

# Thailand Banks

## 1Q24E profit recovery amid sluggish core business

- We expect the seven banks under our coverage to post a recovery in aggregate net profit in 1Q24, supported by decreasing ECL and OPEX.
- Asset quality is still a cause for concern, but it could be manageable.
- Lack of positive catalysts with sluggish net profit growth in 2024-26 expected; reiterate UNDERWEIGHT rating, with TTB as a top Buy.

### Recovering 1Q24E profit supported by lower ECL and OPEX

We expect the seven banks under our coverage to post a recovery in aggregate net profit totaling THB50.6b in 1Q24, increasing by 18.6% q-q and 1.1% y-y. For the q-q comparison, we project all banks to post a net profit increase except for TISCO, which should see a slight decline. KTB and KKP should become the best performers after being the worst in 4Q23. For the y-y comparison, we expect all banks to post net profit growth except for KKP and TISCO, which should post y-y declines, with TTB performing the best and KKP performing the worst. The increase in q-q net profit should come from declining operating expenses post-seasonal effect in 4Q23 and ECL, outweighing lower non-NII and a relatively flat NII.

### Manageable asset quality despite rising concerns about ITD issue

We still have concerns about asset quality in 1Q24, with new NPL formations expected to climb continually from 4Q23. This would mainly come from the stubborn SME and retail segments following the retirement of the debt moratorium program at year-end 2023, aligning with the emergence of ITD issues. However, we view this as manageable. Most banks' management have been taking proactive measures and setting aside ample credit costs in 4Q23. For ITD, the creditor banks, particularly big banks, have already put aside extra reserves and reclassified them as stage 2 loans. Therefore, we anticipate a slight uptick in the 1Q24 NPL ratio of our covered banks to 3.61%, whereas we project reduced credit costs to 157bp from 178bp in 4Q23, bringing the 1Q24 coverage ratio to 194% from 189% in 4Q23.

### Lack of positive catalysts with sluggish net profit growth projected in 2024-26

We estimate an aggregate 2024 net profit of THB194.5b, a slight decrease of 0.4% y-y, 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, with 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. For 2025-26, we expect net profit growth of c5.0% p.a. based on our conservative assumptions, loan growth, and fee income.

### Maintain UNDERWEIGHT call with TTB as our top BUY

We retain our Thailand banking sector UNDERWEIGHT call. 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. In addition, we have a more positive view of KTB (TP THB19.90) following our reduced concern over its asset quality, leading to a recommendation upgrade to BUY post 2023 analyst meeting.



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## Recovering 1Q24E profit supported by lower ECL and OPEX

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### Exhibit 1: 1Q24 earnings preview of Thai banks under coverage

	1Q24E	4Q23	Change	1Q23	Change	2024E	Change
	(THB m)	(THB m)	(q-q%)	(THB m)	(y-y%)	(THB m)	(y-y %)
BBL	10,435	8,863	17.7	10,129	3.0	42,037	1.0
KBANK	10,973	9,388	16.9	10,741	2.2	41,942	(1.1)
KTB	10,193	6,111	66.8	10,067	1.3	37,621	2.7
SCB	11,060	10,995	0.6	10,995	0.6	44,063	1.2
TTB	5,382	4,867	10.6	4,295	25.3	16,351	(11.4)
KKP	824	670	22.9	2,085	(60.5)	5,798	6.5
TISCO	1,764	1,782	(0.9)	1,793	(1.6)	6,732	(7.8)
<b>Coverage</b>	<b>50,630</b>	<b>42,673</b>	<b>18.6</b>	<b>50,104</b>	<b>1.1</b>	<b>194,545</b>	<b>(0.4)</b>

Sources: Company data; FSSIA estimates

### Exhibit 2: NPL ratio, 1Q22-1Q24E

	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24E	Banks' targets
	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	2024E
BBL	3.96	3.96	3.83	3.62	3.73	3.46	3.48	3.22	3.26	±3.0
KBANK	4.39	4.43	3.59	3.74	3.60	3.83	3.58	3.70	3.79	< 3.25
KTB	4.01	3.96	4.01	3.90	3.97	3.83	3.74	3.86	3.85	< 3.25
SCB	4.57	4.34	3.92	4.01	3.97	3.84	3.89	3.99	4.01	n/a
TTB	3.09	2.97	3.01	3.03	3.09	2.99	2.96	3.09	3.12	≤ 2.9
KKP	3.11	3.26	3.29	3.45	3.56	3.74	3.69	3.31	3.25	~3.5-3.7
TISCO	2.15	2.20	2.08	2.09	2.13	2.20	2.25	2.22	2.30	2.50-2.75
<b>Coverage</b>	<b>4.02</b>	<b>3.97</b>	<b>3.70</b>	<b>3.68</b>	<b>3.69</b>	<b>3.62</b>	<b>3.56</b>	<b>3.58</b>	<b>3.61</b>	

Sources: Company data; FSSIA estimates

### Exhibit 3: Credit cost, 1Q22-2024E

	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24E	2022	2023	2024E	Banks' targets
	(bp)	(bp)	(bp)	(bp)	(bp)	(bp)	(bp)	(bp)	(bp)	(bp)	(bp)	(bp)	2024E
BBL	100	128	145	116	127	133	132	109	149	124	126	129	~ 90-100
KBANK	153	159	161	368	205	208	209	220	200	211	208	200	175-195
KTB	83	86	86	116	125	120	125	201	132	93	143	140	120-130
SCB	151	175	132	120	166	201	201	153	170	145	182	180	160-180
TTB	141	127	125	139	125	125	128	277	145	134	164	135	125-135
KKP	169	138	182	305	233	292	304	284	270	201	282	260	~ 250-270
TISCO	17	28	23	70	28	11	25	43	44	34	27	50	~ 100
<b>Coverage</b>	<b>121</b>	<b>132</b>	<b>128</b>	<b>173</b>	<b>148</b>	<b>158</b>	<b>159</b>	<b>178</b>	<b>157</b>	<b>139</b>	<b>161</b>	<b>156</b>	

Sources: Company data; FSSIA estimates

## Exhibit 4: Aggregate banks – 1Q24E earnings preview

Year-end 31 Dec	1Q23	2Q23	3Q23	4Q23	1Q24E	----- Change -----		2024E	Change
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)	(THB m)	(y-y %)
Net interest income	141,527	149,783	157,561	161,865	162,721	0.5	15.0	624,592	2.3
Non-interest income	49,994	50,687	44,609	43,454	41,314	(4.9)	(17.4)	194,698	3.2
Fee income - net	34,453	32,865	33,258	32,140	31,800	(1.1)	(7.7)	134,913	1.7
Total operating income	191,520	200,470	202,170	205,318	204,035	(0.6)	6.5	819,290	2.5
Total operating expenses	81,874	86,033	88,639	100,649	92,253	(8.3)	12.7	376,248	5.3
PPOP before tax	109,646	114,437	113,532	104,669	111,783	6.8	1.9	443,042	0.2
Expected credit loss	44,726	47,701	48,343	54,320	47,442	(12.7)	6.1	191,337	(1.9)
Income tax	12,922	12,837	13,233	5,775	11,837	105.0	(8.4)	49,958	11.6
Non-controlling interest	1,895	1,758	1,490	1,902	1,873	(1.5)	(1.1)	7,202	2.2
<b>Net profit</b>	<b>50,104</b>	<b>52,140</b>	<b>50,467</b>	<b>42,673</b>	<b>50,630</b>	<b>18.6</b>	<b>1.1</b>	<b>194,545</b>	<b>(0.4)</b>
EPS (THB)	10.53	10.96	10.60	8.97	10.64	18.6	1.1	40.16	(2.4)
<b>Key ratios</b>	<b>1Q23</b>	<b>2Q23</b>	<b>3Q23</b>	<b>4Q23</b>	<b>1Q24E</b>	<b>----- Change -----</b>		<b>2024E</b>	<b>Change</b>
Asset quality ratio	(%)	(%)	(%)	(%)	(%)	(q-q%)	(y-y%)	(%)	(y-y%)
Gross NPLs (THB m)	445,154	439,669	436,408	433,738	436,455	0.6	(2.0)	453,490	4.6
Change (% from prior period)	(0.3)	(1.2)	(0.7)	(0.6)	0.6			4.6	
NPL ratio (%)	3.69	3.62	3.56	3.58	3.61			3.64	
Coverage ratio (%)	183	184	187	189	194			188	
Credit cost (bp)	148	158	159	178	157			156	
<b>Profitability ratio</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>			<b>(%)</b>	
Cost-to-income ratio	42.7	42.9	43.8	49.0	45.2			45.9	
Average yield (%)	4.22	4.50	4.74	4.91	5.01			4.73	
Cost of funds (%)	1.25	1.38	1.46	1.59	1.69			1.62	
NIM (%)	3.19	3.37	3.53	3.60	3.62			3.41	
Non-interest income/total income (%)	26.1	25.3	22.1	21.2	20.2			23.8	
<b>Liquidity ratio</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>			<b>(%)</b>	
Loan to deposit	92.7	94.2	95.0	93.8	94.2			93.9	
Loan to deposit & borrowing (LDBR)	86.8	87.7	88.1	87.2	87.0			87.5	
<b>Loan growth</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>			<b>(%)</b>	
q-q	(0.6)	0.8	0.8	(0.9)	(0.3)				
y-y	1.0	0.6	0.5	0.1	0.4			2.6	
Year-to-date	(0.6)	0.2	1.0	0.1	(0.3)				

Sources: Company data; FSSIA estimates

## Exhibit 5: Aggregate banks – 1Q24E earnings preview

Year-end Dec 31	BBL (THB m)	KBANK (THB m)	KTB (THB m)	SCB (THB m)	TTB (THB m)	KKP (THB m)	TISCO (THB m)	Coverage (THB m)
Net interest income	35,900	39,356	30,195	33,550	14,862	5,352	3,506	162,721
Change q-q%	2.1	1.3	(0.6)	0.4	(0.6)	(3.8)	(1.7)	0.5
Change y-y%	19.4	12.8	17.9	15.9	10.1	2.5	6.7	15.0
Non-interest income	7,343	9,209	9,462	9,149	3,350	1,561	1,241	41,314
Change q-q%	4.7	(23.6)	2.5	0.2	(1.0)	12.0	(1.5)	(4.9)
Change y-y%	(28.1)	(21.3)	(2.0)	(23.5)	(0.5)	(9.2)	(10.3)	(17.4)
Fee income - net	6,809	7,399	5,424	7,069	2,589	1,321	1,190	31,800
Change q-q%	0.6	(2.0)	(0.2)	(1.4)	(1.9)	(0.9)	(4.9)	(1.1)
Change y-y%	(4.4)	(8.8)	5.6	(20.7)	1.2	(1.7)	(6.1)	(7.7)
Total operating income	43,243	48,565	39,657	42,699	18,212	6,913	4,747	204,035
Change q-q%	2.5	(4.6)	0.2	0.4	(0.7)	(0.6)	(1.6)	(0.6)
Change y-y%	7.3	4.3	12.4	4.4	8.0	(0.4)	1.6	6.5
Total operating expenses	20,050	21,424	17,330	18,630	8,030	4,503	2,285	92,253
Change q-q%	(15.1)	(12.6)	(2.3)	(4.5)	(3.7)	(1.8)	(2.9)	(8.3)
Change y-y%	6.4	8.2	27.0	11.2	10.0	39.0	0.1	12.7
PPOP before tax	23,193	27,141	22,327	24,069	10,182	2,409	2,462	111,783
Change q-q%	24.9	2.9	2.2	4.5	1.9	1.6	(0.4)	6.8
Change y-y%	8.2	1.3	3.3	(0.3)	6.4	(34.9)	3.1	1.9
Expected credit loss	10,000	12,350	8,500	10,282	4,800	1,250	260	47,442
Change q-q%	36.2	(9.0)	(35.0)	10.2	(48.5)	(12.5)	3.9	(12.7)
Change y-y%	18.0	(2.7)	4.9	3.6	12.3	14.0	67.3	6.1
Income tax	2,678	3,017	2,724	2,647	0	333	438	11,837
Non-controlling interest	80	800	910	80	(0)	3	0	1,873
<b>Net profit</b>	<b>10,435</b>	<b>10,973</b>	<b>10,193</b>	<b>11,060</b>	<b>5,382</b>	<b>824</b>	<b>1,764</b>	<b>50,630</b>
Change q-q%	17.7	16.9	66.8	0.6	10.6	22.9	(0.9)	18.6
Change y-y%	3.0	2.2	1.3	0.6	25.3	(60.5)	(1.6)	1.1
<b>EPS (THB)</b>	<b>5.47</b>	<b>4.63</b>	<b>0.73</b>	<b>3.28</b>	<b>0.06</b>	<b>0.97</b>	<b>2.20</b>	<b>10.64</b>

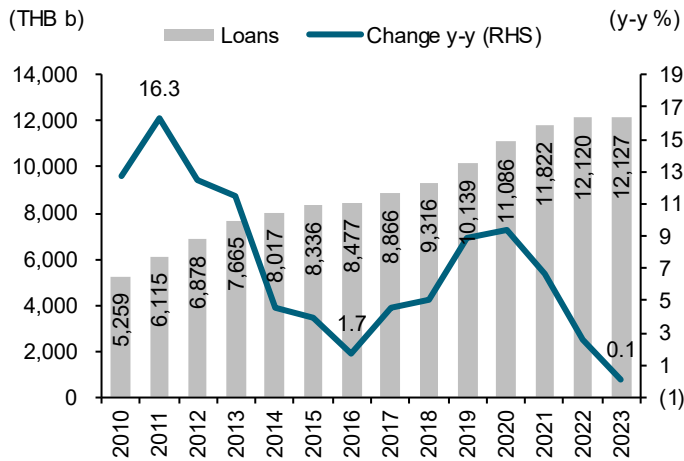
Sources: Company data; FSSIA estimates

## Exhibit 6: Staged loans and ECL of banks under coverage, 2021-23

	2021 (THB b)	2022 (THB b)	2023 (THB b)	2021 (%)	2022 (%)	2023 (%)
<b>Staged loans</b>				<b>% Staged loan</b>		
Stage 1	11,057	11,317	11,245	88.8	89.4	89.4
Stage 2	908	889	896	7.3	7.0	7.1
Stage 3	489	458	438	3.9	3.6	3.5
Total	12,453	12,664	12,579	100.0	100.0	100.0
<b>Allowance for ECL</b>				<b>% ECL to loan</b>		
Stage 1	246	262	271	2.2	2.3	2.4
Stage 2	237	252	275	26.0	28.3	30.7
Stage 3	287	276	268	58.7	60.3	61.2
Total	769	790	814	6.2	6.2	6.5
<b>LLR / Loans</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>			
Stage 1	2.2	2.3	2.4			
Stage 2	26.0	28.3	30.7			
Stage 3	58.7	60.3	61.2			
Total	6.2	6.2	6.5			
	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>			
NPL / TL	3.9	3.6	3.5			
NPL vs. Stage 2 loans / TL	11.2	10.6	10.6			
LLR / NPL	157	173	186			
LLR / (NPL vs. Stage 2)	55	59	61			

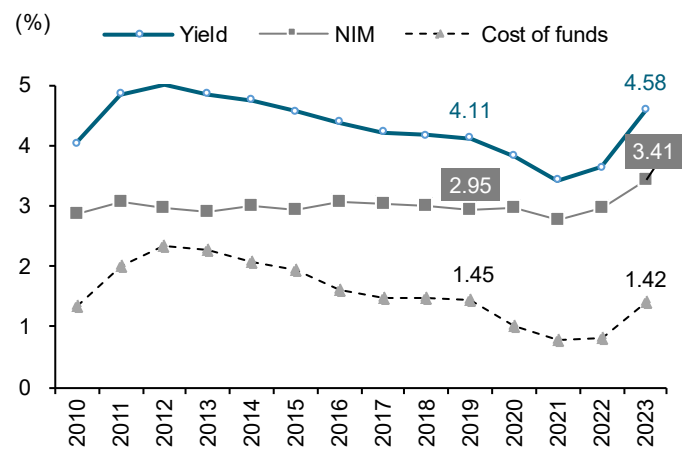
Sources: Company data; FSSIA's compilation

**Exhibit 7: Loan growth, 2010-23**



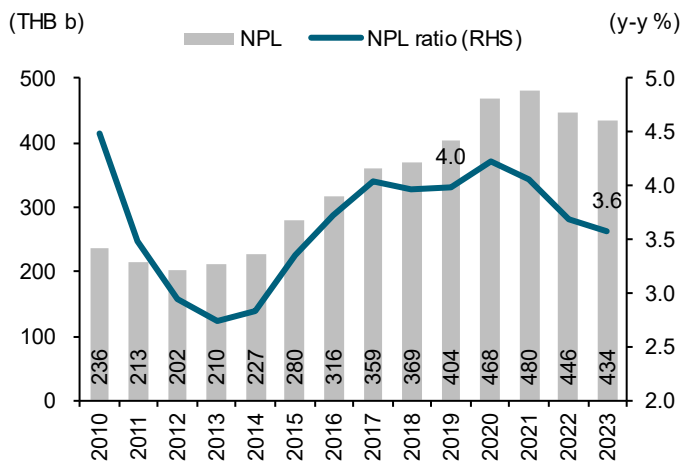
Sources: Company data; FSSIA's compilation

**Exhibit 8: Yield, cost of funds, and spreads, 2010-23**



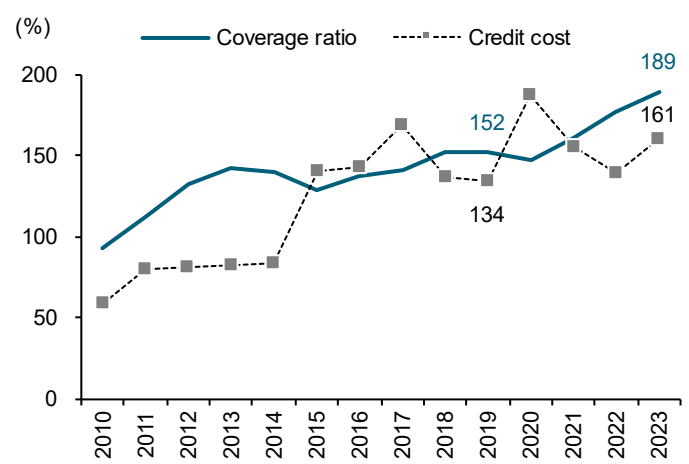
Sources: Company data; FSSIA's compilation

**Exhibit 9: NPLs and NPL ratio, 2010-23**



Sources: Company data; FSSIA's compilation

**Exhibit 10: Coverage ratio and credit cost, 2010-23**



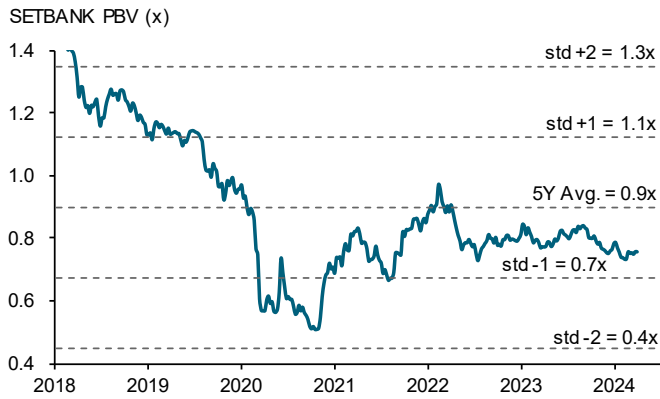
Sources: Company data; FSSIA's compilation

**Exhibit 11: Thai banks – key financial summary, as of 26 March 2024**

	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E
Net profit (THB m)	167,006	156,017	111,916	145,315	165,342	195,385	194,545	204,315	215,148
EPS (THB)	39.7	35.6	25.5	33.2	34.7	41.15	40.2	42.2	44.4
Change y-y	9.2%	-10.3%	-28.3%	29.8%	4.8%	18.4%	-2.4%	5.0%	5.3%
P/E (x)	11.1	9.5	13.2	12.5	11.2	9.3	9.3	8.9	8.4
BVS (THB)	393.2	422.3	441.4	473.1	455.1	479.0	490.4	511.1	536.9
P/B (x)	1.1	0.8	0.8	0.9	0.9	0.8	0.8	0.7	0.7
ROE (%)	10.4	8.9	5.9	7.3	7.8	8.8	8.4	8.4	8.5
ROA (%)	1.2	1.1	0.7	0.8	0.9	1.1	1.0	1.1	1.1
Dividend yield (%)	3.4	4.8	2.3	2.5	3.6	5.2	4.9	5.2	5.4

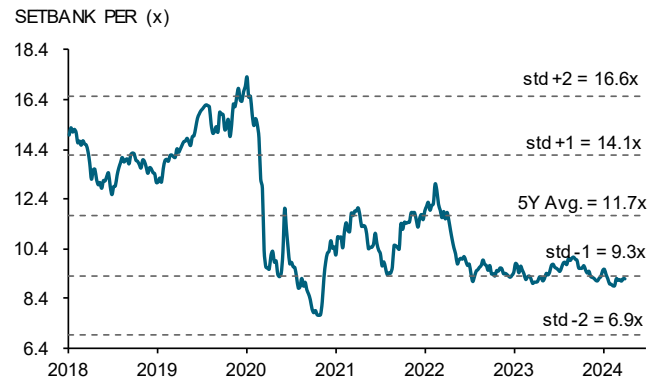
Sources: Company data; FSSIA estimates

Exhibit 12: SETBANK – one-year prospective P/BV band



Sources: Bloomberg; FSSIA estimates

Exhibit 13: SETBANK – one-year prospective PER band



Sources: Bloomberg; FSSIA estimates

Exhibit 14: Peer regional banks comparison, as of 26 March 2024

Company name	BBG code	Share price (LCY)	Target price (LCY)	Upside (%)	Market Cap. (USD b)	24E PE (x)	25E PE (x)	24E PBV (x)	25E PBV (x)	24E ROE (%)	25E ROE (%)	24E Div yld (x)	25E Div yld (x)
<b>Thailand</b>													
Bangkok Bank	BBL TB	140.00	191.00	36	7,364	6.4	6.1	0.5	0.5	7.7	7.6	4.6	4.8
Kasikornbank	KBANK TB	125.00	140.00	12	8,162	6.8	6.2	0.5	0.5	8.1	8.4	4.2	4.6
Krung Thai Bank	KTB TB	16.90	19.90	18	6,509	6.3	6.1	0.6	0.5	9.1	8.8	5.3	5.4
SCB X	SCB TB	114.50	118.00	3	10,625	8.7	8.3	0.8	0.7	9.0	9.1	6.8	7.0
TMBThanachart Bank	TTB TB	1.84	2.19	19	4,912	10.9	10.6	0.8	0.7	7.0	7.0	5.2	5.3
Kiatnakin Bank	KKP TB	51.00	50.60	(1)	1,190	7.4	7.0	0.7	0.6	9.3	9.4	6.9	7.4
Tisco Financial Group	TISCO TB	99.50	97.00	(3)	2,195	11.8	11.7	1.8	1.8	15.7	15.6	8.0	8.0
<b>Thailand weighted average</b>					<b>5,739</b>	<b>9.3</b>	<b>8.8</b>	<b>0.8</b>	<b>0.7</b>	<b>8.4</b>	<b>8.4</b>	<b>5.0</b>	<b>5.2</b>
<b>Hong Kong</b>													
Industrial & Comm Bank of China	1398 HK	4.00	n/a	n/a	243,851	3.7	3.5	0.4	0.3	10.2	10.0	8.5	8.9
China Construction Bank	939 HK	4.87	n/a	n/a	158,271	3.3	3.1	0.3	0.3	10.9	10.6	9.1	9.6
HSBC Holdings	5 HK	61.75	n/a	n/a	149,719	6.3	6.5	0.8	0.8	14.5	12.3	9.9	7.8
Bank of China	3988 HK	3.26	n/a	n/a	164,913	4.0	3.8	0.4	0.3	9.7	9.5	7.8	8.2
<b>Hong Kong average</b>					<b>179,189</b>	<b>4.3</b>	<b>4.2</b>	<b>0.5</b>	<b>0.4</b>	<b>11.3</b>	<b>10.6</b>	<b>8.8</b>	<b>8.6</b>
<b>China</b>													
Industrial & Comm Bank of China	601398 CH	5.33	n/a	n/a	244,187	5.2	5.0	0.5	0.5	10.4	10.1	6.0	6.2
Agricultural Bank of China	601288 CH	4.23	n/a	n/a	202,265	5.6	5.3	0.6	0.5	10.7	10.5	5.5	5.9
China Construction Bank	601939 CH	6.94	n/a	n/a	158,475	5.1	4.8	0.5	0.5	11.1	10.8	5.9	6.3
Bank of China	601988 CH	4.44	n/a	n/a	165,140	5.8	5.6	0.5	0.5	9.9	9.6	5.4	5.7
<b>China average</b>					<b>192,517</b>	<b>5.4</b>	<b>5.2</b>	<b>0.5</b>	<b>0.5</b>	<b>10.5</b>	<b>10.3</b>	<b>5.7</b>	<b>6.0</b>
<b>South Korea</b>													
KB Financial Group	105560 KS	71,800	n/a	n/a	21,346	5.5	5.0	0.5	0.4	8.7	9.0	4.6	5.1
Shinhan Financial Group	055550 KS	49,750	n/a	n/a	18,370	5.3	4.9	0.4	0.4	8.7	8.7	4.6	4.9
Hana Financial Group	086790 KS	61,400	n/a	n/a	13,182	4.8	4.5	0.4	0.4	9.3	9.2	6.0	6.4
Industrial Bank of Korea	024110 KS	15,200	n/a	n/a	8,941	4.4	4.2	0.4	0.4	9.0	8.9	7.0	7.4
<b>South Korea average</b>					<b>15,460</b>	<b>5.0</b>	<b>4.6</b>	<b>0.4</b>	<b>0.4</b>	<b>8.9</b>	<b>8.9</b>	<b>5.6</b>	<b>5.9</b>
<b>Indonesia</b>													
Bank Central Asia	BBCA IJ	10,050	n/a	n/a	78,308	23.1	21.2	4.6	4.2	21.0	20.8	2.6	2.8
Bank Rakyat Indonesia Persero	BBRI IJ	6,300	n/a	n/a	60,352	14.0	12.5	2.8	2.7	21.0	22.0	5.5	6.2
Bank Mandiri Persero	BMRI IJ	7,175	n/a	n/a	42,475	11.5	10.6	2.3	2.1	21.5	21.3	4.9	5.3
Bank Negara Indonesia Persero	BBNI IJ	5,950	n/a	n/a	14,086	9.4	8.4	1.4	1.2	15.1	15.5	4.7	5.4
Bank Syariah Indonesia	BRIS IJ	2,680	n/a	n/a	7,989	19.1	16.4	2.9	2.6	16.3	16.7	0.9	1.1
<b>Indonesia average</b>					<b>40,642</b>	<b>15.4</b>	<b>13.8</b>	<b>2.8</b>	<b>2.5</b>	<b>19.0</b>	<b>19.3</b>	<b>3.7</b>	<b>4.2</b>
<b>Malaysia</b>													
Malayan Banking	MAY MK	9.69	n/a	n/a	24,773	11.9	11.4	1.2	1.2	10.4	10.5	6.3	6.5
Public Bank	PBK MK	4.25	n/a	n/a	17,396	11.7	11.1	1.4	1.3	12.5	12.4	4.7	4.9
CIMB Group Holdings	CIMB MK	6.50	n/a	n/a	14,665	9.2	8.7	1.0	0.9	10.7	10.8	6.1	6.3
Hong Leong Bank	HLBK MK	19.38	n/a	n/a	8,901	9.9	9.2	1.1	1.0	11.5	11.4	3.4	3.7
RHB Bank	RHBBANK MK	5.64	n/a	n/a	5,122	8.4	8.0	0.7	0.7	9.2	9.3	7.2	7.5
<b>Malaysia average</b>					<b>14,171</b>	<b>10.2</b>	<b>9.7</b>	<b>1.1</b>	<b>1.0</b>	<b>10.8</b>	<b>10.9</b>	<b>5.5</b>	<b>5.8</b>
<b>Singapore</b>													
DBS Group Holdings	DBS SP	36.08	n/a	n/a	70,127	9.6	9.6	1.5	1.4	16.0	15.3	6.4	6.9
Oversea-Chinese Banking	OCBC SP	13.70	n/a	n/a	46,134	8.7	8.6	1.1	1.0	12.8	12.1	6.1	6.2
United Overseas Bank	UOB SP	29.25	n/a	n/a	36,936	8.5	8.3	1.1	1.0	12.6	12.4	6.0	6.2
<b>Singapore average</b>					<b>51,066</b>	<b>8.9</b>	<b>8.8</b>	<b>1.2</b>	<b>1.2</b>	<b>13.8</b>	<b>13.3</b>	<b>6.2</b>	<b>6.4</b>
<b>Regional average (excl. Thailand)</b>					<b>79,037</b>	<b>8.6</b>	<b>8.0</b>	<b>1.2</b>	<b>1.1</b>	<b>12.5</b>	<b>12.4</b>	<b>5.8</b>	<b>6.1</b>
<b>Total average (incl. Thailand)</b>					<b>63,027</b>	<b>8.5</b>	<b>8.0</b>	<b>1.1</b>	<b>1.0</b>	<b>11.9</b>	<b>11.7</b>	<b>5.8</b>	<b>6.1</b>

Sources: Bloomberg; FSSIA estimates

## Disclaimer for ESG scoring

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

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



## GENERAL DISCLAIMER

### ANALYST(S) CERTIFICATION

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

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
Bangkok Bank	BBL TB	THB 140.00	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 125.00	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) a rising NIM from well-controlled cost of funds.
Krung Thai Bank	KTB TB	THB 16.90	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 114.50	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.
TMBThanachart Bank	TTB TB	THB 1.84	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 51.00	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 99.50	HOLD	Downside risks to our GGM-based TP are 1) prolonged economic sluggishness affecting loan growth and asset quality; and 2) the impact of new regulations from the Bank of Thailand. Upside risks are 1) aggressive loan growth; and 2) well-controlled asset quality.

Source: FSSIA estimates

### Additional Disclosures

Target price history, stock price charts, valuation and risk details, and equity rating histories applicable to each company rated in this report is available in our most recently published reports. You can contact the analyst named on the front of this note or your representative at Finansia Syrus Securities Public Company Limited.

All share prices are as at market close on 26-Mar-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.