

Thailand Banks

Expect a recovery in 3Q24 profit but flat PPOP

- We expect the seven banks under coverage to post an increase in 3Q24 aggregate net profit, attributed to higher non-NII, particularly fee income, and lower ECLs.
- Asset quality is less concerning in 3Q24, with no alarm for large corporate loans.
- We upgrade our sector weight call to NEUTRAL, with KTB and BBL as our top picks.

Expect a recovery in 3Q24 profit, driven by higher fees and lower ECLs

We expect the seven banks under our coverage to post a rise in aggregate 3Q24 net profit of 1.3% q-q and 7.5% y-y, amounting to THB54.2b. The recovery in q-q net profit should come from higher non-NII, particularly fee income, lower ECLs, and relatively flat operating expenses. The aggregate cost-to-income ratio should be flat q-q at 43.5% in 3Q24. The expected PPOP is relatively stable q-q but rises by 2.5% y-y, amounting to THB116.3b. For the q-q comparison, we project all banks to post a net profit increase except for TISCO, BBL, and KBANK, which should see a decrease. KKP and SCB should perform the best, while TISCO should perform the worst.

Asset quality deterioration continues, but is manageable

The aggregate asset quality is less concerning in 3Q24, with no alarm for the large corporate segment. New NPL formations and stage 2 loans have continually increased from 2Q24 following the slow, uneven economic recovery and the high level of household debt. However, we view this as manageable. Some banks have proactively managed and sustained the high credit cost level (KBANK, KTB, and TTB) in 3Q24, except for BBL, SCB, TISCO, and KKP. Hence, the NPL ratio should be stable at 3.68%, but with slightly lower credit costs at 157bp in 3Q24, sustaining the coverage ratio at 185%.

NII and fee income to drive the 2025-26E net profit

We estimate an aggregate 2024 net profit of THB200.4b, increasing by 2.6% y-y, due mainly to a large base in 2023, sluggish loan growth due to credit quality prudence, and ECLs and credit costs remaining at a high level. For 2025-26, we expect upside risks to our net profit growth rate of 5.7-6.8% y-y, based on our conservative assumptions for loans, fee income growth, and a gradual reduction in credit costs. We have not yet factored in the expected positive factors to our forecasts following the upcoming government stimulus measures.

Upgrade sector weight to NEUTRAL; KTB and BBL are our top picks

We upgrade our sector weight call to NEUTRAL (from Underweight), driven by the upcoming catalysts that should support 2025-26 net profit growth. Additionally, the establishment of the Vayupak Fund and the Thai ESG Fund serves as another supporting factor, which remains attractively valued. Dividend yields should rise, with most projected to grow to 5.2-5.7% vs 2.5-4.5% over the past three years, based on our estimates. Our top picks are KTB (TP THB23.50) and BBL (TP THB184), which should benefit the most from the new investment cycle. We also recommend buying KBANK (TP THB173), which will benefit from the new investment cycle as well, and TTB (TP THB2.53) due to its attractive dividend yield of 6-7% p.a.



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Expect a recovery in 3Q24 profit, driven by higher fees and lower ECLs

We expect the seven banks under our coverage to post a rise in aggregate 3Q24 net profit of 1.3% q-q and 7.5% y-y, amounting to THB54.2b. The expected PPOP is relatively stable q-q but rises by 2.5% y-y, amounting to THB116.3b. We expect the 9M24 aggregate net profit to increase by 6.6% y-y, amounting to THB162.7b, and account for 81% of our full-year net profit forecast.

For the q-q comparison, we project most banks to post a net profit increase except for TISCO, BBL, and KBANK, which should see a decrease. KKP and SCB would perform the best, while TISCO should perform the worst.

For the y-y comparison, we expect most banks to post y-y growth, except for KKP and TISCO. SCB and TTP should perform the best, while KKP and TISCO should perform the worst.

The recovery in q-q net profit should come from higher non-NII, particularly fee income, lower ECLs, and relatively flat operating expenses. The aggregate cost-to-income ratio should be flat q-q at 43.5% in 3Q24.

In addition, an increase in y-y net profit should come from higher non-NII, particularly the trading gains from FVTPL investment and lower ECLs and income tax.

3Q24 NII should decrease slightly by 0.6% q-q and 1.7% y-y. We anticipate a continued loan contraction of 0.5% q-q, 1.4% y-y, and 0.5% YTD, below our 2024 estimate of 1.2% y-y. SME and retail loans remain the drag due primarily to the prudent credit quality. At the same time, corporate loans – private and government – also turned negative this quarter following a heavy repayment, which could offset the new lending.

We project the 3Q24 NIM to be stable q-q, attributed to a rising cost of funds with the consistent pace of increasing loan yields. Notably, small banks are likely to experience more limited pressure on their NIM. Thanks to the ongoing loan contractions, banks should reduce pressure on fund mobilization and mitigate the impact of rising costs.

Exhibit 1: 3Q24 earnings preview of Thai banks under coverage

	3Q24E	2Q24	Change	3Q23	Change	9M24E	Change	2023	2024E	Change
	(THB m)	(THB m)	(q-q %)	(THB m)	(y-y %)	(THB m)	(y-y %)	(THB m)	(THB m)	(y-y %)
BBL	11,475	11,807	(2.8)	11,350	1.1	33,806	3.2	41,635	42,037	1.0
KBANK	12,350	12,654	(2.4)	11,282	9.5	38,489	16.6	42,405	47,020	10.9
KTB	11,261	11,195	0.6	10,282	9.5	33,535	9.9	36,616	37,621	2.7
SCB	11,150	10,014	11.3	9,663	15.4	32,445	(0.3)	43,521	41,170	(5.4)
TTB	5,367	5,356	0.2	4,735	13.3	16,057	18.1	18,463	21,336	15.6
KKP	919	769	19.5	1,268	(27.5)	3,194	(32.9)	5,418	4,281	(21.0)
TISCO	1,695	1,749	(3.1)	1,874	(9.6)	5,177	(6.2)	7,301	6,935	(5.0)
Coverage	54,217	53,543	1.3	50,454	7.5	162,703	6.6	195,359	200,401	2.6

Sources: Company data; FSSIA estimates

Exhibit 2: NPL ratio 4Q22-3Q24E

	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24E	2024E	Banks' target
	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	2024E
BBL	3.62	3.73	3.46	3.48	3.22	3.43	3.64	3.73	3.62	±3.0
KBANK	3.74	3.60	3.83	3.58	3.70	3.72	3.64	3.60	3.74	< 3.25
KTB	3.90	3.97	3.83	3.74	3.86	3.77	3.85	3.80	3.90	< 3.25
SCB	4.01	3.97	3.84	3.89	3.99	3.89	3.90	3.90	4.01	n/a
TTB	3.03	3.09	2.99	2.96	3.09	3.02	3.09	3.15	3.03	≤ 2.9
KKP	3.45	3.56	3.74	3.69	3.31	3.94	4.11	4.13	3.45	~ 3.90 - 4.10
TISCO	2.09	2.13	2.20	2.25	2.22	2.27	2.44	2.49	2.09	2.50 - 2.75
Coverage	3.68	3.69	3.62	3.56	3.58	3.61	3.67	3.68	3.70	

Sources: Company data; FSSIA estimates

Exhibit 3: Credit cost, 4Q22-3Q24E; 9M24E

	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24E	9M23	9M24E	2023	2024	Banks' target
	(bp)	(bp)	(bp)	(bp)	(bp)	(bp)	(bp)	(bp)	(bp)	(bp)	(bp)	(bp)	2024E
BBL	116	127	133	132	109	127	153	139	127	140	126	129	~ 90 - 100
KBANK	368	205	208	209	220	189	189	189	208	191	208	195	175 - 195
KTB	116	125	120	125	201	124	124	124	122	122	143	140	120 - 130
SCB	120	166	201	201	153	167	190	180	190	178	182	195	160 - 180
TTB	139	125	125	128	277	155	162	167	125	160	164	160	125 - 135
KKP	305	233	292	304	284	206	289	287	285	139	282	285	~ 250 - 270
TISCO	70	28	11	25	43	47	70	62	22	61	27	70	100
Coverage	173	148	158	159	178	146	162	157	154	155	161	161	

Sources: Company data; FSSIA estimates

Exhibit 4: Aggregate banks – 3Q24 earnings preview

Year end 31 Dec	3Q23	4Q23	1Q24	2Q24	3Q24E	---- Change ----		9M24E	Change	%of	2024E	Change
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)	(THB m)	(y-y %)	24E	(THB m)	(y-y %)
Net interest income	157,561	161,865	156,319	155,815	154,837	(0.6)	(1.7)	466,970	4.0	75	626,173	2.5
Non-interest income	44,609	43,454	48,419	49,717	50,951	2.5	14.2	149,088	2.6	77	194,747	3.2
Fee income - net	33,258	32,140	33,445	32,346	33,256	2.8	(0.0)	99,047	(1.5)	74	133,959	0.9
Total operating income	202,170	205,318	204,738	205,532	205,788	0.1	1.8	616,058	3.7	75	820,920	2.7
Total operating expenses	88,651	100,662	90,311	89,473	89,456	(0.0)	0.9	269,241	4.9	72	373,317	4.5
PPOP before tax	113,519	104,657	114,427	116,059	116,332	0.2	2.5	346,817	2.7	77	447,603	1.2
Expected credit loss	48,343	54,320	44,501	49,186	47,460	(3.5)	(1.8)	141,147	0.3	72	195,801	0.4
Income tax	13,233	5,775	13,018	11,157	12,341	10.6	(6.7)	36,515	(6.4)	83	44,198	(1.3)
Non-controlling interest	1,490	1,902	1,965	2,172	2,314	6.5	55.3	6,452	25.5	90	7,202	2.2
Net profit	50,454	42,661	54,943	53,543	54,217	1.3	7.5	162,703	6.6	81	200,401	2.6
EPS (THB)	10.63	8.98	11.35	11.06	11.20	1.3	5.4	33.60	4.5	82	41.38	0.6
Key ratios	3Q23	4Q23	1Q24	2Q24	3Q24E	---- Change ----		9M24E	Change		2024E	Change
Asset quality ratio	(%)	(%)	(%)	(%)	(%)	(q-q%)	(y-y%)	(THB m)	(y-y %)		(%)	(y-y %)
Gross NPLs (THB m)	436,408	433,707	440,288	445,417	444,330	(0.2)	1.8	444,330	1.8		453,488	4.6
Change (% from prior period)	(0.7)	(0.6)	1.5	1.2	(0.2)			1.8			4.6	
NPL ratio (%)	3.56	3.58	3.61	3.67	3.68			3.68			3.70	
Coverage ratio (%)	187	189	186	185	185			185			188	
Credit cost (bp)	159	178	146	162	157			155			161	
Profitability ratio	(%)	(%)	(%)	(%)	(%)			(%)			(%)	
Cost to income ratio	43.8	49.0	44.1	43.5	43.5			43.7			45.5	
Average yield (%)	4.74	4.91	4.80	4.82	4.84			4.85			4.76	
Cost of funds (%)	1.46	1.59	1.63	1.66	1.69			1.66			1.63	
Loan spreads	3.27	3.32	3.17	3.16	3.15			3.19			3.13	
NIM (%)	3.53	3.60	3.47	3.46	3.46			3.49			3.43	
Non-interest income /total income (%)	22.1	21.2	23.6	24.2	24.8			24.2			23.7	
Loan growth	(%)	(%)	(%)	(%)	(%)			(%)			(%)	
q-q	0.8	(0.9)	0.7	(0.7)	(0.5)							
y-y	0.5	0.1	1.4	(0.1)	(1.4)			(1.4)			1.2	
Year-to-date	1.0	0.1	0.7	0.0	(0.5)			(0.5)				

Sources: Company data; FSSIA estimates

Asset quality deterioration continues, but is manageable

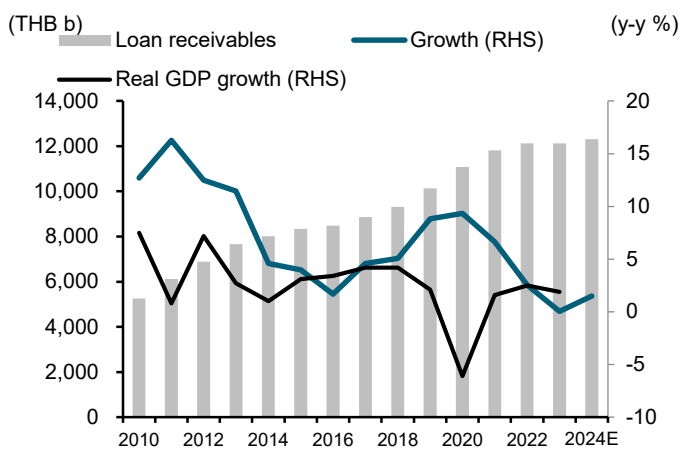
The aggregate asset quality is less concerning in 3Q24, with no alarm for the large corporate segment. New NPL formations and stage 2 loans have continually increased from 2Q24 following the slow, uneven economic recovery and the high level of household debt. However, we view this as manageable. Some banks have proactively managed and sustained the high credit cost level (KBANK, KTB, and TTB) in 3Q24, except for BBL (expect a reduction in ECLs in 2H24), SCB (no extra ECL – EA case – as in 2Q24), TISCO (no extra income from IB fees – NEO deal – as in 2Q24), and KKP (no management overlay). Hence, the NPL ratio should be stable at 3.68%, but with slightly lower credit costs at 157bp in 3Q24 vs 162bp in 2Q24, sustaining the coverage ratio at 185%.

Exhibit 5: Staged loans and ECL of banks under coverage, 2021-2Q24

	2021 (THB b)	2022 (THB b)	2023 (THB b)	2Q24 (THB b)	2021 (%)	2022 (%)	2023 (%)	2Q24 (%)
Staged loans								
Stage 1	11,057	11,317	11,245	11,212	88.78	89.37	89.39	89.00
Stage 2	908	889	896	936	7.29	7.02	7.12	7.43
Stage 3	489	458	438	450	3.92	3.62	3.48	3.57
Total	12,453	12,664	12,579	12,598	100.00	100.00	100.00	100.00
Allowance for ECL								
Stage 1	246	262	271	238	2.2	2.3	2.4	2.1
Stage 2	237	252	275	306	26.0	28.3	30.7	32.7
Stage 3	287	276	268	271	58.7	60.3	61.2	60.2
Total	769	790	814	815	6.2	6.2	6.5	6.5
LLR/ Loans								
Stage 1	2.2	2.3	2.4	2.1				
Stage 2	26.0	28.3	30.7	32.7				
Stage 3	58.7	60.3	61.2	60.2				
Total	6.2	6.2	6.5	6.5				
(%)								
NPL / TL	3.9	3.6	3.5	3.6				
NPL vs. Stage 2 loans / TL	11.2	10.6	10.6	11.0				
LLR / NPL	157	173	186	181				
LLR / (NPL vs. Stage 2)	55	59	61	59				

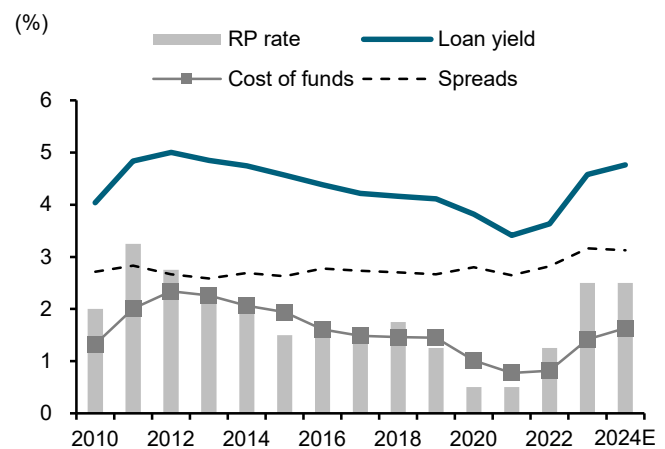
Sources: Company data; FSSIA's compilation

Exhibit 6: Loans vs real GDP growth, 2010-24E



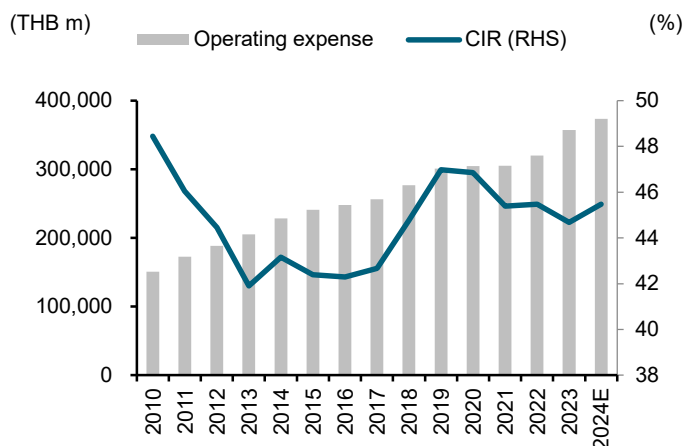
Sources: Bloomberg; Company data; FSSIA estimates

Exhibit 7: Yields, cost of funds, and spreads, 2010-24E



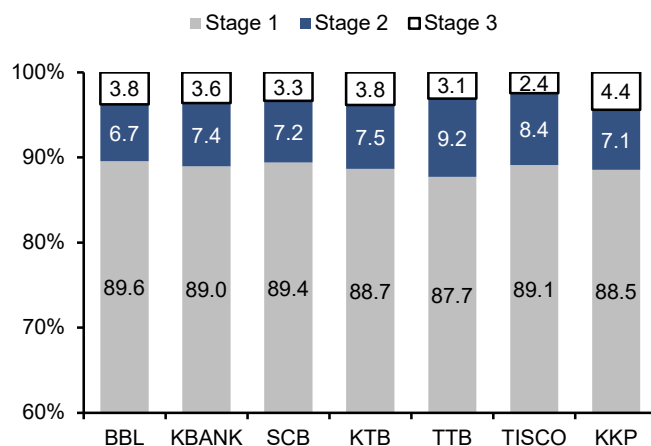
Sources: Bloomberg; Company data; FSSIA estimates

Exhibit 8: OPEX and CIR, 2010-24E



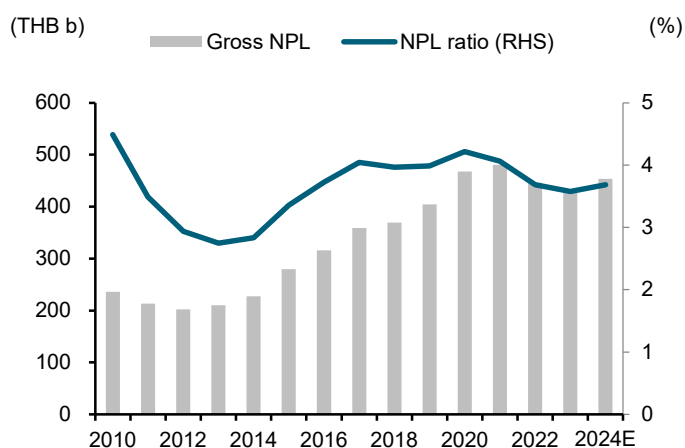
Sources: Company data; FSSIA estimates

Exhibit 9: Staged loans for banks under coverage, as of 2Q24



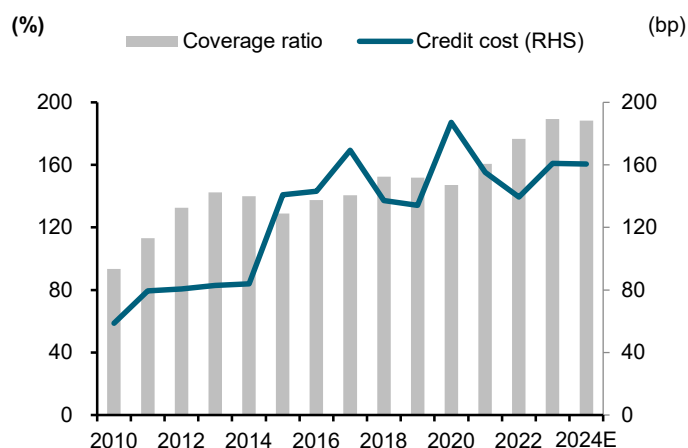
Sources: Company data; FSSIA's compilation

Exhibit 10: NPL and NPL ratio, 2010-24E



Sources: Bloomberg; Company data; FSSIA estimates

Exhibit 11: Coverage ratio and credit cost, 2010-24E

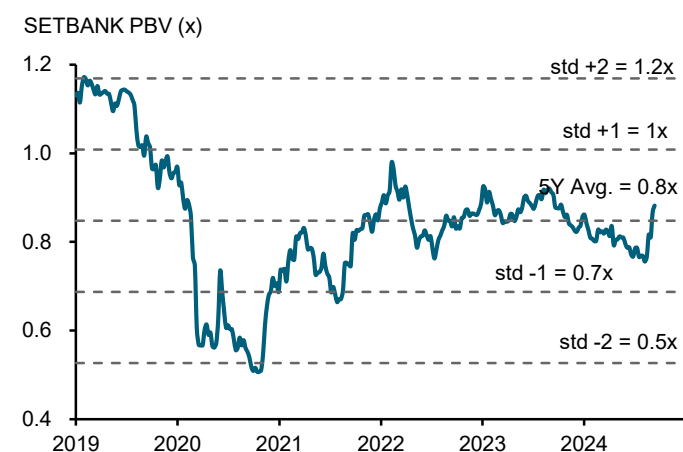


Sources: Bloomberg; Company data; FSSIA estimates

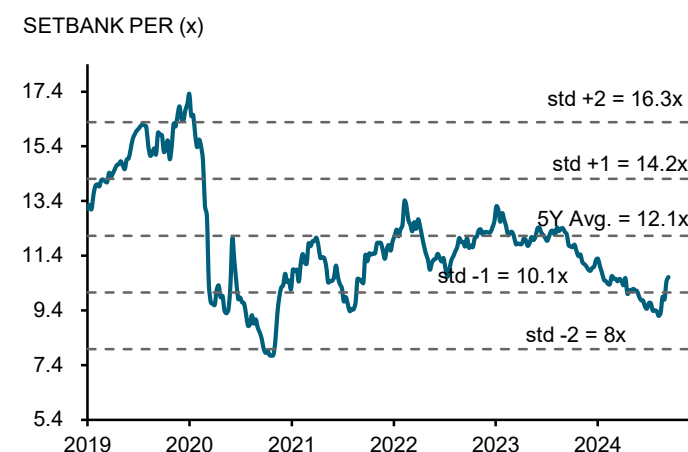
Exhibit 12: Aggregate banks – key financial summary, as of 20 September 2024

	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E
Net profit (THB m)	167,006	156,017	111,916	145,315	165,342	195,360	200,401	211,806	226,204
EPS (THB)	39.7	35.6	25.5	33.2	34.7	41.14	41.4	43.7	46.7
Change y-y	-5.0%	-10.3%	-28.3%	29.8%	4.8%	18.4%	0.6%	5.7%	6.8%
P/E (x)	11.1	9.5	13.2	12.5	11.2	9.3	9.7	9.2	8.6
BVS (THB)	393.2	422.3	441.4	473.1	455.1	479.0	491.4	512.2	538.3
P/B (x)	1.1	0.8	0.8	0.9	0.9	0.8	0.8	0.8	0.7
ROE (%)	20.2	8.9	5.9	7.3	7.8	8.8	8.6	8.7	8.9
ROA (%)	2.4	1.1	0.7	0.8	0.9	1.1	1.1	1.1	1.1
Dividend yield (%)	3.5	4.8	2.3	2.5	3.6	5.2	5.0	5.3	5.6

Sources: Bloomberg; FSSIA estimates

Exhibit 13: SETBANK – one-year prospective P/BV band

Sources: Bloomberg; FSSIA estimates

Exhibit 14: SETBANK – one-year prospective PER band

Sources: Bloomberg; FSSIA estimates

Exhibit 15: Peer regional banks comparison, as of 20 September 2024

Company name	BBG code	Share price (LCY)	Target price (LCY)	Upside (%)	Market Cap. (USD m)	----- PE ----- 24E (x) 25E (x)	---- PBV ---- 24E (x) 25E (x)	---- ROE ---- 24E (%) 25E (%)	--- Div yld --- 24E (x) 25E (x)				
Thailand													
Bangkok Bank	BBL TB	154.50	184.00	19	8,920	7.0 6.7	0.5 0.5	7.7 7.6	4.7 4.9				
Kasikornbank	KBANK TB	157.50	173.00	10	11,287	8.1 7.4	0.7 0.6	8.6 9.0	5.7 6.3				
Krung Thai Bank	KTB TB	20.40	23.50	15	8,623	7.6 7.4	0.7 0.6	9.1 8.8	4.4 4.5				
SCB X	SCB TB	111.50	112.00	0	11,355	9.1 8.7	0.8 0.8	8.6 8.8	8.8 9.2				
TMBThanachart Bank	TTB TB	1.92	2.53	32	5,650	8.7 8.0	0.8 0.7	9.1 9.4	6.3 6.8				
Kiatnakin Bank	KKP TB	50.75	50.30	(1)	1,283	9.8 8.8	0.7 0.6	7.0 7.5	4.9 5.4				
Tisco Financial Group	TISCO TB	97.50	98.00	1	2,361	11.3 11.4	1.8 1.8	16.1 15.6	7.9 7.9				
Thailand weighted average					7,068	9.7 9.2	0.8 0.8	8.6 8.7	5.0 5.3				
Hong Kong													
Industrial & Comm Bank of China	1398 HK	4.39	n/a	n/a	269,069	4.1 4.1	0.4 0.4	9.9 9.4	7.6 7.7				
China Construction Bank	939 HK	5.58	n/a	n/a	184,653	3.9 3.8	0.4 0.4	10.5 10.1	7.8 7.9				
HSBC Holdings	5 HK	68.95	n/a	n/a	162,987	7.0 7.1	0.9 0.9	13.5 12.6	9.0 7.2				
Bank of China	3988 HK	3.50	n/a	n/a	178,739	4.3 4.2	0.4 0.4	9.4 9.0	7.3 7.5				
Hong Kong average					198,862	4.8 4.8	0.5 0.5	10.8 10.3	7.9 7.5				
China													
Industrial & Comm Bank of China	601398 CH	5.67	n/a	n/a	269,145	5.8 5.7	0.6 0.5	9.8 9.3	5.3 5.4				
Agricultural Bank of China	601288 CH	4.54	n/a	n/a	223,937	6.2 6.0	0.6 0.6	10.3 9.9	5.1 5.1				
China Construction Bank	601939 CH	7.23	n/a	n/a	184,691	5.6 5.5	0.6 0.5	10.7 10.1	5.4 5.5				
Bank of China	601988 CH	4.64	n/a	n/a	178,789	6.3 6.1	0.6 0.5	9.3 8.8	5.0 5.1				
China average					214,141	6.0 5.8	0.6 0.5	10.0 9.6	5.2 5.3				
South Korea													
KB Financial Group	105560 KS	83,600	n/a	n/a	24,994	6.4 5.8	0.6 0.5	8.9 9.2	3.8 4.1				
Shinhan Financial Group	055550 KS	55,500	n/a	n/a	21,301	5.9 5.4	0.5 0.5	9.0 9.1	3.9 4.3				
Hana Financial Group	086790 KS	61,600	n/a	n/a	13,283	4.8 4.4	0.4 0.4	9.4 9.3	5.8 6.3				
Industrial Bank of Korea	024110 KS	14,240	n/a	n/a	8,399	4.1 4.0	0.4 0.3	8.7 8.5	7.4 7.9				
South Korea average					16,994	5.3 4.9	0.5 0.4	9.0 9.0	5.2 5.7				
Indonesia													
Bank Central Asia	BBCA IJ	10,775	n/a	n/a	88,239	24.9 22.7	5.0 4.6	21.1 21.2	2.5 2.8				
Bank Rakyat Indonesia Persero	BBRI IJ	5,375	n/a	n/a	54,242	13.5 12.2	2.5 2.4	19.1 19.9	6.0 6.3				
Bank Mandiri Persero	BMRI IJ	7,300	n/a	n/a	45,257	12.1 10.9	2.4 2.2	20.7 21.0	4.9 5.2				
Bank Negara Indonesia Persero	BBNI IJ	5,750	n/a	n/a	14,210	9.8 8.6	1.3 1.2	14.2 15.0	4.9 5.4				
Bank Syariah Indonesia	BRIS IJ	3,030	n/a	n/a	9,434	21.2 17.7	3.2 2.8	16.2 16.7	0.7 1.0				
Indonesia average					42,276	16.3 14.4	2.9 2.6	18.3 18.8	3.8 4.1				
Malaysia													
Malayan Banking	MAY MK	10.60	n/a	n/a	30,383	12.7 12.1	1.3 1.3	10.4 10.6	5.9 6.2				
Public Bank	PBK MK	4.70	n/a	n/a	21,573	12.9 12.3	1.6 1.5	12.5 12.4	4.4 4.6				
CIMB Group Holdings	CIMB MK	8.44	n/a	n/a	21,412	11.5 10.7	1.3 1.2	11.1 11.3	5.4 5.4				
Hong Leong Bank	HLBK MK	21.08	n/a	n/a	10,802	10.5 9.7	1.2 1.1	11.6 11.6	3.3 3.6				
RHB Bank	RHBBANK MK	6.25	n/a	n/a	6,474	9.3 8.8	0.8 0.8	9.2 9.3	6.4 6.7				
Malaysia average					18,129	11.4 10.7	1.2 1.2	11.0 11.1	5.1 5.3				
Singapore													
DBS Group Holdings	DBS SP	39.00	n/a	n/a	87,427	10.4 10.7	1.7 1.6	17.1 15.9	5.6 6.1				
Oversea-Chinese Banking	OCBC SP	15.47	n/a	n/a	54,536	9.4 9.5	1.2 1.2	13.5 12.7	5.6 5.7				
United Overseas Bank	UOB SP	32.94	n/a	n/a	43,229	9.4 9.1	1.2 1.1	12.9 12.6	5.4 5.5				
Singapore average					61,731	9.7 9.8	1.4 1.3	14.5 13.7	5.5 5.8				
Regional average (excl. Thailand)					88,288	9.3 8.7	1.2 1.2	12.4 12.2	5.4 5.5				
Total average (incl. Thailand)					70,521	9.2 8.6	1.2 1.1	11.7 11.6	5.5 5.7				

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+										
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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><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 154.50	BUY	Downside risks to our GGM-based TP are 1) prolonged economic sluggishness affecting loan growth and asset quality; and 2) an impact of new regulations from the Bank of Thailand.
Kasikornbank	KBANK TB	THB 157.50	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. Upside risks comprise 1) ? lower credit cost from better asset quality; and 2) the better ongoing cost control efficiency
Krung Thai Bank	KTB TB	THB 20.40	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 111.50	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. Upside risks comprise 1) the faster-than-expected recovery of EA operation and financial stability and 2) the reduction in Thailand household debts.
TMBThanachart Bank	TTB TB	THB 1.92	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 Phatra Bank	KKP TB	THB 50.75	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
Tisco Financial	TISCO TB	THB 97.50	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 20-Sep-2024 unless otherwise stated.

RECOMMENDATION STRUCTURE

Stock ratings

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

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

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

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

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

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

Industry Recommendations

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

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

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

Country (Strategy) Recommendations

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

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

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