

Thailand Banks

Lower ECLs and OPEX supported the 1Q24 profit recovery

- The seven banks under our coverage delivered a recovery in their aggregate 1Q24 net profit, exceeding our estimate and the consensus.
- We retain our conservative approach on the 2024-26 net profit growth, aligning with their guidance, which shows a more cautious view on the 2024 loan growth and high credit cost.
- We maintain an UNDERWEIGHT call for the banking sector, with TTB as our top pick.

1Q24 net profit beat our forecast and consensus

The seven banks under our coverage delivered a recovery in 1Q24. Their aggregate net profit amounted to THB54.9b (+28.8% q-q, +9.7% y-y), exceeding our forecast by 9% and the consensus by 5%. PPOP also increased by 9.3% q-q and 4.4% y-y to THB114.4b. The increase in q-q net profit came from a decline in 1) operating expenses post-seasonal effect 4Q23 and 2) ECLs and credit costs. In addition, non-NII, particularly FVTPL investment gain, performed much better than expected, producing positive effects that outpaced a decrease in NII and NIM.

Most banks showed q-q growth in net profit, with KKP as the best performer

For a q-q comparison, all banks posted a net profit increase except for TISCO, which showed a slight decline. KKP, KTB, KBANK, and BBL were top performers, while TISCO was the worst. For a y-y comparison, all reported net profit growth except KKP and TISCO, which marked a y-y decline, with TTB and KBANK performing the best and KKP performing the worst.

2024-26 outlook: continued focusing on asset quality with cautious guidance

Following upward revisions of TTB's 2024-26 earnings forecast, our aggregate 2024E net profit increased by 1.7% from our previous estimate to THB197.7b, a slight increase of 1.2% 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 more cautious view on loan growth, with NIM ranging from flat to contracting, flat-to-low single-digit non-NII and fee income growth, and a stubbornly high level of ECLs and credit costs. For 2025-26, we expect a more remarkable net profit growth of 5.3-5.6% y-y, based on our conservative assumptions for loan growth, fee income, and a gradual reduction in credit costs.

Maintain Underweight call with TTB as our top Buy

We retain our UNDERWEIGHT call on the Thai banking sector. We pick TTB (TP THB2.19) as our top BUY based on limited downside risks on the earnings from its remaining tax benefits of THB14.1b and an attractive dividend yield of c5-6% p.a. In addition, we prefer KT (TP THB19.90) to KBANK (TP THB140), following our reduced concern over its asset quality and more attractive dividend yields of 5-6% p.a. Finally, we pick SCB (TP THB120) as a dividend play following its outstanding yields of 10-11% p.a. under an 80% payout ratio assumption.



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2024-26 outlook: rate hike benefits to further dwindle

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Highlights:

(-) Net interest income and NIM were worse than expected despite well-performed loan growth of 0.7% q-q and 1.4% y-y, mainly from an increase in private corporate (in most big banks), government and SOE (KTB), and the high-yield segment. NII dropped by 3.4% q-q but rose by 10.5% y-y, amounting to THB156B. In addition, NIM also decreased by 13bp to 3.47% in 1Q24, due mainly to lower loan yields, aligning with low-yield loan expansion. By contrast, the cost of funds continued to rise by 4bp to 1.63%, following term-deposit interest-rate repricing. TISCO, KKP, BBL, TTB, KTB, and SCB showed a reduction in NIM below or close to the industry's average, while KBANK posted a minor decrease.

(+) Non-NII, particularly net fee income, was better than expected. Net fee income grew by 4.1% q-q but dropped by 2.9% y-y, amounting to THB33.4b, due mainly to bancassurance (in most big banks) and mutual fund fee expansion. However, economic uncertainties dulled core transactional and loan-related fees. SCB and KBANK performed the best in net fee growth, while KKP, TTB, and TISCO performed the worst. Other non-NII, particularly MTM FVTPL investment gains, were much better than expected.

(+) OPEX and cost-to-income ratio were lower than expected, decreasing by 10.3% q-q and 10.3% y-y, due mainly to reduced seasonal expenses, including personnel, marketing, and IT expenses. Therefore, the cost-to-income ratio decreased sharply to 44.1% from 49.0% in 4Q23. BBL and KBANK performed the best in reducing their cost-to-income ratio, while TISCO and KTB performed the worst.

(0) Asset quality was manageable despite more deterioration. We reiterate our concerns over banks' asset quality in 1Q24, with a continued rise in new NPL formations, particularly in the stubborn SME and retail segments following the retirement of the debt moratorium program at the end of 2023, along with an emergence of ITD issues.

However, we view this as manageable. In addition, most banks' management has been taking proactive measures via aggressive NPL sales and write-offs. Hence, the 1Q24 NPL ratio slightly increased to 3.62% from 3.59% at the end of 2023. In addition, since most banks had set aside ample ECL expenses in 4Q23, it boded well for the 1Q24 credit costs, which decreased by 32bp to 146bp. However, it resulted in a slightly lower 1Q24 coverage ratio of 185%, down from 188% at end-4Q23. For ITD, most creditors, particularly big banks, have already increased their extra reserves and reclassified them as stage 2 loans.

Exhibit 1: 1Q24 earnings summary of seven Thai banks under coverage

	1Q24 (THB m)	4Q23 (THB m)	Change (q-q%)	1Q23 (THB m)	Change (y-y%)	2024E (THB m)	Change (y-y%)	% of 2024E
BBL	10,524	8,863	18.7	10,129	3.9	42,037	1.0	25%
KBANK	13,486	9,388	43.7	10,741	25.6	41,942	(1.1)	32%
KTB	11,078	6,111	81.3	10,067	10.1	37,621	2.7	29%
SCB	11,281	10,995	2.6	10,995	2.6	44,063	1.2	26%
TTB	5,335	4,867	9.6	4,295	24.2	19,523	5.7	27%
KKP	1,506	670	124.9	2,085	(27.7)	5,798	6.8	26%
TISCO	1,733	1,780	(2.6)	1,793	(3.3)	6,732	(7.8)	26%
Coverage	54,943	42,673	28.8	50,104	9.7	197,716	1.2	28%

Sources: Company data; FSSIA estimates

Exhibit 2: NPL ratio, 1Q22-1Q24

	1Q22 (%)	2Q22 (%)	3Q22 (%)	4Q22 (%)	1Q23 (%)	2Q23 (%)	3Q23 (%)	4Q23 (%)	1Q24 (%)	Banks' target 2024E
BBL	3.96	3.96	3.83	3.62	3.73	3.46	3.48	3.22	3.43	±3.00
KBANK	4.39	4.43	3.59	3.74	3.56	3.79	3.67	3.78	3.79	< 3.25
KTB	4.01	3.96	4.01	3.90	3.97	3.83	3.74	3.86	3.77	< 3.25
SCB	4.57	4.34	3.92	4.01	3.97	3.84	3.89	3.99	3.89	n/a
TTB	3.09	2.97	3.01	3.03	3.09	2.99	2.96	3.09	3.02	≤ 2.9-
KKP	3.11	3.26	3.29	3.45	3.56	3.74	3.69	3.31	3.94	3.50 – 3.70
TISCO	2.15	2.20	2.08	2.09	2.13	2.20	2.25	2.22	2.27	2.50 – 2.75
Coverage	4.02	3.97	3.70	3.68	3.69	3.61	3.58	3.59	3.62	

Sources: Company data; FSSIA's compilation

Exhibit 3: Credit cost, 1Q22-2024E

	1Q22 (bp)	2Q22 (bp)	3Q22 (bp)	4Q22 (bp)	1Q23 (bp)	2Q23 (bp)	3Q23 (bp)	4Q23 (bp)	1Q24 (bp)	2022 (bp)	2023 (bp)	2024 (bp)	Banks' target 2024E
BBL	100	128	145	116	127	133	132	109	127	124	126	129	~ 90 -100
KBANK	153	159	161	368	205	208	209	220	189	211	208	200	175 - 195
KTB	83	86	86	116	125	120	125	201	124	93	143	140	120 - 130
SCB	151	175	132	120	166	201	201	153	167	145	182	180	160 - 180
TTB	141	127	125	139	125	125	128	277	155	134	164	140	125-135
KKP	169	138	182	305	233	292	304	284	206	201	282	260	250 - 270
TISCO	17	28	23	70	28	11	25	43	47	34	27	50	100
Coverage	121	132	128	173	148	158	159	178	146	139	161	156	

Sources: Company data; FSSIA estimates

Exhibit 4: Thai banks – key financial summary, as of 22 April 2024

	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E
Net profit (THB m)	167,006	156,017	111,916	145,315	165,342	195,373	197,716	208,250	219,987
EPS (THB)	39.7	35.6	25.5	33.2	34.7	41.15	40.8	43.0	45.4
Change y-y	9.2%	-10.3%	-28.3%	29.8%	4.8%	18.4%	-0.8%	5.3%	5.6%
P/E (x)	11.1	9.5	13.2	12.5	11.2	9.3	8.9	8.5	8.0
BVS (THB)	393.2	422.3	441.4	473.1	455.1	479.0	491.1	511.2	536.2
P/B (x)	1.1	0.8	0.8	0.9	0.9	0.8	0.7	0.7	0.7
ROE (%)	10.4	8.9	5.9	7.3	7.8	8.8	8.5	8.6	8.7
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	5.5	5.8	6.0

Sources: Company data; Bloomberg; FSSIA estimates

Exhibit 5: Aggregate banks – 1Q24 operation summary

Year end 31 Dec	1Q23	2Q23	3Q23	4Q23	1Q24	----- Change -----		2023	2024E	Change
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)	(THB m)	(THB m)	(y-y %)
Net interest income	141,527	149,783	157,561	161,865	156,319	(3.4)	10.5	610,735	624,592	2.3
Non-interest income	49,994	50,687	44,609	43,454	48,419	11.4	(3.1)	188,744	194,698	3.2
Fee income - net	34,453	32,865	33,258	32,140	33,445	4.1	(2.9)	132,717	134,913	1.7
Total operating income	191,520	200,470	202,170	205,318	204,738	(0.3)	6.9	799,479	819,290	2.5
Total operating expenses	81,874	86,033	88,651	100,649	90,311	(10.3)	10.3	357,208	376,248	5.3
PPOP before tax	109,646	114,437	113,519	104,669	114,427	9.3	4.4	442,271	443,042	0.2
Expected credit loss	44,726	47,701	48,343	54,320	44,501	(18.1)	(0.5)	195,089	192,001	(1.6)
Income tax	12,922	12,837	13,233	5,775	13,018	125.4	0.7	44,767	46,123	3.0
Non-controlling interest	1,895	1,758	1,490	1,902	1,965	3.4	3.7	7,044	7,202	2.2
Net profit	50,104	52,140	50,454	42,673	54,943	28.8	9.7	195,372	197,716	1.2
EPS (THB)	10.53	10.96	10.60	8.97	11.55	28.8	9.7	41.15	40.82	(0.8)
Key ratios	1Q23	2Q23	3Q23	4Q23	1Q24	---- Change ----		2023	2024E	
Asset quality ratio	(%)	(%)	(%)	(%)	(%)	(q-q%)	(y-y%)	(%)	(%)	
Gross NPLs (THB m)	444,054	438,699	438,484	435,884	441,977	1.4	(0.5)	435,884	453,490	4.0
Change (% from prior period)	(0.5)	(1.2)	(0.0)	(0.6)	1.4			(2.3)	4.0	
NPL ratio (%)*	3.69	3.61	3.58	3.59	3.62			3.59	3.64	
Coverage ratio (%)*	183	184	186	188	185			188	188	
Credit cost (bp)	148	158	159	178	146			161	156	
Profitability ratio	(%)	(%)	(%)	(%)	(%)			(%)	(%)	
Cost to income ratio	42.7	42.9	43.8	49.0	44.1			44.7	45.9	
Average yield (%)	4.22	4.50	4.74	4.91	4.80			4.58	4.73	
Cost of funds (%)	1.25	1.38	1.46	1.59	1.63			1.42	1.62	
NIM (%)*	3.19	3.37	3.53	3.60	3.47			3.41	3.41	
Non-interest income/total income (%)	26.1	25.3	22.1	21.2	23.6			23.6	23.8	
Liquidity ratio	(%)	(%)	(%)	(%)	(%)			(%)	(%)	
Loan to deposit	92.7	94.2	95.0	93.8	95.0			93.8	93.9	
Loan to deposit & borrowing (LDBR)	86.8	87.7	88.1	87.2	88.6			87.2	87.5	
Loan growth	(%)	(%)	(%)	(%)	(%)			(%)	(%)	
q-q	(0.6)	0.8	0.8	(0.9)	0.7					
y-y	1.0	0.6	0.5	0.1	1.4			0.1	2.6	
Year-to-date	(0.6)	0.2	1.0	0.1	0.7					

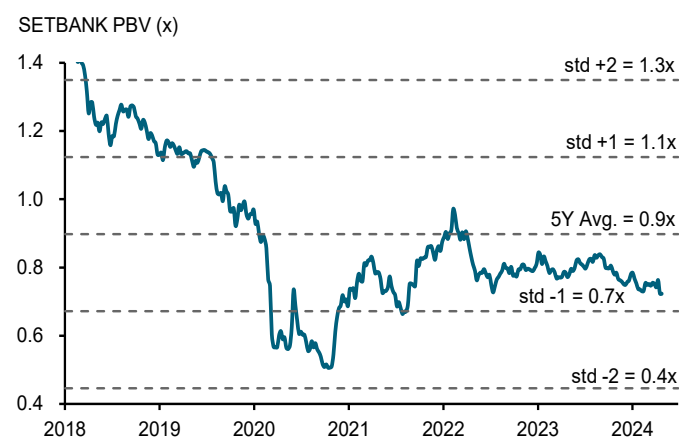
Sources: Company data; FSSIA estimates

Exhibit 6: Aggregate banks – breakdown of 1Q24 operation summary

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	33,422	38,528	29,561	31,761	14,397	5,253	3,395	156,319
Change q-q%	(5.0)	(0.8)	(2.6)	(4.9)	(3.7)	(5.6)	(4.8)	(3.4)
Change y-y%	11.1	10.5	15.4	9.7	6.6	0.6	3.3	10.5
Non-interest income	8,260	11,624	11,141	11,234	3,273	1,579	1,307	48,419
Change q-q%	17.8	(3.5)	20.7	23.0	(3.3)	13.4	3.8	11.4
Change y-y%	(19.1)	(0.6)	15.4	(6.0)	(2.8)	(8.1)	(5.5)	(3.1)
Fee income - net	6,927	8,299	5,577	7,897	2,454	1,123	1,168	33,445
Change q-q%	2.3	9.9	2.6	10.2	(7.0)	(15.7)	(6.7)	4.1
Change y-y%	(2.7)	2.3	8.5	(11.4)	(4.1)	(16.4)	(7.8)	(2.9)
Insurance premium - net	0	0	0	0	0	0	0	0
Total operating income	41,682	50,152	40,703	42,995	17,671	6,832	4,703	204,738
Change q-q%	(1.2)	(1.5)	2.8	1.1	(3.6)	(1.8)	(2.5)	(0.3)
Change y-y%	3.4	7.7	15.4	5.1	4.7	(1.6)	0.7	6.9
Total operating expenses	19,618	20,713	17,731	18,100	7,570	4,316	2,263	90,311
Change q-q%	(16.9)	(15.5)	(0.1)	(7.3)	(9.2)	(5.8)	(3.8)	(10.3)
Change y-y%	4.1	4.6	29.9	8.0	3.7	33.3	(0.8)	10.3
PPOP before tax	22,064	29,439	22,972	24,895	10,100	2,516	2,440	114,427
Change q-q%	18.8	11.6	5.2	8.1	1.0	6.1	(1.3)	9.3
Change y-y%	2.9	9.9	6.2	3.1	5.6	(32.0)	2.1	4.4
Expected credit loss	8,582	11,684	8,029	10,201	5,117	609	279	44,501
Change q-q%	16.9	(13.9)	(38.6)	9.3	(45.1)	(57.4)	11.5	(18.1)
Change y-y%	1.3	(7.9)	(0.9)	2.8	19.7	(44.5)	79.6	(0.5)
Income tax	2,849	3,403	2,936	3,354	(351)	400	428	13,018
Non-controlling interest	109	867	929	59	0	1	0	1,965
Normalised profit	10,524	13,486	11,078	11,281	5,335	1,506	1,733	54,943
Extraordinary items	0	0	0	0	0	0	0	0
Net profit	10,524	13,486	11,078	11,281	5,335	1,506	1,733	54,943
Change q-q%	18.7	43.7	81.3	2.6	9.6	124.9	(2.6)	28.8
Change y-y%	3.9	25.6	10.1	2.6	24.2	(27.7)	(3.3)	9.7
EPS (THB)	5.51	5.69	0.79	3.35	0.06	1.78	2.16	11.55

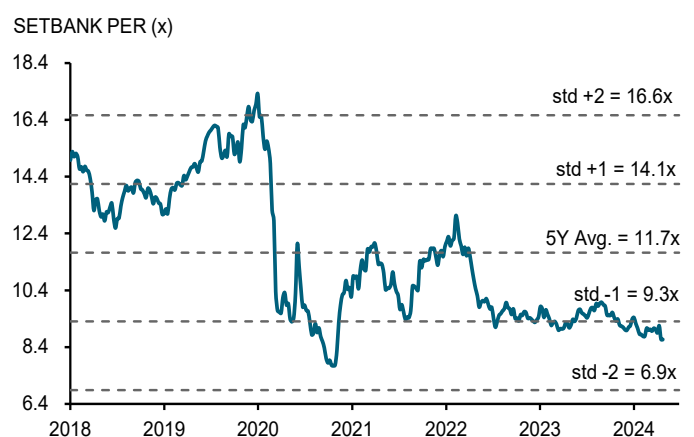
Sources: Company data; FSSIA's compilation

Exhibit 7: SETBANK – one-year prospective PBV band



Sources: Bloomberg; FSSIA estimates

Exhibit 8: SETBANK – one-year prospective PER band



Sources: Bloomberg; FSSIA estimates

Exhibit 9: Peer regional banks comparison, as of 22 April 2024

Company name	BBG code	Share price (LCY)	Target price (LCY)	Upside (%)	Market Cap. (USD b)	PE		PBV		ROE		Div yld	
						24E (x)	25E (x)	24E (x)	25E (x)	24E (%)	25E (%)	24E (x)	25E (x)
Thailand													
Bangkok Bank	BBL TB	142.00	191.00	35	7,327	6.4	6.2	0.5	0.5	7.7	7.6	4.6	4.7
Kasikombank	KBANK TB	124.00	140.00	13	7,941	6.7	6.2	0.5	0.5	8.1	8.4	4.2	4.6
Krung Thai Bank	KTB TB	16.60	19.90	20	6,271	6.2	6.0	0.5	0.5	9.1	8.8	5.4	5.5
SCB X	SCB TB	104.50	120.00	15	9,511	8.0	7.5	0.7	0.7	9.1	9.5	10.0	10.7
TMBThanachart Bank	TTB TB	1.77	2.24	27	4,634	8.8	8.3	0.7	0.7	8.4	8.5	6.3	6.7
Kiatnakin Bank	KKP TB	52.75	50.60	(4)	1,207	7.7	7.2	0.7	0.7	9.3	9.3	6.2	6.6
Tisco Financial Group	TISCO TB	99.50	97.00	(3)	2,153	11.8	11.7	1.8	1.8	15.7	15.5	7.8	7.8
Thailand weighted average					5,578	9.1	8.6	0.8	0.7	8.5	8.6	5.4	5.7
Hong Kong													
Industrial & Comm Bank of China	1398 HK	4.10	n/a	n/a	251,944	3.8	3.7	0.4	0.3	10.2	10.1	8.3	8.4
China Construction Bank	939 HK	4.90	n/a	n/a	160,343	3.4	3.1	0.4	0.3	10.8	10.5	9.0	9.3
HSBC Holdings	5 HK	63.40	n/a	n/a	154,420	6.5	6.8	0.9	0.8	14.3	11.9	9.4	7.4
Bank of China	3988 HK	3.40	n/a	n/a	172,640	4.2	4.1	0.4	0.4	9.5	9.3	7.6	7.9
Hong Kong average					184,837	4.5	4.4	0.5	0.5	11.2	10.4	8.6	8.2
China													
Industrial & Comm Bank of China	601398 CH	5.48	n/a	n/a	251,978	5.6	5.4	0.5	0.5	10.0	9.7	5.6	5.7
Agricultural Bank of China	601288 CH	4.50	n/a	n/a	213,807	6.0	5.8	0.6	0.6	10.5	10.2	5.2	5.4
China Construction Bank	601939 CH	7.30	n/a	n/a	160,364	5.4	5.2	0.6	0.5	10.9	10.6	5.6	5.8
Bank of China	601988 CH	4.66	n/a	n/a	172,954	6.4	6.2	0.6	0.5	9.3	9.0	5.0	5.1
China average					199,776	5.9	5.6	0.6	0.5	10.2	9.9	5.3	5.5
South Korea													
KB Financial Group	105560 KS	69,500	n/a	n/a	21,335	5.7	5.1	0.5	0.4	8.6	9.0	4.5	4.9
Shinhan Financial Group	055550 KS	44,300	n/a	n/a	16,626	5.0	4.6	0.4	0.4	8.6	8.7	4.9	5.2
Hana Financial Group	086790 KS	57,000	n/a	n/a	12,426	4.6	4.3	0.4	0.4	9.3	9.4	6.2	6.7
Industrial Bank of Korea	024110 KS	13,640	n/a	n/a	7,976	4.0	3.8	0.3	0.3	9.1	8.9	7.6	8.1
South Korea average					14,591	4.8	4.4	0.4	0.4	8.9	9.0	5.8	6.2
Indonesia													
Bank Central Asia	BBCA IJ	9,350	n/a	n/a	72,894	22.1	20.2	4.4	4.0	21.0	20.9	2.7	2.9
Bank Rakyat Indonesia Persero	BBRI IJ	5,300	n/a	n/a	50,177	12.1	10.8	2.4	2.3	20.9	22.0	6.5	7.3
Bank Mandiri Persero	BMRI IJ	6,725	n/a	n/a	39,524	11.0	10.1	2.2	2.0	21.5	21.3	5.2	5.6
Bank Negara Indonesia Persero	BBNI IJ	5,350	n/a	n/a	12,348	8.5	7.5	1.2	1.1	15.1	15.4	5.1	6.0
Bank Syariah Indonesia	BRIS IJ	2,540	n/a	n/a	7,274	17.9	15.3	2.7	2.4	16.3	16.7	0.9	1.2
Indonesia average					36,443	14.3	12.8	2.6	2.4	19.0	19.3	4.1	4.6
Malaysia													
Malayan Banking	MAY MK	9.74	n/a	n/a	24,801	11.9	11.4	1.2	1.2	10.3	10.5	6.3	6.5
Public Bank	PBK MK	4.20	n/a	n/a	17,225	11.7	11.1	1.4	1.3	12.5	12.4	4.7	5.0
CIMB Group Holdings	CIMB MK	6.62	n/a	n/a	14,904	9.4	8.9	1.0	0.9	10.8	10.8	6.0	6.3
Hong Leong Bank	HLBK MK	19.52	n/a	n/a	8,883	10.0	9.3	1.1	1.0	11.5	11.5	3.4	3.7
RHB Bank	RHBBANK MK	5.52	n/a	n/a	4,970	8.4	7.9	0.7	0.7	9.1	9.2	7.3	7.6
Malaysia average					14,156	10.3	9.7	1.1	1.0	10.8	10.9	5.5	5.8
Singapore													
DBS Group Holdings	DBS SP	34.07	n/a	n/a	71,982	10.0	9.9	1.5	1.5	16.0	15.4	6.1	6.6
Oversea-Chinese Banking	OCBC SP	13.83	n/a	n/a	46,442	8.8	8.7	1.1	1.1	12.9	12.2	6.1	6.2
United Overseas Bank	UOB SP	30.45	n/a	n/a	38,118	8.9	8.6	1.1	1.0	12.7	12.5	5.7	5.9
Singapore average					52,181	9.2	9.1	1.2	1.2	13.9	13.4	6.0	6.3
Regional average (excl. Thailand)					80,254	8.5	7.9	1.1	1.0	12.5	12.3	5.8	6.0
Total average (incl. Thailand)					63,919	8.3	7.8	1.1	1.0	11.8	11.7	5.9	6.2

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 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.																				
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ESG Book	The ESG score identifies sustainable companies that are better positioned to outperform over the long term. The methodology considers the principle of financial materiality including information that significantly helps explain future risk-adjusted performance. Materiality is applied by over-weighting features with higher materiality and rebalancing these weights on a rolling quarterly basis.	The total ESG score is calculated as a weighted sum of the features scores using materiality-based weights. The score is scaled between 0 and 100 with higher scores indicating better performance.																				
MSCI	MSCI ESG ratings aim to measure a company's management of financially relevant ESG risks and opportunities. It uses a rules-based methodology to identify industry leaders and laggards according to their exposure to ESG risks and how well they manage those risks relative to peers.																					
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Moody's ESG solutions	Moody's assesses the degree to which companies take into account ESG objectives in the definition and implementation of their strategy policies. It believes that a company integrating ESG factors into its business model and relatively outperforming its peers is better positioned to mitigate risks and create sustainable value for shareholders over the medium to long term.																					
Refinitiv ESG rating	Designed to transparently and objectively measure a company's relative ESG performance, commitment and effectiveness across 10 main themes, based on publicly available and auditable data. The score ranges from 0 to 100 on relative ESG performance and insufficient degree of transparency in reporting material ESG data publicly. <i>(Score ratings are 0 to 25 = poor; >25 to 50 = satisfactory; >50 to 75 = good; and >75 to 100 = excellent.)</i>																					
S&P Global	The S&P Global ESG Score is a relative score measuring a company's performance on and management of ESG risks, opportunities, and impacts compared to its peers within the same industry classification. The score ranges from 0 to 100.																					
Bloomberg	ESG Score	Bloomberg score evaluating the company's aggregated Environmental, Social and Governance (ESG) performance. The score is based on Bloomberg's view of ESG financial materiality. The score is a weighted generalized mean (power mean) of Pillar Scores, where the weights are determined by the pillar priority ranking. Values range from 0 to 10; 10 is the best.																				
Bloomberg	ESG Disclosure Score	Disclosure of a company's ESG used for Bloomberg ESG score. The score ranges from 0 for none to 100 for disclosure of every data point, measuring the amount of ESG data reported publicly, and not the performance on any data point.																				

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

Source: FSSIA's compilation

GENERAL DISCLAIMER

ANALYST(S) CERTIFICATION

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

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Company	Ticker	Price	Rating	Valuation & Risks
Bangkok Bank	BBL TB	THB 142.00	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 124.00	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.
Krung Thai Bank	KTB TB	THB 16.60	BUY	Downside risks to our GGM-based TP are 1) prolonged economic sluggishness affecting loan growth and asset quality; and 2) the impact of new regulations from the Bank of Thailand.
SCB X	SCB TB	THB 104.50	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 1.77	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 52.75	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 22-Apr-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.