

Thailand Banks and Diversified Finance

Regulation changes overwhelm the near-term outlook

- The BoT announced temporary adjustments on various debtor assistance policies.
- We expect the change in credit card regulations to have a limited impact on FIs' performance, while anticipating that debt consolidation will primarily affect banks. By contrast, the PD condition changes would affect non-banks the most.
- We expect short-term negative sentiment toward share prices while maintaining an UNDERWEIGHT call for the bank and non-bank sectors.

Extending 8% minimum credit card repayment into 2025 will have limited impact on FIs

The minimum payment for credit cards will remain at 8% for another year, extending until the end of 2025. Initially, the rate will increase to 10% in Jan 2025. Debtors who make minimum payments of 8% or more will receive a cashback equivalent to 0.5% of the outstanding balance for 1H25 and 0.25% for 2H25, with cashback provided every three months. Debtors who previously paid a minimum of 5% but cannot meet the 8% requirement can opt for debt restructuring before becoming NPLs by converting the credit card debt into a term loan, allowing debtors to make installment payments while accessing the remaining credit balance. We estimate the downside on net profit from the rising cashback expense to range between 0.6%-3.8% of our 2025E aggregate net profit (KBANK, SCB, TTB, AEONTS, and KTC).

Consolidation of housing and retail loans would affect banks more than non-banks

The Bank of Thailand (BoT) is encouraging financial institutions (FIs) and specialized financial institutions (SFIs) to assist debtors by consolidating housing and retail loans more effectively by relaxing the loan-to-value ratio (LTV) conditions for all contract levels in cases of debt consolidation, allowing it to exceed the set limits. Lenders who comply must ensure the reduction of debt burden post-consolidation by offering lower interest rates and installment payments. These measures will be in effect until the end of 2025. Banks will be more affected than non-banks due to the more diverse range of retail loans and the higher proportion of secured loans. Despite the LTV relaxation and interest rate reduction that could enhance loan growth, the reduced yield might offset these positive effects.

A more accommodating persistent debt policy would impact non-banks rather than banks

Under responsible lending principles, the BoT is extending the debt resolution period from 5 years to 7 years (maintaining an interest rate cap of 15% p.a.) to reduce the installment payments for debtors. Debtors will also have access to their remaining credit limit. Additionally, FIs must provide information to nudge debtors' behavior, such as communicating the pros and cons of debt restructuring and presenting a repayment schedule with interest burdens. These measures will take effect from 1 Jan 2025. We believe non-banks (AEONTS, KTC) will be more affected than banks. We expect the new policy to reduce installment payments and allow debtors to incur new debt within the remaining credit limit, which should encourage more debtors to join the program.

Expect short-term negative sentiment from the recent adjustments

With the new regulations likely to create minor downsides to the bottom-line estimates of banks and non-banks under coverage, we expect near-term negative sentiment on the share prices. We maintain our UNDERWEIGHT call for both sectors, with TTB (BUY, TP THB2.22) as our top Buy for the banking sector and MTC (BUY, TP THB40.00) as our non-bank top pick.



Usanee Liurut, CISA

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

Maeta Cherdasatirakul

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

The Chairman of The Board of Directors of Finansia Syrus Securities PCL is also AEONTS's Director.

BoT's new debtor assistant measures

On 2 July, the BoT announced that the Financial Institutions Policy Committee (FIPC) deems it necessary to adjust the terms of various debtor assistant policies given the current conditions of the underlying economy. The measures include 1) credit card minimum repayment; 2) debt consolidation; and 3) persistent debt under the responsible lending policy, summarized as follows:

1. Extending 8% minimum credit card repayment into 2025

The minimum payment for credit cards will remain at 8% for another year, extending until the end of 2025. Originally, the rate was set to revert to the normal 10% in Jan 2025. Debtors who make minimum payments of 8% or more will receive a cashback equivalent to 0.5% of the outstanding balance for 1H25 and 0.25% for 2H25, with cashback provided every three months.

Debtors who previously paid a minimum of 5% but cannot meet the 8% requirement can opt for debt restructuring before becoming NPLs. This involves converting the credit card debt into a term loan, allowing debtors to make installment payments while still having access to the remaining credit card balance. Additionally, the BoT mandates that credit card lenders offer more beneficial terms to debtors, such as reduced interest rates, with these measures expected to take effect by Sept 2024.

Comment: We view this as having a limited impact on both banks and non-banks. Extending the 8% minimum credit card payment level until the end of 2025 could favor the outlook for credit costs and NPLs (from an expected plan to increase to 10% at the beginning of 2025). The BoT's mandate for FIs to provide cashback to debtors who make payments above the minimum threshold, calculated from each installment's outstanding balance in 2025, will lead to increased expenses of 0.5% in 1H25 and 0.25% in 2H25. We estimate the impact on the 2025 net profit forecasts for the banks and non-banks under our coverage in Exhibit 1.

Exhibit 1: Net impact from the rising cashback expense on 2025E net profit

	2024E credit card loans	2025E net impact - after taxes	2025E net profit	% of 2025E
	(THB m)	(THB m)	(THB m)	(%)
KBANK	102,106	306	51555	0.6
SCB	95,000	285	42995	0.7
TTB	38,644	116	20306	0.6
AEONTS	43,632	131	3440	3.8
KTC	75,985	228	7998	2.9
Total	355,367	1,066	126,294	0.6

Source: FSSIA estimates

However, our inquiries to corporates suggest they could mitigate the impact of the BoT's measures by proportionately reducing other marketing expenses. Hence, the actual impact might be lower than anticipated. Additionally, the measure allowing debt restructuring for debtors unable to meet the 8% minimum payment before becoming NPLs may not have a substantial effect, as most FIs have already faced increased credit costs and NPLs. That is, unless the economic situation remains weak, leading to more credit card debt restructuring and reducing loan yields under the new terms.

2. Consolidation of housing and retail loans

The BoT is encouraging FIs and SFIs to assist debtors by consolidating housing and retail loans more effectively by relaxing the LTV conditions for all contract levels in cases of debt consolidation, allowing it to exceed the set limits. Lenders who comply must ensure the reduction of debt burden post-consolidation by offering lower interest rates and installment payments. These measures will be in effect until the end of 2025.

Comment: We believe this would have a greater impact on banks than non-banks due to the more diverse range of retail loans and the higher proportion of secured loans. Regarding the criteria, the BoT emphasizes providing debtor assistance by consolidating housing loans (mainly affecting the under THB3m segment) and retail loans (such as title loans, credit cards, and personal loans).

Although the LTV relaxation (an increased LTV allows debtors to receive higher loan amounts) and interest rate reduction (depending on the backup collateral) may enhance loan growth, the reduced yield could outweigh the positive effects, leading to lower net interest income (NII) and net profit for the remainder of 2024-25. We think the FIs with a high proportion of housing and retail loans will be the most affected, as summarized in Exhibit 2.

Exhibit 2: Loan breakdown as of 2Q24

Bank	Corporate (%)	Gov & SoE (%)	SME (%)	Housing loans (%)	HP (%)	Credit cards (%)	Other retail (%)	Total (%)
BBL	70	0	18	12	0	0	0	100
KBANK	38	0	28	17	6	4	6	100
KKP	17	0	15	15	45	0	8	100
KTB	28	16	10	23	0	0	23	100
SCB	35	0	17	32	7	4	5	100
TTB	30	0	8	25	30	3	4	100
TISCO	26	0	6	3	44	0	21	100
AEONTS	0	0	0	0	8	44	48	100
KTC	0	0	0	0	66	34	34	100

Sources: Company data; FSSIA's compilation

Exhibit 3: Regulated housing loan LTV ratio by the BoT (Act. 24/2018)

Housing loans	Time after first home installment	Property price < THB10m	Property price > THB10m
First home		100%+10%	90%
Second home	> 2 yrs.	90%	80%
	< 2 yrs.	80%	
Third home and above		70%	70%

Source: BoT

3. A more accommodating persistent debt policy

Under responsible lending principles, the BoT is extending the debt resolution period from 5 years to 7 years (maintaining an interest rate cap of 15% p.a.) to reduce the installment payments for debtors. Debtors will also have access to their remaining credit limit. Additionally, FIs must provide information to nudge debtors' behavior, such as communicating the pros and cons of debt restructuring and presenting a repayment schedule with interest burdens. These measures will take effect from 1 Jan 2025.

Comment: We believe non-banks (AEONTS, KTC) will be more affected than banks. According to consultations with various FIs, most banks do not offer loans classified as PD (revolving loans, which have accumulated interest payments exceeding the principal over the past five years). Since the PD measures took effect on 1 Apr 2024, debtors have shown minimal interest in joining the program due to significant obstacles: 1) suspension of all remaining credit limits and prohibition of new debt creation; and 2) a blacklist flag on the National Credit Bureau (NCB) during the restructuring. Although it is unclear whether the NCB blacklist remains, extending the repayment period to seven years (helping to reduce installment payments) and allowing debtors to incur new debt within the remaining credit limit should encourage more debtors to join the program. We should have greater clarity as to the impact on our 2025 net profit forecast when we receive more explicit information from the companies.

According to the previous measures, KTC disclosed an initial impact on 2024 revenue not exceeding THB18m per month, but the actual impact was much lower due to debtors' low level of participation in the program. Similarly, AEONTS had anticipated an impact on 2024 net profit not exceeding 5%, but the actual impact was much lower than expected.

Exhibit 4: Share price performance of banks under coverage, as of 2 Aug 2024

	Price performance				
	1M	3M	6M	1Y	YTD
	(%)	(%)	(%)	(%)	(%)
BBL TB	(1.1)	(0.7)	(4.3)	(19.9)	(14.1)
KBANK TB	2.7	1.5	9.5	9.0	(1.5)
KKP TB	(17.0)	(24.6)	(21.6)	(29.4)	(22.4)
KTB TB	0.0	4.8	9.3	(12.0)	(4.3)
SCB TB	(2.8)	(3.3)	(2.4)	(7.2)	(3.3)
TISCO TB	(4.2)	(4.9)	(7.1)	(7.1)	(7.8)
TTB TB	(5.1)	(4.5)	(10.2)	(0.6)	0.6
SETBANK	(1.8)	(3.5)	(2.9)	(11.0)	(7.8)
SET	0.1	(4.1)	(5.1)	(14.2)	(7.3)

Sources: Bloomberg

Exhibit 5: Share price performance of non-banks under coverage, as of 2 Aug 2024

	Price performance				
	1M	3M	6M	1Y	YTD
	(%)	(%)	(%)	(%)	(%)
TIDLOR TB	(15.7)	(27.4)	(26.8)	(23.7)	(28.1)
MTC TB	(3.4)	(6.1)	(4.5)	22.5	(6.1)
SAWAD TB	(9.4)	(14.1)	(13.0)	(24.0)	(15.1)
AEONTS TB	(10.0)	(25.7)	(24.3)	(23.0)	(26.9)
KTC TB	1.9	(9.2)	(10.3)	(14.2)	(9.8)
SAK TB	(1.9)	5.7	24.4	10.6	25.0
ASK TB	(17.6)	(32.5)	(44.0)	(52.9)	(43.7)
THANI TB	(21.7)	(23.0)	(22.7)	(38.0)	(25.1)
JMT TB	(15.0)	(45.9)	(47.2)	(69.3)	(55.7)
BAM TB	(8.8)	(25.4)	(17.2)	(36.9)	(17.2)
CHAYO TB	(20.6)	(36.5)	(46.5)	(61.2)	(49.0)
SETFIN	(7.9)	(19.9)	(21.3)	(27.5)	(23.4)
SET	0.1	(4.1)	(5.1)	(14.2)	(7.3)

Sources: Bloomberg

Exhibit 6: Peer non-banks comparison, as of 2 Aug 2024

Company name	BBG	Rec	Share	Target	Up	----- PE -----		----- PBV -----		----- ROE -----		----- Div yld -----	
	code					price	price	side	24E	25E	24E	25E	24E
Auto title													
Muangthai Capital	MTC TB	BUY	42.25	50.00	18.3	14.2	11.4	2.4	2.0	18.1	19.0	0.6	0.8
Srisawad Corp	SAWAD TB	HOLD	31.25	40.00	28.0	8.7	7.7	1.5	1.3	18.4	18.2	1.2	1.3
Ngern Tid Lor	TIDLOR TB	BUY	15.60	21.00	34.6	9.7	8.2	1.4	1.2	15.4	16.2	3.1	3.7
Saksiam Leasing	SAK TB	HOLD	5.20	5.28	1.6	13.1	11.5	1.7	1.6	13.7	14.4	3.2	3.7
Unsecured finance													
AEON Thana Sinsap (Thailand)	AEONTS TB	HOLD	117.00	145.00	23.9	9.0	8.5	1.1	1.0	12.8	12.6	4.7	5.0
Krungthai Card	KTC TB	HOLD	39.25	40.00	1.9	13.2	12.7	2.5	2.3	20.3	19.0	3.4	3.6
Hire-purchase truck													
Asia Sermkij Leasing	ASK TB	REDUCE	11.20	10.70	(4.5)	10.0	7.9	0.6	0.5	5.5	6.9	5.0	6.3
Ratchthani Leasing	THANI TB	HOLD	1.77	2.28	28.8	8.0	7.7	0.8	0.8	10.1	10.0	6.9	7.1
AMCs													
Bangkok Commercial Asset Mgmt.	BAM TB	HOLD	6.75	8.75	29.6	12.3	11.5	0.5	0.5	4.1	4.3	5.5	5.7
JMT Network services	JMT TB	HOLD	11.30	17.00	50.4	10.1	8.3	0.6	0.6	6.1	7.2	6.0	7.2
Chayo Group	CHAYO TB	HOLD	2.78	3.00	7.9	10.9	7.0	0.8	0.7	8.1	11.1	2.4	2.1
Average						10.8	9.3	1.3	1.1	12.1	12.6	3.8	4.2

The Chairman of The Board of Directors of Finansia Syrus Securities PCL is also AEONTS's Director

Sources: Bloomberg; FSSIA estimates

Exhibit 7: Peer regional banks comparison, as of 2 Aug 2024

Company name	BBG	Share	Target	Upside	Market	----- PE -----		---- PBV ----		---- ROE ----		--- Div yld ---	
	code	price	price		Cap.	24E	25E	24E	25E	24E	25E	24E	25E
	(LCY)	(LCY)	(%)	(USD m)	(x)	(x)	(x)	(x)	(%)	(%)	(x)	(x)	
Thailand													
Bangkok Bank	BBL TB	134.50	157.00	17	7,265	6.1	5.9	0.5	0.4	7.7	7.6	5.4	5.6
Kasikornbank	KBANK TB	133.00	145.00	9	8,917	6.7	6.1	0.6	0.5	8.6	9.0	5.6	6.4
Krung Thai Bank	KTB TB	17.60	19.90	13	6,960	6.5	6.3	0.6	0.5	9.1	8.8	5.1	5.2
SCB X	SCB TB	102.50	110.00	7	9,766	8.4	8.0	0.7	0.7	8.6	8.8	9.5	10.0
TMBThanachart Bank	TTB TB	1.68	2.22	32	4,625	8.5	8.0	0.7	0.7	8.2	8.4	6.5	6.9
Kiatnakin Bank	KKP TB	39.00	39.10	0	934	7.7	7.0	0.5	0.5	6.9	7.3	6.0	6.8
Tisco Financial Group	TISCO TB	92.00	96.00	4	2,085	10.6	10.8	1.7	1.7	16.1	15.6	8.4	8.4
Thailand weighted average					5,793	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	4.32	n/a	n/a	270,357	4.0	3.9	0.4	0.4	10.0	9.5	7.8	8.0
China Construction Bank	939 HK	5.40	n/a	n/a	174,846	3.7	3.6	0.4	0.4	10.6	10.2	8.1	8.3
HSBC Holdings	5 HK	65.75	n/a	n/a	150,104	6.4	6.7	0.9	0.8	14.0	12.2	10.0	7.8
Bank of China	3988 HK	3.43	n/a	n/a	173,392	4.2	4.0	0.4	0.3	9.3	9.0	7.7	7.8
Hong Kong average					192,175	4.6	4.6	0.5	0.5	11.0	10.2	8.4	8.0
China													
Industrial & Comm Bank of China	601398 CH	5.88	n/a	n/a	270,450	6.0	5.9	0.6	0.5	9.9	9.4	5.2	5.3
Agricultural Bank of China	601288 CH	4.65	n/a	n/a	220,607	6.3	6.1	0.6	0.6	10.3	9.9	5.0	5.2
China Construction Bank	601939 CH	7.50	n/a	n/a	174,907	5.7	5.6	0.6	0.6	10.8	10.3	5.3	5.4
Bank of China	601988 CH	4.70	n/a	n/a	173,452	6.2	6.1	0.6	0.5	9.3	8.9	5.1	5.1
China average					209,854	6.1	5.9	0.6	0.5	10.0	9.6	5.1	5.3
South Korea													
KB Financial Group	105560 KS	83,200	n/a	n/a	23,108	5.9	5.3	0.5	0.5	8.9	9.2	4.1	4.5
Shinhan Financial Group	055550 KS	57,100	n/a	n/a	19,922	5.6	5.2	0.5	0.5	9.0	9.0	4.1	4.5
Hana Financial Group	086790 KS	62,000	n/a	n/a	12,401	4.4	4.1	0.4	0.4	9.4	9.4	6.2	6.7
Industrial Bank of Korea	024110 KS	13,690	n/a	n/a	7,709	3.9	3.8	0.3	0.3	8.7	8.4	7.9	8.4
South Korea average					15,785	5.0	4.6	0.4	0.4	9.0	9.0	5.6	6.0
Indonesia													
Bank Central Asia	BBCA IJ	10,200	n/a	n/a	76,357	22.9	20.9	4.6	4.3	21.2	21.1	2.8	3.1
Bank Rakyat Indonesia Persero	BBRI IJ	4,710	n/a	n/a	43,356	11.4	10.4	2.1	2.0	19.2	20.0	7.0	7.4
Bank Mandiri Persero	BMRI IJ	6,800	n/a	n/a	38,348	11.0	9.9	2.2	2.0	20.6	20.9	5.4	5.7
Bank Negara Indonesia Persero	BBNI IJ	5,100	n/a	n/a	11,522	8.4	7.4	1.2	1.1	14.2	14.9	5.6	6.3
Bank Syariah Indonesia	BRIS IJ	2,550	n/a	n/a	7,040	17.1	14.2	2.6	2.2	15.9	16.6	1.0	1.3
Indonesia average					35,325	14.2	12.6	2.5	2.3	18.2	18.7	4.3	4.7
Malaysia													
Malayan Banking	MAY MK	10.24	n/a	n/a	26,971	12.2	11.7	1.3	1.2	10.3	10.6	6.2	6.5
Public Bank	PBK MK	4.28	n/a	n/a	18,062	11.6	11.1	1.4	1.3	12.4	12.2	4.8	5.1
CIMB Group Holdings	CIMB MK	7.40	n/a	n/a	16,935	10.0	9.4	1.1	1.0	10.9	11.0	5.8	6.0
Hong Leong Bank	HLBK MK	19.40	n/a	n/a	9,169	9.6	9.0	1.1	1.0	11.6	11.4	3.6	3.8
RHB Bank	RHBBANK MK	5.71	n/a	n/a	5,483	8.5	8.1	0.8	0.7	9.1	9.2	7.2	7.5
Malaysia average					15,324	10.4	9.9	1.1	1.1	10.8	10.9	5.5	5.8
Singapore													
DBS Group Holdings	DBS SP	35.31	n/a	n/a	72,454	9.0	9.1	1.5	1.4	16.7	15.6	6.6	7.1
Oversea-Chinese Banking	OCBC SP	14.80	n/a	n/a	48,390	8.7	8.7	1.1	1.1	13.4	12.6	6.1	6.2
United Overseas Bank	UOB SP	31.83	n/a	n/a	38,439	8.6	8.4	1.1	1.0	12.9	12.6	5.9	6.0
Singapore average					53,094	8.8	8.7	1.2	1.2	14.3	13.6	6.2	6.4
Regional average (excl. Thailand)					83,351	8.5	7.9	1.1	1.0	12.3	12.2	5.8	6.0
Total average (incl. Thailand)					66,386	8.3	7.8	1.0	1.0	11.7	11.6	6.0	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 Sustainability	The Sustainability's ESG risk rating provides an overall company score based on an assessment of how much of a company's exposure to ESG risk is unmanaged. <i>Sources to be reviewed include corporate publications and regulatory filings, news and other media, NGO reports/websites, multi-sector information, company feedback, ESG controversies, issuer feedback on draft ESG reports, and quality & peer reviews.</i>	A company's ESG risk rating score is the sum of unmanaged risk. The more risk is unmanaged, the higher ESG risk is scored. <table><tr><th>NEGL</th><th>Low</th><th>Medium</th><th>High</th><th>Severe</th></tr><tr><td>0-10</td><td>10-20</td><td>20-30</td><td>30-40</td><td>40+</td></tr></table>	NEGL	Low	Medium	High	Severe	0-10	10-20	20-30	30-40	40+										
NEGL	Low	Medium	High	Severe																		
0-10	10-20	20-30	30-40	40+																		
ESG Book	The ESG score identifies sustainable companies that are better positioned to outperform over the long term. The methodology considers the principle of financial materiality including information that significantly helps explain future risk-adjusted performance. Materiality is applied by over-weighting features with higher materiality and rebalancing these weights on a rolling quarterly basis.	The total ESG score is calculated as a weighted sum of the features scores using materiality-based weights. The score is scaled between 0 and 100 with higher scores indicating better performance.																				
MSCI	MSCI ESG ratings aim to measure a company's management of financially relevant ESG risks and opportunities. It uses a rules-based methodology to identify industry leaders and laggards according to their exposure to ESG risks and how well they manage those risks relative to peers. <table><tr><td>AAA</td><td>8.571-10.000</td><td rowspan="3">Leader:</td><td rowspan="3">leading its industry in managing the most significant ESG risks and opportunities</td></tr><tr><td>AA</td><td>7.143-8.570</td></tr><tr><td>A</td><td>5.714-7.142</td></tr><tr><td>BBB</td><td>4.286-5.713</td><td rowspan="2">Average:</td><td rowspan="2">a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers</td></tr><tr><td>BB</td><td>2.857-4.285</td></tr><tr><td>B</td><td>1.429-2.856</td><td rowspan="2">Laggard:</td><td rowspan="2">lagging its industry based on its high exposure and failure to manage significant ESG risks</td></tr><tr><td>CCC</td><td>0.000-1.428</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	Laggard:	lagging its industry based on its high exposure and failure to manage significant ESG risks	CCC	0.000-1.428
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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
Bangkok Bank	BBL TB	THB 134.50	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 comprise 1) lower credit cost from better asset quality; and 2) better ongoing cost control efficiency.
Kasikornbank	KBANK TB	THB 133.00	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. Upside risks comprise 1) a lower credit cost from better asset quality; and 2) the better ongoing cost control efficiency
Kiatnakin Phatra Bank	KKP TB	THB 39.00	HOLD	Downside risks to our GGM-based target price include weakened asset quality and lower fee income. By contrast, upside risks include better capital market conditions, higher used car prices, and strengthened asset quality. Upside risks comprise 1) lower credit cost from better asset quality; and 2) improved market price of used cars and lower loss on sales of NPAs
Krung Thai Bank	KTB TB	THB 17.60	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 102.50	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 comprise 1) the faster-than-expected recovery of EAs operation and financial stability and 2) the reduction in Thailand's household debts.
Tisco Financial	TISCO TB	THB 92.00	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.
TMBThanachart Bank	TTB TB	THB 1.68	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.
Muangthai Capital	MTC TB	THB 42.25	BUY	Downside risks to our GGM-based TP include 1) a further weakening of asset quality that could potentially hit both loan yield and credit cost; and 2) changes in financial regulations by the Bank of Thailand and the Office of Consumer Protection Board.
Srisawad Corp	SAWAD TB	THB 31.25	HOLD	Downside risks to our GGM-based TP include 1) a further weakening of asset quality that could potentially hit both loan yield and credit cost; and 2) changes in financial regulations by the Bank of Thailand and the Office of Consumer Protection Board. Upside risks include 1) a faster-than-expected decline in losses on sales of repossessed cars for SCAP; and 2) an interest rate downtrend could push its interest spread.
Ngern Tid Lor	TIDLOR TB	THB 15.60	BUY	Downside risks to our GGM-based TP include 1) the expansion into auto-title loans by the Government Savings Bank and Auto X (subsidiary of SCB X); 2) further weakening asset quality could potentially hit both loan yield and credit cost; and 3) tighter supervision from related regulators.
Saksiam Leasing	SAK TB	THB 5.20	HOLD	Upside risks to our GGM-derived TP include 1) loan expansion following the broad-based economic recovery 2) a reduction in cost of funds due mainly to the downward interest rate trend and 3) an accelerated decrease in credit costs owing to the rise in consumers purchasing power. Downside risks include 1) competition from existing and new players 2) regulatory changes by the Bank of Thailand (BoT) and 3) a slower-than-expected reduction in its cost of funds due to a shift toward more long-term loans.
Aeon Thana Sinsap (Thailand)	AEONTS TB	THB 117.00	HOLD	Downside risks are: 1) regulatory actions to curb industry growth; 2) a higher-than-expected policy rate; and 3) deteriorating asset quality. Upside risks are: 1) better-than-estimated economic improvement; 2) stronger-than-estimated improvement in the overall asset quality; and 3) less pressure from the market yield and cost of funds.
Krungthai Card	KTC TB	THB 39.25	HOLD	Downside risks are: 1) regulatory actions to curb industry growth; 2) a higher-than-expected policy rate; and 3) deteriorating asset quality. Upside risks are: 1) better-than-estimated economic improvement; 2) stronger-than-estimated improvement in the overall asset quality; and 3) less pressure from the market yield and cost of funds.

Asia Sermkij Leasing PCL	ASK TB	THB 11.20	REDUCE	Upside risks include 1) a better-than-expected macroeconomic improvement; 2) downtrend of policy rate could reduce cost of funds and enhance interest spreads; and 3) a faster-than-expected decline in ECL expense.
Ratchthani Leasing	THANI TB	THB 1.77	HOLD	Downside risks to our GGM-derived TP include 1) an economic slowdown, especially for logistics activities and private investment; 2) deteriorating asset quality; and 3) changes in financial regulations from the Bank of Thailand. Upside risks include 1) a better-than-expected macroeconomic improvement; 2) a downtrend in the policy rate could reduce cost of funds and enhance interest spreads; and 3) a faster-than-expected decline in ECL expense.
Bangkok Commercial Asset Mngt.	BAM TB	THB 6.75	HOLD	Downside risks to our NAV-based TP include 1) lower cash collection than estimated; 2) lower-than-expected bad debt acquisition; and 3) a slowdown in the property market. Upsides include 1) better-than-expected economic conditions and debt repayment momentum; and 2) an acceleration in the demand for NPAs.
JMT Network Services	JMT TB	THB 11.30	HOLD	Downside risks to our P/BV-based TP include 1) lower cash collection from both debt management and debt tracking collection services; and 2) higher-than-expected funding costs and operating expenses. Upside risks includes 1) better-than-expected purchasing power and cash collection 2) lower-than-expected operating and financing expense
Chayo Group	CHAYO TB	THB 2.78	HOLD	Downside risks to our GGM-based TP include 1) lower-than-expected bad debt acquisition; and 2) higher-than-expected operating expenses. Upside risks include 1) better-than-expected cash collection performance and lower pressure from ECL, 2) stronger-than-expected loan growth, and 3) better cost control than expected.

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 02-Aug-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.