8</b>	<b>2.5</b>	<b>18.3</b>	<b>18.7</b>	<b>3.3</b>	<b>3.9</b>
<b>Malaysia</b>													
Malayan Banking	MAY MK	9.03	n/a	n/a	23,001.1	11.6	11.2	1.2	1.2	10.5	10.6	6.7	6.8
Public Bank	PBK MK	4.35	n/a	n/a	17,810.6	12.3	11.7	1.6	1.5	13.0	12.8	4.3	4.5
CIMB Group Holdings	CIMB MK	6.01	n/a	n/a	13,492.4	9.3	8.7	0.9	0.9	10.4	10.4	5.9	6.3
Hong Leong Bank	HLBK MK	18.80	n/a	n/a	8,755.4	10.3	9.8	1.2	1.1	12.1	11.4	3.4	3.4
RHB Bank	RHBBANK MK	5.53	n/a	n/a	5,050.2	8.2	8.1	0.8	0.7	9.6	9.3	7.0	7.2
<b>Malaysia average</b>					<b>13,622</b>	<b>10.3</b>	<b>9.9</b>	<b>1.1</b>	<b>1.1</b>	<b>11.1</b>	<b>10.9</b>	<b>5.4</b>	<b>5.6</b>
<b>Singapore</b>													
DBS Group Holdings	DBS SP	32.05	n/a	n/a	61,393.4	8.1	8.3	1.4	1.3	17.5	16.1	6.5	7.1
Oversea-Chinese Banking	OCBC SP	12.91	n/a	n/a	43,369.5	8.2	8.1	1.0	1.0	13.2	12.7	6.4	6.6
United Overseas Bank	UOB SP	27.85	n/a	n/a	34,870.5	8.2	8.0	1.1	1.0	13.3	12.9	6.1	6.4
<b>Singapore average</b>					<b>46,544</b>	<b>8.2</b>	<b>8.2</b>	<b>1.2</b>	<b>1.1</b>	<b>14.6</b>	<b>13.9</b>	<b>6.3</b>	<b>6.7</b>
<b>Regional average (excl. Thailand)</b>					<b>71,651</b>	<b>8.2</b>	<b>7.7</b>	<b>1.1</b>	<b>1.0</b>	<b>12.8</b>	<b>12.6</b>	<b>6.1</b>	<b>6.5</b>
<b>Total average (incl. Thailand)</b>					<b>57,264</b>	<b>8.2</b>	<b>7.8</b>	<b>1.1</b>	<b>1.0</b>	<b>12.4</b>	<b>12.1</b>	<b>6.1</b>	<b>6.4</b>

Sources: Bloomberg; FSSIA estimates

## Financial Statements

TMBThanachart Bank

Profit and Loss (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Interest Income	65,627	79,134	85,837	87,057	88,446
Interest expense	(14,009)	(21,926)	(29,465)	(29,598)	(29,855)
Net interest income	51,618	57,208	56,372	57,459	58,592
Net fees & commission	10,391	10,362	10,469	10,573	10,679
Foreign exchange trading income	-	-	-	-	-
Securities trading income	1,699	1,718	1,770	1,823	1,877
Dividend income	0	0	0	0	0
Other income	2,145	1,674	1,724	1,776	1,829
Non interest income	14,236	13,754	13,962	14,172	14,385
Total income	65,854	70,962	70,334	71,631	72,977
Staff costs	(16,006)	(16,673)	(17,173)	(17,688)	(18,219)
Other operating costs	(13,946)	(14,607)	(15,047)	(15,256)	(15,471)
Operating costs	(29,952)	(31,280)	(32,219)	(32,944)	(33,690)
Pre provision operating profit	35,902	39,682	38,115	38,687	39,287
Expected credit loss	(18,353)	(22,199)	(17,928)	(17,974)	(18,064)
Other provisions	-	-	-	-	-
Operating profit	17,548	17,483	20,187	20,713	21,223
Recurring non operating income	0	0	0	0	0
Associates	-	-	-	-	-
Goodwill amortization	-	-	-	-	-
Non recurring items	-	-	-	-	-
Profit before tax	17,548	17,483	20,187	20,713	21,223
Tax	(3,352)	980	(3,835)	(3,935)	(4,032)
Profit after tax	14,196	18,463	16,351	16,777	17,191
Non-controlling interest	0	0	0	0	0
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	14,196	18,463	16,351	16,777	17,191
Non recurring items & goodwill (net)	-	-	0	0	0
Recurring net profit	14,196	18,463	16,351	16,777	17,191
<b>Per share (THB)</b>					
Recurring EPS *	0.15	0.19	0.17	0.17	0.18
Reported EPS	0.15	0.19	0.17	0.17	0.18
DPS	0.07	0.10	0.10	0.10	0.10
<b>Growth</b>					
Net interest income (%)	1.2	10.8	(1.5)	1.9	2.0
Non interest income (%)	(2.1)	(3.4)	1.5	1.5	1.5
Pre provision operating profit (%)	4.6	10.5	(3.9)	1.5	1.6
Operating profit (%)	37.1	(0.4)	15.5	2.6	2.5
Reported net profit (%)	35.5	30.1	(11.4)	2.6	2.5
Recurring EPS (%)	35.3	30.1	(11.4)	2.6	2.5
Reported EPS (%)	35.3	30.1	(11.4)	2.6	2.5
<b>Income Breakdown</b>					
Net interest income (%)	78.4	80.6	80.1	80.2	80.3
Net fees & commission (%)	15.8	14.6	14.9	14.8	14.6
Foreign exchange trading income (%)	-	-	-	-	-
Securities trading income (%)	2.6	2.4	2.5	2.5	2.6
Dividend income (%)	-	-	-	-	-
Other income (%)	3.3	2.4	2.5	2.5	2.5
<b>Operating performance</b>					
Gross interest yield (%)	3.76	4.45	4.80	4.81	4.82
Cost of funds (%)	0.92	1.44	1.91	1.93	1.94
Net interest spread (%)	2.84	3.01	2.89	2.88	2.88
Net interest margin (%)	3.0	3.2	3.2	3.2	3.2
Cost/income(%)	45.5	44.1	45.8	46.0	46.2
Cost/assets(%)	1.7	1.7	1.8	1.8	1.8
Effective tax rate (%)	19.1	(5.6)	19.0	19.0	19.0
Dividend payout on recurring profit (%)	49.8	50.0	56.5	56.5	56.3
ROE (%)	6.6	8.2	7.0	7.0	6.9
ROE - COE (%)	6.6	8.2	7.0	7.0	6.9
ROA (%)	0.8	1.0	0.9	0.9	0.9
RORWA (%)	1.2	1.6	1.4	1.4	2.8

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

Sources: TMBThanachart Bank ; FSSIA estimates

## Financial Statements

TMBThanachart Bank

Balance Sheet (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Gross customer loans	1,376,118	1,327,964	1,328,097	1,334,737	1,341,411
Allowance for expected credit loss	(57,390)	(63,502)	(66,430)	(68,405)	(69,469)
interest in suspense	7,777	7,569	7,570	7,608	7,646
<b>Net customer loans</b>	<b>1,326,505</b>	<b>1,272,031</b>	<b>1,269,237</b>	<b>1,273,941</b>	<b>1,279,588</b>
Bank loans	187,563	267,486	280,861	294,904	309,649
Government securities	-	-	-	-	-
Trading securities	1,533	2,470	2,594	2,723	2,860
Investment securities	211,432	181,558	185,263	189,046	192,909
Cash & equivalents	15,506	24,111	23,150	21,891	26,718
Other interesting assets	-	-	-	-	-
Tangible fixed assets	19,788	21,767	22,420	23,093	23,786
Associates	-	-	-	-	-
Goodwill	22,890	23,577	24,284	25,013	25,763
Other intangible assets	-	-	-	-	-
Other assets	41,082	39,624	41,216	42,878	44,430
<b>Total assets</b>	<b>1,826,299</b>	<b>1,832,880</b>	<b>1,849,285</b>	<b>1,873,754</b>	<b>1,906,155</b>
Customer deposits	1,399,247	1,386,581	1,386,581	1,393,514	1,407,449
Bank deposits	84,770	87,794	89,550	91,341	93,168
Other interest bearing liabilities	59,644	60,241	60,843	61,452	62,066
Non interest bearing liabilities	63,611	69,637	76,252	83,514	91,489
Hybrid Capital	-	-	-	-	-
<b>Total liabilities</b>	<b>1,607,271</b>	<b>1,604,252</b>	<b>1,613,226</b>	<b>1,629,821</b>	<b>1,654,171</b>
Share capital	91,937	91,937	91,937	91,937	91,937
Reserves	127,069	136,689	144,121	151,995	160,045
<b>Total equity</b>	<b>219,006</b>	<b>228,626</b>	<b>236,058</b>	<b>243,932</b>	<b>251,982</b>
Non-controlling interest	1	1	1	1	1
<b>Total liabilities &amp; equity</b>	<b>1,826,279</b>	<b>1,832,880</b>	<b>1,849,285</b>	<b>1,873,754</b>	<b>1,906,155</b>
<b>Supplementary items</b>					
Risk weighted assets (RWA)	1,185,415	1,189,700	1,200,348	1,216,230	0
Average interest earning assets	1,744,236	1,778,062	1,788,146	1,809,112	1,834,119
Average interest bearing liabilities	1,515,421	1,518,110	1,539,138	1,535,795	1,541,640
CET 1 capital	185,795	201,328	185,795	185,795	0
Total capital	229,097	244,630	229,097	229,097	0
Gross non performing loans (NPL)	41,707	41,006	41,800	42,500	42,585
<b>Per share (THB)</b>					
Book value per share	2.26	2.36	2.44	2.52	2.60
Tangible book value per share	2.03	2.12	2.19	2.26	2.34
<b>Growth</b>					
Gross customer loans	0.4	(3.5)	0.0	0.5	0.5
Average interest earning assets	1.0	1.9	0.6	1.2	1.4
Total asset (%)	3.8	0.4	0.9	1.3	1.7
Risk weighted assets (%)	(3.5)	0.4	0.9	1.3	nm
Customer deposits (%)	4.5	(0.9)	-	0.5	1.0
<b>Leverage &amp; capital measures</b>					
Customer loan/deposits (%)	94.8	91.7	91.5	91.4	90.9
Equity/assets (%)	12.0	12.5	12.8	13.0	13.2
Tangible equity/assets (%)	10.7	11.2	11.5	11.7	11.9
RWA/assets (%)	64.9	64.9	64.9	64.9	-
CET 1 CAR (%)	15.7	16.9	15.5	15.3	-
Total CAR (%)	19.3	20.6	19.1	18.8	-
<b>Asset Quality (FSSIA's calculation)</b>					
Change in NPL (%)	(1.0)	(1.7)	1.9	1.7	0.2
NPL/gross loans (%)	3.0	3.1	3.1	3.2	3.2
Allowance for ECL/gross loans (%)	4.2	4.8	5.0	5.1	5.2
Allowance for ECL/NPL (%)	137.6	154.9	158.9	161.0	163.1
<b>Valuation</b>					
Recurring P/E (x) *	11.5	8.9	10.0	9.7	9.5
Recurring P/E @ target price (x) *	14.9	11.5	13.0	12.6	12.3
Reported P/E (x)	11.5	8.9	10.0	9.7	9.5
Dividend yield (%)	4.3	5.6	5.6	5.8	5.9
Price/book (x)	0.7	0.7	0.7	0.7	0.6
Price/tangible book (x)	0.8	0.8	0.8	0.7	0.7
Price/tangible book @ target price (x)	1.1	1.0	1.0	1.0	0.9

Sources: TMBThanachart Bank ; FSSIA estimates

# TMBThanachart Bank PCL (TTB TB)

**FSSIA ESG rating**

★ ★ ★ ★

**63.69 /100**

## Exhibit 10: 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.
★★★★★	<b>&gt;59-79</b>	<b>A mixed track record of managing the most significant ESG risks and opportunities relative to industry peers.</b>
★★★	>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 11: ESG – peer comparison

	FSSIA ESG score	Domestic ratings						Global ratings						Bloomberg	
		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	53.49

Sources: SETTRADE.com; FSSIA's compilation

## Exhibit 12: ESG score by Bloomberg

FY ending Dec 31	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
<b>ESG financial materiality scores - ESG score</b>	<b>1.76</b>	<b>1.79</b>	<b>1.92</b>	<b>2.14</b>	<b>2.82</b>	<b>3.02</b>	<b>3.16</b>	<b>3.20</b>
BESG environmental pillar score	0.00	0.00	0.08	0.08	0.38	0.68	0.82	0.82
BESG social pillar score	1.90	2.10	2.23	2.65	4.29	4.17	4.18	4.34
BESG governance pillar score	4.09	3.78	3.99	4.15	3.63	4.13	4.44	4.32
<b>ESG disclosure score</b>	<b>41.00</b>	<b>41.34</b>	<b>43.27</b>	<b>43.64</b>	<b>46.86</b>	<b>50.40</b>	<b>49.27</b>	<b>53.49</b>
Environmental disclosure score	17.09	17.09	17.43	17.76	21.14	22.86	19.48	32.14
Social disclosure score	24.67	25.70	31.14	31.92	31.92	40.84	40.84	40.84
Governance disclosure score	81.10	81.10	81.10	81.10	87.36	87.36	87.36	87.36
<b>Environmental</b>								
Emissions reduction initiatives	Yes							
Climate change policy	No	No	Yes	Yes	Yes	Yes	Yes	Yes
Climate change opportunities discussed	No							
Risks of climate change discussed	No	No	No	Yes	Yes	Yes	Yes	Yes
GHG scope 1	0	0	0	0	1	1	0	4
GHG scope 2 location-based	31	30	29	27	28	15	22	22
GHG Scope 3	1	1	1	0	0	0	0	3
Carbon per unit of production	—	—	—	—	—	—	—	—
Biodiversity policy	No							
Energy efficiency policy	Yes							
Total energy consumption	45	44	42	39	57	32	46	46
Renewable energy use	—	—	—	—	—	—	—	—
Electricity used	44	43	42	37	57	31	45	44
Fuel used - natural gas	—	—	—	—	—	—	—	—

Sources: Bloomberg; FSSIA's compilation

**Exhibit 13: 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							
Waste reduction policy	Yes							
Hazardous waste	—	—	—	—	—	—	—	—
Total waste	0	0	0	0	0	0	0	0
Waste recycled	0	0	0	0	0	0	0	0
Waste sent to landfills	—	—	—	—	—	—	—	—
Environmental supply chain management	No	Yes						
Water policy	Yes							
Water consumption	278	223	255	154	208	181	—	—
<b>Social</b>								
Human rights policy	Yes							
Policy against child labor	No							
Quality assurance and recall policy	No							
Consumer data protection policy	No	Yes						
Equal opportunity policy	Yes							
Gender pay gap breakout	No	No	No	No	No	Yes	Yes	Yes
Pct women in workforce	70	70	71	71	71	69	69	68
Pct disabled in workforce	—	—	—	—	—	—	—	—
Business ethics policy	Yes							
Anti-bribery ethics policy	Yes							
Health and safety policy	Yes							
Lost time incident rate - employees	—	—	—	—	—	0	0	0
Total recordable incident rate - employees	—	—	—	—	—	—	—	—
Training policy	Yes							
Fair remuneration policy	No							
Number of employees – CSR	9,270	8,980	8,547	8,373	8,135	8,838	15,102	14,620
Employee turnover pct	28	29	31	35	27	14	16	23
Total hours spent by firm - employee training	324,450	269,400	273,504	318,174	284,725	132,570	694,692	891,820
Social supply chain management	No	No	No	Yes	Yes	Yes	Yes	Yes
<b>Governance</b>								
<b>Board size</b>	<b>11</b>	<b>12</b>	<b>12</b>	<b>12</b>	<b>13</b>	<b>13</b>	<b>14</b>	<b>14</b>
<b>No. of independent directors (ID)</b>	<b>3</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>5</b>	<b>5</b>	<b>5</b>
No. of women on board	0	0	0	1	0	1	2	3
No. of non-executive directors on board	10	11	11	11	8	8	13	13
Company conducts board evaluations	Yes							
No. of board meetings for the year	13	13	16	14	17	16	19	15
Board meeting attendance pct	89	84	88	93	92	95	99	99
Board duration (years)	3	3	3	3	3	3	3	3
Director share ownership guidelines	No							
Age of the youngest director	57	57	57	48	48	49	50	51
Age of the oldest director	71	72	73	74	69	70	71	72
<b>No. of executives / company managers</b>	<b>7</b>	<b>7</b>	<b>6</b>	<b>6</b>	<b>7</b>	<b>11</b>	<b>12</b>	<b>12</b>
No. of female executives	0	0	1	2	3	4	5	5
Executive share ownership guidelines	No							
<b>Size of audit committee</b>	<b>2</b>	<b>3</b>						
No. of ID on audit committee	2	3	3	3	3	3	3	3
Audit committee meetings	14	12	12	12	15	25	13	13
Audit meeting attendance %	90	100	94	94	91	98	100	100
<b>Size of compensation committee</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>5</b>	<b>5</b>	<b>5</b>
No. of ID on compensation committee	2	2	2	2	1	2	2	2
No. of compensation committee meetings	14	12	14	14	13	12	12	12
Compensation meeting attendance %	95	88	94	89	97	95	97	97
<b>Size of nomination committee</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>5</b>	<b>5</b>	<b>5</b>
No. of nomination committee meetings	14	12	14	14	13	12	12	12
Nomination meeting attendance %	95	88	94	89	97	95	97	97
<b>Sustainability governance</b>								
Verification type	No	No	No	No	Yes	Yes	Yes	Yes

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 <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. <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 &amp; 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-left: auto; margin-right: auto;"> <thead> <tr> <th>NEGL</th> <th>Low</th> <th>Medium</th> <th>High</th> <th>Severe</th> </tr> </thead> <tbody> <tr> <td>0-10</td> <td>10-20</td> <td>20-30</td> <td>30-40</td> <td>40+</td> </tr> </tbody> </table>	NEGL	Low	Medium	High	Severe	0-10	10-20	20-30	30-40	40+																		
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. <table border="1" style="margin-left: auto; margin-right: auto;"> <tbody> <tr> <td><b>AAA</b></td> <td>8.571-10.000</td> <td><b>Leader:</b></td> <td>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> <td></td> <td></td> </tr> <tr> <td><b>A</b></td> <td>5.714-7.142</td> <td></td> <td></td> </tr> <tr> <td><b>BBB</b></td> <td>4.286-5.713</td> <td><b>Average:</b></td> <td>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> <td></td> <td></td> </tr> <tr> <td><b>B</b></td> <td>1.429-2.856</td> <td></td> <td></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	
<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																											
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

The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s) was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed herein.

This report has been prepared by FSS International Investment Advisory Securities Company Limited (FSSIA). The information herein has been obtained from sources believed to be reliable and accurate; however FSSIA makes no representation as to the accuracy and completeness of such information. Information and opinions expressed herein are subject to change without notice. FSSIA has no intention to solicit investors to buy or sell any security in this report. In addition, FSSIA does not guarantee returns nor price of the securities described in the report nor accept any liability for any loss or damage of any kind arising out of the use of such information or opinions in this report. Investors should study this report carefully in making investment decisions. All rights are reserved.

This report may not be reproduced, distributed or published by any person in any manner for any purpose without permission of FSSIA. Investment in securities has risks. Investors are advised to consider carefully before making investment decisions.

Company	Ticker	Price	Rating	Valuation & Risks
TMBThanachart Bank	TTB TB	THB 1.69	BUY	Downside risks to our GGM-based TP are 1) prolonged economic sluggishness affecting loan growth and asset quality; and 2) the impact of new regulations from the Bank of Thailand.
Kasikornbank	KBANK TB	THB 125.50	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) government stimulus projects leading to an economic recovery; and 2) rising NIM from well-controlled cost of funds.
Bangkok Bank	BBL TB	THB 144.50	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.
Krung Thai Bank	KTB TB	THB 18.10	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) broad-based economic recovery supporting higher loan growth; and 2) asset quality improvement, mainly from the retail segment, reducing its ECL burdens. By contrast, upside risks comprise better economic conditions and strengthening asset quality.
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.
Kiatnakin Bank	KKP TB	THB 48.00	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 19-Jan-2024 unless otherwise stated.

## RECOMMENDATION STRUCTURE

### Stock ratings

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

**BUY (B).** The upside is 10% or more.

**HOLD (H).** The upside or downside is less than 10%.

**REDUCE (R).** The downside is 10% or more.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause a temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.

\* In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

### Industry Recommendations

**Overweight.** The analyst expects the fundamental conditions of the sector to be positive over the next 12 months.

**Neutral.** The analyst expects the fundamental conditions of the sector to be maintained over the next 12 months.

**Underweight.** The analyst expects the fundamental conditions of the sector to be negative over the next 12 months.

### Country (Strategy) Recommendations

**Overweight (O).** Over the next 12 months, the analyst expects the market to score positively on two or more of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

**Neutral (N).** Over the next 12 months, the analyst expects the market to score positively on one of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

**Underweight (U).** Over the next 12 months, the analyst does not expect the market to score positively on any of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.