

Thailand Banks

Sluggish 2024 outlook and earnings growth

- Seven banks under our coverage reported an aggregate 4Q23 net profit of THB42.7b (-15.4% q-q, +28.9% y-y) – KKP and KTB were the weakest.
- Poorer asset quality and cushions for future uncertainties led to higher credit costs in 4Q23.
- We downgrade Thailand's banking sector to UNDERWEIGHT.

Weak 4Q23 profit pressured by rising ECL and seasonal expenses

The seven banks under our coverage posted a 5% weaker-than-expected aggregate net profit of THB42.7b in 4Q23, decreasing by 15.4% q-q but still significantly increasing by 28.9% y-y. In terms of a q-q comparison, KKP and KTB were the worst performers, as expected, while SCB and TTB were the best (we expected TISCO and BBL). For a y-y comparison, all banks except KKP, KTB, and TISCO reported positive net profit growth, with KBANK, TTB, and SCB performing the best, while KKP performed the worst. The key drags on q-q net profit mainly came from rising seasonal operating expenses and expected credit losses (ECL), outweighing higher net interest income (NII) and lower income tax expenses (mainly from TTB). In contrast, the increase in y-y net profit was mainly from higher NII (rising interest rates and NIM expansion) and lower income tax expenses. In summary, the 2023 aggregate net profit was THB195.4b, which jumped by 18.2% y-y. Key supports were growing net interest income and NIM expansion, which helped offset the increasing ECL and operating expenses and declining net fee income.

Manageable asset quality amid accelerating new NPL formation

The 4Q23 NPL ratio finished in line with expectations at 3.58%, slightly increasing from 3.56% in 3Q23. New NPL formations continued climbing from 3Q23, mainly from the SME and retail segments. 4Q23 credit costs shot to 178bp from 159bp in 3Q23. Apart from tackling NPLs and increasing management overlay for future economic uncertainties, some big banks, i.e., KTB and KBANK, also set aside extra provisions for one large corporate loan's reclassification to stage 2 (from stage 1), namely ITD. Hence, the aggregate banks' coverage ratio increased to 189%, which BBL reported as the highest at 315% in 4Q23.

Sluggish 2024-25E earnings growth to reflect a more cautious outlook

We estimate aggregate 2024-25 net profit to grow by a mere 0.9% y-y and 5.1% y-y, respectively, due mainly to a large base in 2023 and a less positive impact from the interest rate increase compared to 2023. Moreover, the 2024 business guidance from most banks shows a more cautious view on loan growth aligning with Thailand's GDP growth estimate cut to c3.0-3.1%, NIM ranging from flat to contracting, non-NII and fee income growth being flat to low single-digits, and sustaining a high level of ECL and credit costs.

Reduce to UNDERWEIGHT call with TTB as our top BUY

We downgrade our Thailand banking sector call to UNDERWEIGHT (from Neutral). We pick TTB (TP THB2.19) as our top BUY based on its limited earnings downside risks from THB15.5b in tax benefits remaining, with an attractive dividend yield of c5-6% p.a.



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Weak 4Q23 profit pressured by rising ECL and seasonal expenses

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The key drags on q-q net profit mainly came from rising seasonal operating expenses and ECL, outweighing higher NII and lower income tax expenses (mainly from TTB). NIM rose by 7bp q-q to 3.60% despite the increasing cost of funds. Increasing loan yields aligning with the market interest rate helped offset the impact.

Loans shrank by 0.9% q-q and were relatively flat y-y in 4Q23, lower than the expected 0.4% q-q and 1.5% y-y. Non-NII was also unimpressive, contracting by 2.6% q-q and 7.1% y-y, due primarily to plunging net fee income – brokerage and other capital market-related fees. Hence, the aggregate cost-to-income ratio jumped significantly to 49.0% in 4Q23 from 43.8% in 3Q23.

In contrast, the increase in y-y net profit was mainly from higher NII (rising interest rates and NIM expansion) and lower income tax expenses. In summary, the 2023 aggregate net profit was THB195.4b, which jumped by 18.2% y-y. Key supports were growing net interest income and NIM expansion, which helped offset the increasing ECL and operating expenses and declining net fee income.

Manageable asset quality amid accelerating new NPL formation

The 4Q23 NPL ratio finished in line with expectations at 3.58%, slightly increasing from 3.56% in 3Q23. New NPL formations continued climbing from 3Q23, mainly from the SME and retail segments. However, banks' management took proactive measures, including restructuring debts, sales, foreclosing assets, and writing off bad debts, which brought 4Q23 credit costs to 178bp from 159bp in 3Q23. Apart from tackling NPLs and increasing management overlay for future economic uncertainties, some big banks, i.e., KTB and KBANK, also set aside extra provisions for one large corporate loan's reclassification to stage 2 (from stage 1), namely ITD. Hence, the aggregate banks' coverage ratio increased to 189%, which BBL reported as the highest at 315% in 4Q23.

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Reduce to UNDERWEIGHT call with TTB as our top BUY

We downgrade our Thailand banking sector call to UNDERWEIGHT (from Neutral). We pick TTB (TP THB2.19) as our top BUY based on its limited earnings downside risks from THB15.5b in tax benefits remaining, with an attractive dividend yield of c5-6% p.a. We also have BUY calls for SCB (TP THB118) and BBL (TP THB191) despite having more concerns over their asset quality, especially SCB. We think their current share prices are very cheap, with a P/BV of merely 0.7x for SCB and 0.5x for BBL, which still lag the sector's average and are below the 5Y average P/BV of 0.8x for SCB and 0.6x for BBL. Moreover, we have reduced KBANK (TP THB140) and KTB (TP THB19.90) to HOLD (from Buy) for expected 2024-25 dividend yields of c4-5% p.a. and c4% p.a., respectively, due mainly to their deteriorated asset quality, which could create downside risks for our 2024-25E forecast.

Exhibit 1: 4Q23 earnings results of Thai banks under coverage

Year-end Dec 31	BBL	KBANK	KTB	SCB	TTB	KKP	TISCO	Coverage
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)
Net interest income	35,165	38,849	30,362	33,413	14,948	5,562	3,565	161,865
Non-interest income	7,028	12,046	9,228	9,130	3,384	1,393	1,260	43,468
Fee income - net	6,768	7,550	5,434	7,166	2,638	1,333	1,251	32,140
Total operating income	42,193	50,895	39,590	42,543	18,332	6,955	4,825	205,333
Total operating expenses	23,621	24,508	17,745	19,517	8,336	4,584	2,353	100,663
PPOP before tax	18,572	26,387	21,845	23,026	9,996	2,371	2,473	104,670
Expected credit loss	7,343	13,572	13,070	9,330	9,326	1,429	248	54,318
Income tax	2,281	2,617	1,733	2,628	(4,197)	270	442	5,775
Non-controlling interest	84	810	931	73	(0)	2	0	1,902
Net profit	8,863	9,388	6,111	10,995	4,867	670	1,782	42,675
EPS (THB)	4.64	3.96	0.44	3.27	0.05	0.79	2.23	
Key ratios	4Q23	4Q23	4Q23	4Q23	4Q23	4Q23	4Q23	4Q23
Asset quality ratio	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)
Gross NPLs (THB m)	85,955	92,064	99,439	96,832	41,006	13,220	5,223	433,739
Change (% from prior period)	(9.4)	5.4	1.1	1.3	1.8	(10.5)	0.2	(0.6)
NPL ratio (%)	3.22	3.70	3.86	3.99	3.09	3.31	2.22	3.58
Coverage ratio (%)	315	145	174	153	155	156	190	189
Credit cost (bp)	109	220	201	153	277	284	43	178
Profitability ratio	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)
Cost to income ratio	56.0	48.2	44.8	45.9	45.5	65.9	48.8	49.0
Average yield (%)	4.70	4.82	4.74	5.15	4.81	6.32	6.89	4.91
Cost of funds (%)	1.87	1.34	1.49	1.42	1.60	2.21	2.24	1.59
NIM (%)	3.14	3.84	3.45	3.96	3.42	4.36	5.07	3.60
Non-interest income/total income (%)	16.7	19.3	23.3	21.5	18.5	20.0	26.1	21.2
Loan growth	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)
q-q	(1.9)	2.1	(2.0)	(1.2)	(2.6)	(0.3)	1.3	(0.9)
y-y	(0.4)	(0.2)	(0.6)	2.1	(3.5)	5.7	7.2	0.1
Year-to-date	(0.4)	(0.2)	(0.6)	2.1	(3.5)	5.7	7.2	0.1

Sources: Company Data; FSSIA's compilation

Exhibit 2: Summary of quarterly net profit

	4Q23	3Q23	Change	4Q22	Change	2023	Change
	(THB m)	(THB m)	(q-q%)	(THB m)	(y-y%)	(THB m)	(y-y%)
BBL	8,863	11,350	(21.9)	7,569	17.1	41,636	42.1
KBANK	9,388	11,282	(16.8)	3,191	194.2	42,405	18.6
KTB	6,111	10,282	(40.6)	8,109	(24.6)	36,616	8.7
SCB	10,995	9,663	13.8	7,143	53.9	43,521	15.9
TTB	4,867	4,735	2.8	3,849	26.5	18,463	30.1
KKP	670	1,281	(47.7)	1,430	(53.2)	5,444	(28.4)
TISCO	1,782	1,874	(5.0)	1,807	(1.4)	7,303	1.1
Coverage	42,675	50,467	(15.4)	33,098	28.9	195,387	18.2

Sources: Company data; FSSIA's compilation

Exhibit 3: 2023 earnings results of Thai banks under coverage

Year-end Dec 31	BBL	KBANK	KTB	SCB	TTB	KKP	TISCO	Coverage
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)
Net interest income	130,860	148,444	113,420	124,682	57,208	22,294	13,829	610,737
Change y-y%	28.0	11.6	25.5	15.6	10.8	16.8	8.6	18.1
Non-interest income	36,627	44,210	36,046	46,421	13,754	6,469	5,217	188,758
Change y-y%	(0.1)	9.8	3.0	(0.3)	(3.4)	(23.5)	(6.4)	1.1
Fee income - net	27,234	31,181	20,872	32,723	10,362	5,476	4,867	132,717
Change y-y%	(1.0)	(5.2)	2.7	(11.9)	(0.3)	(11.2)	(3.5)	(4.8)
Total operating income	167,487	192,654	149,466	171,103	70,962	28,763	19,046	799,495
Change y-y%	20.6	11.2	19.2	10.8	7.8	4.4	4.0	13.6
Total operating expenses	81,775	84,968	62,157	71,781	31,280	15,894	9,340	357,210
PPOP before tax	85,712	107,685	87,309	99,323	39,682	12,869	9,705	442,285
Change y-y%	22.7	9.3	23.6	17.5	10.5	(11.4)	(0.1)	15.3
Expected credit loss	33,667	51,840	37,085	43,600	22,199	6,082	613	195,087
Change y-y%	3.1	(0.2)	52.4	28.9	21.0	20.8	(15.1)	16.9
Income tax	9,993	10,778	9,902	11,955	(980)	1,331	1,789	44,767
Non-controlling interest	417	2,662	3,705	247	0	13	0	7,044
Net profit	41,636	42,405	36,616	43,521	18,463	5,444	7,303	195,387
Change y-y%	42.1	18.6	8.7	15.9	30.1	(28.4)	1.1	18.2
Key ratios	BBL	KBANK	KTB	SCB	TTB	KKP	TISCO	Coverage
Asset quality ratio	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)
Gross NPLs (THB m)	85,955	92,064	99,439	96,832	41,006	13,220	5,223	433,739
Change y-y%	(9.4)	5.4	1.1	1.3	1.8	(10.5)	0.2	(2.8)
NPL ratio (%)	3.22	3.70	3.86	3.99	3.09	3.31	2.22	3.58
Coverage ratio (%)	315	145	174	153	155	156	190	189
Credit cost (bp)	109	220	201	153	277	284	43	161
Profitability ratio	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)
Cost to income ratio	56.0	48.2	44.8	45.9	45.5	65.9	48.8	44.7
Average yield (%)	4.70	4.82	4.74	5.15	4.81	6.32	6.89	4.59
Cost of funds (%)	1.87	1.34	1.49	1.42	1.60	2.21	2.24	1.42
NIM (%)	3.14	3.84	3.45	3.96	3.42	4.36	5.07	3.42
Non-interest income/total income (%)	16.7	23.7	23.3	21.5	18.5	20.0	26.1	23.6
Liquidity ratio	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)
Loan to deposit	83.9	92.3	97.3	99.3	95.8	111.2	112.5	93.8
Loan to deposit & borrowing (LDBR)	78.7	84.1	91.8	95.1	86.6	93.3	103.9	87.2
Loan growth	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)
Year-on-year	(0.4)	(0.2)	(0.6)	2.1	(3.5)	5.7	7.2	0.1

Sources: Company Data; FSSIA's compilation

Exhibit 4: Summary of 2024-25E earnings revisions

2024E net profit								
	BBL	KBANK	KTB	SCB	TTB	KKP	TISCO	Coverage
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)
Current	42,037	44,510	37,621	44,063	16,351	5,798	6,732	197,112
Previous	46,452	44,969	39,929	44,846	17,822	6,779	7,881	208,678
Change	(9.50)	(1.00)	(5.80)	(1.70)	(8.30)	(14.50)	(14.60)	(5.54)
2025E net profit								
	BBL	KBANK	KTB	SCB	TTB	KKP	TISCO	Coverage
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)
Current	43,779	48,574	38,760	46,398	16,777	6,165	6,785	207,238
Previous	48,871	47,921	41,941	49,654	18,841	7,452	8,340	223,020
Change	(10.40)	1.40	(7.60)	(6.60)	(11.00)	(17.30)	(18.60)	(7.08)

Source: FSSIA estimates

Exhibit 5: Summary of revisions of GGM-based assumptions

	----- Change in GGM-based 2024 PBV (x) -----		----- Change in recommendations -----		Change
	Current	Previous	Current	Previous	
BBL	0.65	0.65	BUY	BUY	-
KBANK	0.60	0.60	HOLD	BUY	↓
KTB	0.65	0.81	HOLD	BUY	↓
SCB	0.80	0.81	BUY	BUY	-
TTB	0.90	0.73	BUY	HOLD	-
KKP	0.67	0.71	HOLD	HOLD	-
TISCO	1.79	1.90	HOLD	HOLD	-

Source: FSSIA estimates

Exhibit 6: SETBANK's valuations implied from seven banks under coverage as of 22 January 2024

	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E
Net profit (THB m)	167,006	156,017	111,916	145,315	165,342	195,387	197,113	207,238	217,633
EPS (THB)	39.6	37.1	25.5	33.2	34.7	41.1	40.8	42.8	45.0
Change y-y		-6.6%	-28.3%	29.8%	13.8%	18.2%	0.9%	5.1%	5.0%
P/E (x)	12.9	11.9	13.2	12.5	11.2	9.3	8.9	8.5	8.1
BVS (THB)	391.8	440.0	441.4	473.1	455.1	481.1	495.1	518.4	546.8
P/B (x)	1.3	1.0	0.8	0.9	0.9	0.8	0.7	0.7	0.7
ROE (%)	11.6	8.9	5.9	7.3	7.8	8.8	8.4	8.5	8.4
ROA (%)	1.3	1.1	0.7	0.8	0.9	1.1	1.0	1.1	1.1
Dividend yield (%)	2.9	3.8	2.3	2.5	3.6	4.3	4.5	4.7	4.8

Sources: Bloomberg; FSSIA estimates

Exhibit 7: NPL ratio of banks under coverage, 1Q22-4Q23

	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	Bank targets
	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	2023
BBL	3.96	3.96	3.83	3.62	3.73	3.46	3.48	3.22	~ 3.5 %
KBANK	4.39	4.43	3.59	3.74	3.60	3.83	3.58	3.70	< 3.25 %
KTB	4.01	3.96	4.01	3.90	3.97	3.83	3.74	3.86	< 3.5 %
SCB	4.57	4.34	3.92	4.01	3.97	3.84	3.89	3.99	N/A
TTB	3.09	2.97	3.01	3.03	3.09	2.99	2.96	3.09	≤ 2.9 %
KKP	3.11	3.26	3.29	3.45	3.56	3.74	3.69	3.31	~ 3.50 %
TISCO	2.15	2.20	2.08	2.09	2.13	2.20	2.25	2.22	< 2.5 %
Coverage	4.02	3.97	3.70	3.68	3.69	3.62	3.56	3.58	

Sources: Company Data; FSSIA's compilation

Exhibit 8: Credit cost of banks under coverage, 1Q22-4Q23

	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	2022	2023	Bank targets
	(bp)	(bp)	(bp)	(bp)	(bp)	(bp)	(bp)	(bp)	(bp)	(bp)	2023
BBL	100	128	145	116	127	133	132	109	124	126	~ 100 bp
KBANK	153	159	161	368	205	208	209	220	211	208	175 - 200 bp
KTB	83	86	86	116	125	120	125	201	93	143	~ 120 bp
SCB	151	175	132	120	166	201	201	153	145	182	120-140 bp
TTB	141	127	125	139	125	125	128	277	134	164	125-135 bp
KKP	169	138	182	305	233	292	304	284	202	284	~ 260-280 bp
TISCO	17	28	23	70	28	11	25	43	34	27	34 bp
Coverage	121	132	128	173	148	158	159	178	139	161	

Sources: Company Data; FSSIA's compilation

Exhibit 9: Summary of key valuations of Thailand banks under coverage as of 23 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)
Thailand													
Bangkok Bank	BBL TB	145.00	191.00	32	7,745.4	6.6	6.6	0.5	0.5	8.1	7.7	4.4	4.5
Kasikornbank	KBANK TB	121.00	140.00	16	8,022.6	6.9	6.6	0.5	0.5	8.2	8.1	4.0	4.3
Krung Thai Bank	KTB TB	16.30	19.90	22	6,375.0	6.2	6.1	0.6	0.5	9.4	9.0	4.7	4.8
SCB X	SCB TB	104.00	118.00	13	9,799.3	8.0	7.9	0.7	0.7	9.3	9.0	7.2	7.5
TMBThanachart Bank	TTB TB	1.79	2.19	22	4,852.1	9.4	10.6	0.8	0.7	8.2	7.0	5.3	5.3
Kiatnakin Bank	KKP TB	47.00	50.60	8	1,113.7	7.3	6.9	0.7	0.6	9.2	9.3	6.9	7.4
Tisco Financial Group	TISCO TB	97.00	97.00	0	2,173.3	10.6	11.5	1.8	1.8	17.1	15.7	8.2	8.2
Thailand weighted average					5,743	9.1	9.0	0.8	0.7	8.8	8.4	4.4	4.5
Hong Kong													
Industrial & Comm Bank of China	1398 HK	3.61	n/a	n/a	225,842.9	3.4	3.3	0.4	0.3	10.7	10.4	9.2	9.4
China Construction Bank	939 HK	4.41	n/a	n/a	146,765.3	3.1	3.0	0.3	0.3	11.5	11.1	9.6	9.9
HSBC Holdings	5 HK	59.20	n/a	n/a	144,810.4	5.8	5.7	0.9	0.8	15.7	15.5	8.7	10.5
Bank of China	3988 HK	2.84	n/a	n/a	149,049.6	3.6	3.4	0.4	0.3	10.2	9.9	8.9	9.2
Hong Kong average					166,617	4.0	3.9	0.5	0.4	12.0	11.7	9.1	9.7
China													
Industrial & Comm Bank of China	601398 CH	4.89	n/a	n/a	225,965.1	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	177,068.3	5.1	4.9	0.5	0.5	11.1	10.7	6.2	6.4
China Construction Bank	601939 CH	6.51	n/a	n/a	146,844.7	5.0	4.8	0.6	0.5	11.6	11.1	6.1	6.3
Bank of China	601988 CH	3.98	n/a	n/a	149,130.3	5.4	5.2	0.5	0.5	10.4	10.1	5.7	6.0
China average					174,752	5.1	4.9	0.5	0.5	10.9	10.6	6.1	6.3
South Korea													
KB Financial Group	105560 KS	51,400	n/a	n/a	15,880.1	4.2	4.0	0.4	0.4	9.5	9.1	6.1	6.5
Shinhan Financial Group	055550 KS	39,000	n/a	n/a	15,383.1	4.7	4.4	0.4	0.4	9.1	8.9	5.2	5.7
Hana Financial Group	086790 KS	42,900	n/a	n/a	9,631.6	3.6	3.4	0.3	0.3	9.8	9.7	7.8	8.4
Industrial Bank of Korea	024110 KS	11,700	n/a	n/a	7,055.1	3.6	3.5	0.3	0.3	9.4	9.2	8.3	8.8
South Korea average					11,987	4.0	3.8	0.4	0.3	9.5	9.2	6.8	7.3
Indonesia													
Bank Central Asia	BBCA IJ	9,600	n/a	n/a	74,403.6	23.9	22.0	4.8	4.4	21.1	20.8	2.4	2.7
Bank Rakyat Indonesia Persero	BBRI IJ	5,700	n/a	n/a	53,921.9	14.4	12.7	2.6	2.5	19.0	20.2	5.2	5.9
Bank Mandiri Persero	BMRI IJ	6,500	n/a	n/a	37,801.8	11.6	10.6	2.3	2.1	21.2	21.0	4.2	5.3
Bank Negara Indonesia Persero	BBNI IJ	5,425	n/a	n/a	12,914.3	9.6	8.4	1.4	1.2	15.0	15.5	4.3	5.0
Bank Syariah Indonesia	BRIS IJ	2,160	n/a	n/a	6,125.2	17.8	15.0	2.5	2.2	15.3	16.0	0.8	1.1
Indonesia average					37,033	15.5	13.7	2.7	2.5	18.3	18.7	3.4	4.0
Malaysia													
Malayan Banking	MAY MK	9.09	n/a	n/a	23,135.9	11.7	11.3	1.2	1.2	10.5	10.6	6.6	6.8
Public Bank	PBK MK	4.35	n/a	n/a	17,899.9	12.4	11.8	1.6	1.5	13.0	12.8	4.2	4.4
CIMB Group Holdings	CIMB MK	6.02	n/a	n/a	13,827.6	9.5	8.9	1.0	0.9	10.4	10.4	5.7	6.1
Hong Leong Bank	HLBK MK	19.12	n/a	n/a	8,784.6	10.3	9.8	1.2	1.1	12.1	11.4	3.4	3.4
RHB Bank	RHBBANK MK	5.60	n/a	n/a	5,076.9	8.3	8.1	0.8	0.7	9.6	9.3	6.9	7.2
Malaysia average					13,745	10.5	10.0	1.1	1.1	11.1	10.9	5.4	5.6
Singapore													
DBS Group Holdings	DBS SP	31.81	n/a	n/a	61,093.2	8.1	8.3	1.3	1.3	17.5	16.1	6.5	7.1
Oversea-Chinese Banking	OCBC SP	12.90	n/a	n/a	43,166.8	8.2	8.1	1.0	1.0	13.2	12.7	6.4	6.7
United Overseas Bank	UOB SP	28.04	n/a	n/a	34,655.0	8.2	8.0	1.0	1.0	13.3	12.9	6.1	6.4
Singapore average					46,305	8.1	8.1	1.1	1.1	14.6	13.9	6.4	6.7
Regional average (excl. Thailand)					72,249	8.3	7.7	1.1	1.0	12.8	12.6	6.0	6.5
Total average (incl. Thailand)					57,697	8.2	7.8	1.1	1.0	12.3	12.1	6.0	6.4

Sources: Company Data; FSSIA estimates

Disclaimer for ESG scoring

ESG score	Methodology	Rating																												
The Dow Jones Sustainability Indices (DJSI) By S&P Global	The DJSI World applies a transparent, rules-based component selection process based on the companies' Total Sustainability Scores resulting from the annual S&P Global Corporate Sustainability Assessment (CSA). Only the top-ranked companies within each industry are selected for inclusion.	Be a member and invited to the annual S&P Global Corporate Sustainability Assessment (CSA) for DJSI. Companies with an S&P Global ESG Score of less than 45% of the S&P Global ESG Score of the highest scoring company are disqualified. The constituents of the DJSI indices are selected from the Eligible Universe.																												
Sustainability Investment List (THSI) by The Stock Exchange of Thailand (SET)	THSI quantifies responsibility in Environmental and Social issues by managing business with transparency in Governance, updated annually. Candidates must pass the preemptive criteria, with two crucial conditions: 1) no irregular trading of the board members and executives; and 2) free float of >150 shareholders, and combined holding must be >15% of paid-up capital. Some key disqualifying criteria include: 1) CG score of below 70%; 2) independent directors and free float violation; 3) executives' wrongdoing related to CG, social & environmental impacts; 4) equity in negative territory; and 5) earnings in red for > 3 years in the last 5 years.	To be eligible for THSI inclusion , verified data must be scored at a minimum of 50% for each indicator, unless the company is a part of DJSI during the assessment year. The scoring will be fairly weighted against the nature of the relevant industry and materiality. SETTHSI Index is extended from the THSI companies whose 1) market capitalization > THB5b (~USD150b); 2) free float >20%; and 3) liquidity >0.5% of paid-up capital for at least 9 out of 12 months. The SETTHSI Index is a market capitalisation-weighted index, cap 5% quarterly weight at maximum, and no cap for number of stocks.																												
CG Score by Thai Institute of Directors Association (Thai IOD)	An indicator of CG strength in sustainable development, measured annually by the Thai IOD, with support from the Stock Exchange of Thailand (SET). The results are from the perspective of a third party, not an evaluation of operations.	Scores are rated in six categories: 5 for Excellent (90-100), 4 for Very Good (80-89), 3 for Good (70-79), 2 for Fair (60-69), 1 for Pass (60-69), and not rated for scores below 50. Weightings include: 1) the rights; 2) and equitable treatment of shareholders (weight 25% combined); 3) the role of stakeholders (25%); 4) disclosure & transparency (15%); and 5) board responsibilities (35%).																												
AGM level By Thai Investors Association (TIA) with support from the SEC	It quantifies the extent to which shareholders' rights and equitable treatment are incorporated into business operations and information is transparent and sufficiently disclosed. All form important elements of two out of five the CG components to be evaluated annually. The assessment criteria cover AGM procedures before the meeting (45%), at the meeting date (45%), and after the meeting (10%). <i>(The first assesses 1) advance circulation of sufficient information for voting; and 2) facilitating how voting rights can be exercised. The second assesses 1) the ease of attending meetings; 2) transparency and verifiability; and 3) openness for Q&A. The third involves the meeting minutes that should contain discussion issues, resolutions and voting results.)</i>	The scores are classified into four categories: 5 for Excellent (100), 4 for Very Good (90-99), 3 for Fair (80-89), and not rated for scores below 79.																												
Thai CAC By Thai Private Sector Collective Action Against Corruption (CAC)	The core elements of the Checklist include corruption risk assessment, establishment of key controls, and the monitoring and developing of policies. The Certification is good for three years. <i>(Companies deciding to become a CAC certified member start by submitting a Declaration of Intent to kick off an 18-month deadline to submit the CAC Checklist for Certification, including risk assessment, in place of policy and control, training of managers and employees, establishment of whistleblowing channels, and communication of policies to all stakeholders.)</i>	The document will be reviewed by a committee of nine professionals. A passed Checklist will move for granting certification by the CAC Council approvals whose members are twelve highly respected individuals in professionalism and ethical achievements.																												
Morningstar Sustainalytics	The Sustainalytics' ESG risk rating provides an overall company score based on an assessment of how much of a company's exposure to ESG risk is unmanaged. <i>Sources to be reviewed include corporate publications and regulatory filings, news and other media, NGO reports/websites, multi-sector information, company feedback, ESG controversies, issuer feedback on draft ESG reports, and quality & peer reviews.</i>	A company's ESG risk rating score is the sum of unmanaged risk. The more risk is unmanaged, the higher ESG risk is scored. <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>NEGL</th> <th>Low</th> <th>Medium</th> <th>High</th> <th>Severe</th> </tr> </thead> <tbody> <tr> <td>0-10</td> <td>10-20</td> <td>20-30</td> <td>30-40</td> <td>40+</td> </tr> </tbody> </table>	NEGL	Low	Medium	High	Severe	0-10	10-20	20-30	30-40	40+																		
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0-10	10-20	20-30	30-40	40+																										
ESG Book	The ESG score identifies sustainable companies that are better positioned to outperform over the long term. The methodology considers the principle of financial materiality including information that significantly helps explain future risk-adjusted performance. Materiality is applied by over-weighting features with higher materiality and rebalancing these weights on a rolling quarterly basis.	The total ESG score is calculated as a weighted sum of the features scores using materiality-based weights. The score is scaled between 0 and 100 with higher scores indicating better performance.																												
MSCI	MSCI ESG ratings aim to measure a company's management of financially relevant ESG risks and opportunities. It uses a rules-based methodology to identify industry leaders and laggards according to their exposure to ESG risks and how well they manage those risks relative to peers. <table border="0" style="margin-left: auto; margin-right: auto;"> <tr> <td style="text-align: right;">AAA</td> <td>8.571-10.000</td> <td style="text-align: right;">Leader:</td> <td>leading its industry in managing the most significant ESG risks and opportunities</td> </tr> <tr> <td style="text-align: right;">AA</td> <td>7.143-8.570</td> <td></td> <td></td> </tr> <tr> <td style="text-align: right;">A</td> <td>5.714-7.142</td> <td></td> <td></td> </tr> <tr> <td style="text-align: right;">BBB</td> <td>4.286-5.713</td> <td style="text-align: right;">Average:</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 style="text-align: right;">BB</td> <td>2.857-4.285</td> <td></td> <td></td> </tr> <tr> <td style="text-align: right;">B</td> <td>1.429-2.856</td> <td></td> <td></td> </tr> <tr> <td style="text-align: right;">CCC</td> <td>0.000-1.428</td> <td style="text-align: right;">Laggard:</td> <td>lagging its industry based on its high exposure and failure to manage significant ESG risks</td> </tr> </table>	AAA	8.571-10.000	Leader:	leading its industry in managing the most significant ESG risks and opportunities	AA	7.143-8.570			A	5.714-7.142			BBB	4.286-5.713	Average:	a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers	BB	2.857-4.285			B	1.429-2.856			CCC	0.000-1.428	Laggard:	lagging its industry based on its high exposure and failure to manage significant ESG risks	
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Moody's ESG solutions	Moody's assesses the degree to which companies take into account ESG objectives in the definition and implementation of their strategy policies. It believes that a company integrating ESG factors into its business model and relatively outperforming its peers is better positioned to mitigate risks and create sustainable value for shareholders over the medium to long term.																													
Refinitiv ESG rating	Designed to transparently and objectively measure a company's relative ESG performance, commitment and effectiveness across 10 main themes, based on publicly available and auditable data. The score ranges from 0 to 100 on relative ESG performance and insufficient degree of transparency in reporting material ESG data publicly. <i>(Score ratings are 0 to 25 = poor; >25 to 50 = satisfactory; >50 to 75 = good; and >75 to 100 = excellent.)</i>																													
S&P Global	The S&P Global ESG Score is a relative score measuring a company's performance on and management of ESG risks, opportunities, and impacts compared to its peers within the same industry classification. The score ranges from 0 to 100.																													
Bloomberg	ESG Score	Bloomberg score evaluating the company's aggregated Environmental, Social and Governance (ESG) performance. The score is based on Bloomberg's view of ESG financial materiality. The score is a weighted generalized mean (power mean) of Pillar Scores, where the weights are determined by the pillar priority ranking. Values range from 0 to 10; 10 is the best.																												
Bloomberg	ESG Disclosure Score	Disclosure of a company's ESG used for Bloomberg ESG score. The score ranges from 0 for none to 100 for disclosure of every data point, measuring the amount of ESG data reported publicly, and not the performance on any data point.																												

Rating regarding the sustainable development of Thai listed companies, both on the SET and MAI, are publicly available on the website of the Securities and Exchange Commission of Thailand (SEC). Currently, ratings available are 1) **"CG Score"**; 2) **"AGM Level"**; 3) **"Thai CAC"**; and 4) **THSI**. The ratings are updated on an annual basis. FSSIA does not confirm nor certify the accuracy of such ratings.

Source: FSSIA's compilation

GENERAL DISCLAIMER

ANALYST(S) CERTIFICATION

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

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.

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Company	Ticker	Price	Rating	Valuation & Risks
Kasikornbank	KBANK TB	THB 121.00	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) government stimulus projects leading to an economic recovery; and 2) rising NIM from well-controlled cost of funds.
Bangkok Bank	BBL TB	THB 145.00	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.
Krung Thai Bank	KTB TB	THB 16.30	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 104.00	BUY	Downside risks to our GGM-based TP are 1) prolonged economic sluggishness affecting loan growth and asset quality; and 2) the impact of new regulations from the Bank of Thailand.
TMBThanachart Bank	TTB TB	THB 1.79	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 47.00	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 97.00	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.

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 Finasia Syrus Securities Public Company Limited.

All share prices are as at market close on 23-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.