

# TMBTHANACHART BANK

THAILAND / BANKING

TTB TB

**BUY**

UNCHANGED

TARGET PRICE	THB2.52
CLOSE	THB1.83
UP/DOWNSIDE	+37.7%
PRIOR TP	THB2.53
CHANGE IN TP	-0.4%
TP vs CONSENSUS	+20.1%

## 3Q24 results at first glance

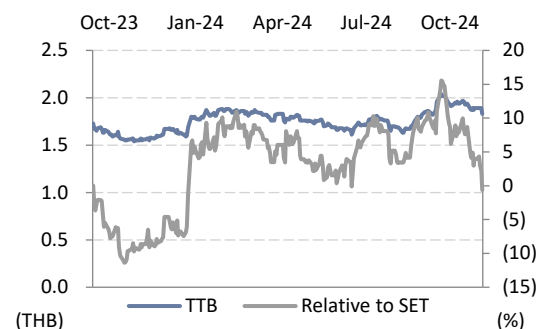
### 3Q24 results were broadly in line; well-contained asset quality

#### Highlights

- **The 3Q24 net profit came in at THB5.23b**, c2% below our estimate and the BBG consensus, marking a slight decline of 2.4% q-q but an increase of 10.4% y-y. PPOP was slightly lower than expected at THB9.93b, down 2.3% q-q and 2.9% y-y, impacted by higher-than-expected operating expenses, mainly due to increased IT and marketing costs. Consequently, the 3Q24 cost-to-income ratio rose to 42.4% from 41.5% in 2Q24. Following a decline in ECLs in the quarter, TTB reported a lower reversal of income tax expenses of THB64m in 3Q24, compared to the average of THB350m-470m in 1H24, with the remaining tax benefit at the end of 3Q24 amounting to THB11.7b.
- **The core business remained sluggish**, particularly with NII amid a significant loan contraction. The core loan segments experienced contractions, including auto hire purchases (30%), housing (26%), corporate (29%), and SME loans (8%). Although there was growth in the high-yield loan segment (6%), more was needed to drive overall loan growth. The NIM improved by 4bp in 3Q24, better than expected, due to a slight increase in loan yields, driven by the shrinking loan base, while funding costs decreased slightly. Non-NII declined somewhat as expected, but received some support from net fee growth from mutual fund and bancassurance fees.
- **Asset quality remains manageable**, even though the NPL ratio rose to 3.21% in 3Q24 – higher than anticipated – mainly due to the shrinking loan base. However, gross NPLs remained stable as expected. Credit costs decreased to 149bp from 162bp in 2Q24, with the bank noting an additional management overlay of THB154m in 3Q24, bringing the normalized credit costs down to 144bp. Overall, credit costs for 9M24 stood at 154bp, higher than the 2024 guidance of c125-135bp but still in line with our 2024 estimate of 160bp. The coverage ratio decreased to 149% compared to 152% in 2Q24.
- **Maintain 2024-26 earnings forecast**: We maintain our 2024-26 earnings forecast with the expected net profit growth at 11.6% CAGR, outpacing its peers' average of 5.0%. The growth contributors come from the high-yield segment (under its stringent lending policy), cost control, and continued NIM management. We retain our BUY call due to its limited downside risks to net profit, and an attractive dividend yield of c6-7% p.a. under an expected 60% payout ratio. Our 2025 GGM-based TP is THB2.52, based on a P/BV of 0.97x under an LT-ROE of 9.0% and COE of 9.2%.

#### KEY STOCK DATA

YE Dec (THB m)	2023	2024E	2025E	2026E
Operating profit	17,483	19,380	20,632	22,140
Net profit	18,463	21,336	23,132	25,640
EPS (THB)	0.19	0.22	0.24	0.26
vs Consensus (%)	-	3.3	7.6	15.0
Recurring net profit	18,463	21,336	23,132	25,640
Core EPS (THB)	0.19	0.22	0.24	0.26
EPS growth (%)	30.1	15.6	8.4	10.8
Core P/E (x)	9.6	8.3	7.7	6.9
Dividend yield (%)	5.7	6.6	7.2	8.0
Price/book (x)	0.8	0.7	0.7	0.7
ROE (%)	8.2	9.1	9.4	9.9
ROA (%)	1.0	1.2	1.3	1.4



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(5.2)	3.4	5.2
Relative to country (%)	(8.6)	(8.1)	1.5
Mkt cap (USD m)	5,372		
3m avg. daily turnover (USD m)	19.5		
Free float (%)	39		
Major shareholder	Thanachart Capital PCL (24%)		
12m high/low (THB)	2.06/1.53		
Issued shares (m)	96,778		

Sources: Bloomberg consensus; FSSIA estimates



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## Key takeaways from the analyst meeting

The critical information from the analyst meeting held on 18 October includes 1) TTB's perspective on managing the cost of funds and the impact of the downward trend in interest rates; 2) an overview of asset quality and the outlook for credit costs; and 3) the loan situation and the adjustment of business strategies to align with the current environment as follows:

- 1) The impact of the downward trend in interest rates and the approach to managing the cost of funds:** TTB guided for the possibility of reducing the cost of funds. However, it also acknowledged the short-term effects on its NIM due to declining interest rates, as the yield on earning assets decreased immediately following the reduction in the RP rate. This is mainly due to the excess liquidity (with an LDR of 96.6% and LDBR of 87.6% as of the end of 3Q24) the bank invests in the money market.

On the deposit side, TTB cannot immediately adjust rates, especially for CASA deposits (which account for 36%), while term deposits must mature before adjusting to lower interest rates. In its management strategy, the bank has gradually shortened the duration of term deposits, reducing the proportion of long-term term deposits to 22% at the end of 3Q24 from 28% at the end of 2023. Approximately one-third of these deposits are expected to mature within a year, which will positively impact the cost of deposits, allowing for a quicker reduction.

Regarding borrowings, TTB has reduced the rollover size by half of the high cost of sub-debts (Tier-2) and Hybrid Tier-1 instruments, further helping to reduce interest expenses gradually. Regarding medium- to long-term management plans, TTB disclosed that raising the CASA ratio to levels comparable to large banks (over 70%) remains challenging. Instead, the bank plans to increase the proportion of deposits from large corporate clients to provide payroll services for their employees, offering additional benefits to attract and retain these deposit customers.

- 2) An overview of asset quality and the outlook for credit costs:** The overall asset quality in 3Q24 showed positive signs, with a slowdown in the rate of new NPL formation. This improvement resulted from the bank's tightened credit quality controls and more selective customer screening, leading to a continued decline in PD (as per the ECL model). This trend is evident from the reduction in the management overlay provision, which decreased to THB154m in 3Q24 vs THB1.09b in 2Q24. The key reasons are 1) the hire-purchase loan segment, where the bank had previously set aside reserves anticipating a decline in the value of repossessed vehicles – although this decline persists, the rate has slowed; and 2) the home loan segment, particularly for condominiums in provincial areas, where the difficulty in selling repossessed properties (due to reduced demand and purchasing power) led to an increase in LGD. This situation previously required a higher management overlay, but it has now begun to decline. As a result, the 9M24 credit costs increased to 154bp, with normalized credit costs at 137bp, slightly above the 2024 guidance range of 125-135bp.

- 3) The loan situation and the adjustment of business strategies to align with the current environment:** TTB has emphasized its stance amid the current economic situation and weak loan landscape, stating that it will not use its liquidity to accelerate short-term growth at the cost of increased long-term risk. Additionally, its business approach moving forward must differ from the current model, as the strategy of reducing interest expenses during stagnant loan growth has reached its limit. While efforts to reduce operating costs will continue, the bank has a medium-term plan to lower the cost-to-income ratio below 40.0%, down from 42.2% in 9M24. Key drivers to achieve this C/I target will shift from HR and branch optimization to a digital-first business model, aiming to reduce the physical cost structure and lower the cost per transaction in the long term.

Meanwhile, the strategy to drive loan growth will require transforming the business model. Although the bank has not disclosed a detailed plan, it has hinted at revising loan products using RBP (risk-based pricing) criteria, offering more tailored products that better serve good-quality customer needs.

Exhibit 1: TTB – 3Q24 results summary

Year-end Dec 31	3Q23	4Q23	1Q24	2Q24	3Q24	----- Change -----		9M24	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	14,665	14,948	14,397	14,185	14,061	(0.9)	(4.1)	42,643	0.9	75	57,140	(0.1)
Non-interest income	3,335	3,384	3,273	3,187	3,163	(0.8)	(5.2)	9,623	(7.2)	74	13,072	(5.0)
Fee income - net	2,505	2,638	2,454	2,209	2,242	1.5	(10.5)	6,906	(10.6)	72	9,578	(7.6)
Total operating income	18,000	18,332	17,671	17,372	17,224	(0.9)	(4.3)	52,267	(0.7)	74	70,212	(1.1)
Total operating expenses	7,777	8,336	7,570	7,210	7,295	1.2	(6.2)	22,075	(3.8)	73	30,221	(3.4)
PPOP before tax	10,223	9,996	10,100	10,162	9,929	(2.3)	(2.9)	30,191	1.7	75	39,990	0.8
Expected credit loss	4,354	9,326	5,117	5,281	4,764	(9.8)	9.4	15,162	17.8	74	20,610	(7.2)
Income tax	1,133	(4,197)	(351)	(474)	(64)	(86.5)	NA	(890)	NA	45	(1,956)	N/A
Net profit	4,735	4,867	5,335	5,356	5,230	(2.4)	10.4	15,919	17.1	75	21,336	15.6
EPS (THB)	0.05	0.05	0.06	0.06	0.05	(2.4)	10.4	0.16	17.1	75	0.22	15.6
Key ratios	3Q23	4Q23	1Q24	2Q24	3Q24	----- Change -----		9M24			2024E	
Asset quality ratio	(%)	(%)	(%)	(%)	(%)	(q-q%)	(y-y%)	(THB m)	(y-y%)		(%)	
Gross NPLs (THB m)	40,279	41,006	39,759	40,105	40,224	0.3	(0.1)	40,224	(0.1)		40,600	(1.0)
Change (% from prior period)	(1.1)	1.8	(3.0)	0.9	0.3			(0)			(1.0)	
NPL ratios (%) - reported	2.67	2.62	2.56	2.64	2.73							
NPL ratio (%)	2.96	3.09	3.02	3.09	3.21			3.21			3.25	
Coverage ratio (%) - reported	144	155	155	152	149			149				
Coverage ratio (%)	144	155	155	152	149			149			157	
Credit cost (bp)	128	277	155	162	149			154			160	
Profitability ratio	(%)	(%)	(%)	(%)	(%)						(%)	
Cost to income ratio	43.2	45.5	42.8	41.5	42.4			42.2			43.0	
Average yield (%)	4.64	4.81	4.77	4.81	4.82			4.84			4.79	
Cost of funds (%)	1.47	1.60	1.75	1.82	1.80			1.81			1.81	
NIM (%) - reported	3.34	3.39	3.28	3.26	3.26							
NIM (%)	3.36	3.42	3.26	3.24	3.28			3.28			3.24	
Non-interest income/total income (%)	18.5	18.5	18.5	18.3	18.4			18.4			18.6	
Loan growth	(%)	(%)	(%)	(%)	(%)						(%)	
q-q	(0.1)	(2.6)	(1.0)	(1.4)	(3.4)							
y-y	(2.2)	(3.5)	(3.2)	(4.9)	(8.1)			(8.1)			(6.0)	
Year-to-date	(1.0)	(3.5)	(1.0)	(2.4)	(4.7)			(4.7)				

Sources: TTB; FSSIA estimates

Exhibit 2: TTB – GGM-based 2025 TP

Gordon Growth Model	2025E
Sustainable ROE	9.00%
g	1.00%
ROE-g	8.00%
Beta	0.78
Risk free rate	3.0%
Risk premium	8.0%
COE	9.24%
COE-g	8.24%
ROE-g/COE-g	0.97

Sources: FSSIA estimates

Exhibit 3: Share price performance of banks under coverage, as of 18 October 2024

	----- Price performance -----				
	1M	3M	6M	1Y	YTD
	(%)	(%)	(%)	(%)	(%)
BBL TB	0.0	16.6	11.6	(7.5)	(1.3)
KBANK TB	(3.8)	18.4	22.2	17.4	12.2
KKP TB	3.4	28.0	2.4	1.9	4.5
KTB TB	5.4	25.7	34.4	12.0	16.8
SCB TB	(1.8)	7.9	6.3	9.8	3.3
TISCO TB	0.0	4.0	(1.8)	1.0	(2.3)
TTB TB	(3.6)	5.1	3.9	6.9	10.8
SETBANK	(0.9)	13.5	11.0	3.4	4.2
SET	2.8	13.3	12.1	6.7	5.4

Sources: Bloomberg

## Financial Statements

### TMBThanachart Bank

Profit and Loss (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Interest Income	65,627	79,134	84,439	84,258	85,640
Interest expense	(14,009)	(21,926)	(27,299)	(26,916)	(27,013)
Net interest income	51,618	57,208	57,140	57,342	58,626
Net fees & commission	10,391	10,362	9,578	9,674	9,770
Foreign exchange trading income	-	-	-	-	-
Securities trading income	1,699	1,718	1,770	1,823	1,877
Dividend income	0	0	0	0	0
Other income	2,145	1,674	1,724	1,776	1,829
Non interest income	14,236	13,754	13,072	13,272	13,477
Total income	65,854	70,962	70,212	70,614	72,103
Staff costs	(16,006)	(16,673)	(15,506)	(15,661)	(15,817)
Other operating costs	(13,946)	(14,607)	(14,716)	(14,924)	(15,281)
Operating costs	(29,952)	(31,280)	(30,221)	(30,585)	(31,098)
Pre provision operating profit	35,902	39,682	39,990	40,029	41,005
Expected credit loss	(18,353)	(22,199)	(20,610)	(19,397)	(18,865)
Other provisions	-	-	-	-	-
Operating profit	17,548	17,483	19,380	20,632	22,140
Recurring non operating income	0	0	0	0	0
Associates	-	-	-	-	-
Goodwill amortization	-	-	-	-	-
Non recurring items	-	-	-	-	-
Profit before tax	17,548	17,483	19,380	20,632	22,140
Tax	(3,352)	980	1,956	2,500	3,500
Profit after tax	14,196	18,463	21,336	23,132	25,640
Non-controlling interest	0	0	0	0	0
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	14,196	18,463	21,336	23,132	25,640
Non recurring items & goodwill (net)	-	-	0	0	0
Recurring net profit	14,196	18,463	21,336	23,132	25,640
<b>Per share (THB)</b>					
Recurring EPS *	0.15	0.19	0.22	0.24	0.26
Reported EPS	0.15	0.19	0.22	0.24	0.26
DPS	0.07	0.11	0.12	0.13	0.15
<b>Growth</b>					
Net interest income (%)	1.2	10.8	(0.1)	0.4	2.2
Non interest income (%)	(2.1)	(3.4)	(5.0)	1.5	1.5
Pre provision operating profit (%)	4.6	10.5	0.8	0.1	2.4
Operating profit (%)	37.1	(0.4)	10.9	6.5	7.3
Reported net profit (%)	35.5	30.1	15.6	8.4	10.8
Recurring EPS (%)	35.3	30.1	15.6	8.4	10.8
Reported EPS (%)	35.3	30.1	15.6	8.4	10.8
<b>Income Breakdown</b>					
Net interest income (%)	78.4	80.6	81.4	81.2	81.3
Net fees & commission (%)	15.8	14.6	13.6	13.7	13.6
Foreign exchange trading income (%)	-	-	-	-	-
Securities trading income (%)	2.6	2.4	2.5	2.6	2.6
Dividend income (%)	-	-	-	-	-
Other income (%)	3.3	2.4	2.5	2.5	2.5
<b>Operating performance</b>					
Gross interest yield (%)	3.76	4.45	4.79	4.80	4.81
Cost of funds (%)	0.92	1.44	1.77	1.78	1.81
Net interest spread (%)	2.84	3.01	3.02	3.02	3.00
Net interest margin (%)	3.0	3.2	3.2	3.3	3.3
Cost/income(%)	45.5	44.1	43.0	43.3	43.1
Cost/assets(%)	1.7	1.7	1.7	1.7	1.7
Effective tax rate (%)	19.1	(5.6)	(10.1)	(12.1)	(15.8)
Dividend payout on recurring profit (%)	49.8	55.0	55.0	55.0	55.0
ROE (%)	6.6	8.2	9.1	9.4	9.9
ROE - COE (%)	6.6	8.2	9.1	9.4	9.9
ROA (%)	0.8	1.0	1.2	1.3	1.4
RORWA (%)	1.2	1.6	1.8	2.0	4.3

\* Pre-exceptional, pre-goodwill and fully diluted

Sources: TMBThanachart Bank ; FSSIA estimates

## Financial Statements

TMBThanachart Bank

Balance Sheet (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Gross customer loans	1,376,118	1,327,964	1,248,286	1,254,528	1,260,800
Allowance for expected credit loss	(57,390)	(63,502)	(63,612)	(65,509)	(67,374)
interest in suspense	7,777	7,569	7,115	7,151	7,187
<b>Net customer loans</b>	<b>1,326,505</b>	<b>1,272,031</b>	<b>1,191,789</b>	<b>1,196,170</b>	<b>1,200,613</b>
Bank loans	187,563	267,486	280,861	294,904	309,649
Government securities	-	-	-	-	-
Trading securities	1,533	2,470	2,594	2,723	2,860
Investment securities	211,432	181,558	211,774	216,087	220,491
Cash & equivalents	15,506	24,111	26,567	28,575	27,796
Other interesting assets	-	-	-	-	-
Tangible fixed assets	19,788	21,767	22,420	23,093	23,786
Associates	-	-	-	-	-
Goodwill	22,890	23,577	24,284	25,013	25,763
Other intangible assets	-	-	-	-	-
Other assets	41,082	39,624	41,216	42,878	44,430
<b>Total assets</b>	<b>1,826,299</b>	<b>1,832,880</b>	<b>1,801,765</b>	<b>1,829,708</b>	<b>1,855,840</b>
Customer deposits	1,399,247	1,386,581	1,358,849	1,365,644	1,379,300
Bank deposits	84,770	87,794	89,550	91,341	82,207
Other interest bearing liabilities	59,644	60,241	37,000	37,370	37,744
Non interest bearing liabilities	63,611	69,637	76,252	83,514	91,489
Hybrid Capital	-	-	-	-	-
<b>Total liabilities</b>	<b>1,607,271</b>	<b>1,604,252</b>	<b>1,561,651</b>	<b>1,577,869</b>	<b>1,590,739</b>
Share capital	91,937	91,937	91,937	91,937	91,937
Reserves	127,069	136,689	148,176	159,901	173,162
<b>Total equity</b>	<b>219,006</b>	<b>228,626</b>	<b>240,113</b>	<b>251,838</b>	<b>265,099</b>
Non-controlling interest	1	1	1	1	1
<b>Total liabilities &amp; equity</b>	<b>1,826,279</b>	<b>1,832,880</b>	<b>1,801,765</b>	<b>1,829,708</b>	<b>1,855,840</b>
<b>Supplementary items</b>					
Risk weighted assets (RWA)	1,185,415	1,189,700	1,169,504	1,187,641	0
Average interest earning assets	1,744,236	1,778,062	1,761,496	1,755,878	1,781,020
Average interest bearing liabilities	1,515,421	1,518,110	1,539,138	1,510,008	1,489,877
CET 1 capital	185,795	201,328	185,795	185,795	0
Total capital	229,097	244,630	229,097	229,097	0
Gross non performing loans (NPL)	41,707	41,006	40,600	41,000	41,300
<b>Per share (THB)</b>					
Book value per share	2.26	2.36	2.48	2.60	2.74
Tangible book value per share	2.03	2.12	2.23	2.34	2.47
<b>Growth</b>					
Gross customer loans	0.4	(3.5)	(6.0)	0.5	0.5
Average interest earning assets	1.0	1.9	(0.9)	(0.3)	1.4
Total asset (%)	3.8	0.4	(1.7)	1.6	1.4
Risk weighted assets (%)	(3.5)	0.4	(1.7)	1.6	nm
Customer deposits (%)	4.5	(0.9)	(2.0)	0.5	1.0
<b>Leverage &amp; capital measures</b>					
Customer loan/deposits (%)	94.8	91.7	87.7	87.6	87.0
Equity/assets (%)	12.0	12.5	13.3	13.8	14.3
Tangible equity/assets (%)	10.7	11.2	12.0	12.4	12.9
RWA/assets (%)	64.9	64.9	64.9	64.9	-
CET 1 CAR (%)	15.7	16.9	15.9	15.6	-
Total CAR (%)	19.3	20.6	19.6	19.3	-
<b>Asset Quality (FSSIA's calculation)</b>					
Change in NPL (%)	(1.0)	(1.7)	(1.0)	1.0	0.7
NPL/gross loans (%)	3.0	3.1	3.3	3.3	3.3
Allowance for ECL/gross loans (%)	4.2	4.8	5.1	5.2	5.3
Allowance for ECL/NPL (%)	137.6	154.9	156.7	159.8	163.1
<b>Valuation</b>					
Recurring P/E (x) *	12.5	9.6	8.3	7.7	6.9
Recurring P/E @ target price (x) *	17.2	13.3	11.5	10.6	9.5
Reported P/E (x)	12.5	9.6	8.3	7.7	6.9
Dividend yield (%)	4.0	5.7	6.6	7.2	8.0
Price/book (x)	0.8	0.8	0.7	0.7	0.7
Price/tangible book (x)	0.9	0.9	0.8	0.8	0.7
Price/tangible book @ target price (x)	1.2	1.2	1.1	1.1	1.0

\* Pre-exceptional, pre-goodwill and fully diluted

Sources: TMBThanachart Bank ; FSSIA estimates

# TMBThanachart Bank PCL (TTB TB)

FSSIA ESG rating

★★★★

Exhibit 4: FSSIA ESG score implication

63.69 /100

Rating	Score	Implication
★★★★★	>79-100	Leading its industry peers in managing the most significant ESG risks which not only better cost efficiency but also lead to higher profitability.
★★★★★	>59-79	A mixed track record of managing the most significant ESG risks and opportunities relative to industry peers.
★★★	>39-59	Relevant ESG materiality matrix has been constructively addressed, well-managed and incorporated into day-to-day operations, in which targets and achievements are evaluated annually.
★★	>19-39	Relevant ESG materiality matrix has been identified with key management in charge for progress to be followed up on and to provide intensive disclosure. Most targets are conventional and achievable.
★	1-19	The company has adopted the United Nations Sustainable Development Goals (UN SDGs), established sustainability management guidelines and fully complies with regulations or ESG suggested guidance from related organizations such as the SET and SEC.

Sources: FSSIA estimates

Exhibit 5: ESG – peer comparison

	FSSIA	Domestic ratings						Global ratings					Bloomberg		
	ESG score	DJSI	SET THSI	THSI	CG score	AGM level	Thai CAC	Morningstar ESG risk	ESG Book	MSCI	Moody's	Refinitiv	S&P Global	ESG score	Disclosure score
SET100	69.20	5.34	4.40	4.40	4.76	4.65	3.84	Medium	51.76	BBB	20.87	58.72	63.91	3.72	28.17
Coverage	67.12	5.11	4.15	4.17	4.83	4.71	3.53	Medium	52.04	BB	16.97	56.85	62.09	3.40	31.94
BBL	62.08	--	Y	Y	5.00	5.00	Certified	Medium	54.70	--	29.00	58.68	67.00	2.19	60.06
KBANK	84.17	Y	Y	Y	5.00	5.00	Certified	Medium	62.19	AA	46.00	73.83	83.00	4.05	59.77
KTB	63.10	--	Y	Y	5.00	5.00	Certified	Medium	53.59	BBB	34.00	64.64	64.00	2.12	61.33
SCB	62.57	Y	Y	Y	5.00	4.00	--	High	--	A	--	--	86.00	3.43	--
KKP	62.96	--	Y	Y	5.00	5.00	Certified	Medium	52.81	BBB	--	77.56	26.00	2.18	45.90
TISCO	61.17	--	Y	Y	5.00	5.00	Certified	Medium	61.41	--	--	66.13	29.00	3.57	44.21
TTB	63.69	--	Y	Y	5.00	5.00	Certified	Medium	53.98	--	36.00	56.17	71.00	3.20	53.49

Sources: SETTRADE.com; FSSIA's compilation

Exhibit 6: ESG score by Bloomberg

FY ending Dec 31	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
ESG financial materiality scores - ESG score	1.76	1.79	1.92	2.14	2.82	3.02	3.16	3.20
BESG environmental pillar score	0.00	0.00	0.08	0.08	0.38	0.68	0.82	0.82
BESG social pillar score	1.90	2.10	2.23	2.65	4.29	4.17	4.18	4.34
BESG governance pillar score	4.09	3.78	3.99	4.15	3.63	4.13	4.44	4.32
ESG disclosure score	41.00	41.34	43.27	43.64	46.86	50.40	49.27	53.49
Environmental disclosure score	17.09	17.09	17.43	17.76	21.14	22.86	19.48	32.14
Social disclosure score	24.67	25.70	31.14	31.92	31.92	40.84	40.84	40.84
Governance disclosure score	81.10	81.10	81.10	81.10	87.36	87.36	87.36	87.36
Environmental								
Emissions reduction initiatives	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Climate change policy	No	No	Yes	Yes	Yes	Yes	Yes	Yes
Climate change opportunities discussed	No	No	No	No	No	No	No	No
Risks of climate change discussed	No	No	No	Yes	Yes	Yes	Yes	Yes
GHG scope 1	0	0	0	0	1	1	0	4
GHG scope 2 location-based	31	30	29	27	28	15	22	22
GHG Scope 3	1	1	1	0	0	0	0	3
Carbon per unit of production	—	—	—	—	—	—	—	—
Biodiversity policy	No	No	No	No	No	No	No	No
Energy efficiency policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Total energy consumption	45	44	42	39	57	32	46	46
Renewable energy use	—	—	—	—	—	—	—	—
Electricity used	44	43	42	37	57	31	45	44
Fuel used - natural gas	—	—	—	—	—	—	—	—

Sources: Bloomberg; FSSIA's compilation

## Exhibit 7: ESG score by Bloomberg (cont.)

FY ending Dec 31	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Fuel used - crude oil/diesel	No	No	No	No	No	No	No	No
Waste reduction policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Hazardous waste	—	—	—	—	—	—	—	—
Total waste	0	0	0	0	0	0	0	0
Waste recycled	0	0	0	0	0	0	0	0
Waste sent to landfills	—	—	—	—	—	—	—	—
Environmental supply chain management	No	No	No	No	No	No	No	Yes
Water policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Water consumption	278	223	255	154	208	181	—	—
<b>Social</b>								
Human rights policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Policy against child labor	No	No	No	No	No	No	No	No
Quality assurance and recall policy	No	No	No	No	No	No	No	No
Consumer data protection policy	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Equal opportunity policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Gender pay gap breakout	No	No	No	No	No	Yes	Yes	Yes
Pct women in workforce	70	70	71	71	71	69	69	68
Pct disabled in workforce	—	—	—	—	—	—	—	—
Business ethics policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Anti-bribery ethics policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Health and safety policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Lost time incident rate - employees	—	—	—	—	—	0	0	0
Total recordable incident rate - employees	—	—	—	—	—	—	—	—
Training policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Fair remuneration policy	No	No	No	No	No	No	No	No
Number of employees – CSR	9,270	8,980	8,547	8,373	8,135	8,838	15,102	14,620
Employee turnover pct	28	29	31	35	27	14	16	23
Total hours spent by firm - employee training	324,450	269,400	273,504	318,174	284,725	132,570	694,692	891,820
Social supply chain management	No	No	No	Yes	Yes	Yes	Yes	Yes
<b>Governance</b>								
Board size	11	12	12	12	13	13	14	14
No. of independent directors (ID)	3	4	4	4	4	5	5	5
No. of women on board	0	0	0	1	0	1	2	3
No. of non-executive directors on board	10	11	11	11	8	8	13	13
Company conducts board evaluations	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
No. of board meetings for the year	13	13	16	14	17	16	19	15
Board meeting attendance pct	89	84	88	93	92	95	99	99
Board duration (years)	3	3	3	3	3	3	3	3
Director share ownership guidelines	No	No	No	No	No	No	No	No
Age of the youngest director	57	57	57	48	48	49	50	51
Age of the oldest director	71	72	73	74	69	70	71	72
No. of executives / company managers	7	7	6	6	7	11	12	12
No. of female executives	0	0	1	2	3	4	5	5
Executive share ownership guidelines	No	No	No	No	No	No	No	No
Size of audit committee	2	3	3	3	3	3	3	3
No. of ID on audit committee	2	3	3	3	3	3	3	3
Audit committee meetings	14	12	12	12	15	25	13	13
Audit meeting attendance %	90	100	94	94	91	98	100	100
Size of compensation committee	4	4	4	4	4	5	5	5
No. of ID on compensation committee	2	2	2	2	1	2	2	2
No. of compensation committee meetings	14	12	14	14	13	12	12	12
Compensation meeting attendance %	95	88	94	89	97	95	97	97
Size of nomination committee	4	4	4	4	4	5	5	5
No. of nomination committee meetings	14	12	14	14	13	12	12	12
Nomination meeting attendance %	95	88	94	89	97	95	97	97
<b>Sustainability governance</b>								
Verification type	No	No	No	No	Yes	Yes	Yes	Yes

Sources: Bloomberg; FSSIA's compilation

## Disclaimer for ESG scoring

ESG score	Methodology	Rating																				
The Dow Jones Sustainability Indices ( <a href="#">DJSI</a> ) 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 ( <a href="#">THSI</a> ) by The Stock Exchange of Thailand ( <a href="#">SET</a> )	THSI quantifies responsibility in Environmental and Social issues by managing business with transparency in Governance, updated annually. Candidates must pass the preemptive criteria, with two crucial conditions: 1) no irregular trading of the board members and executives; and 2) free float of >150 shareholders, and combined holding must be >15% of paid-up capital. Some key disqualifying criteria include: 1) CG score of below 70%; 2) independent directors and free float violation; 3) executives' wrongdoing related to CG, social & environmental impacts; 4) equity in negative territory; and 5) earnings in red for > 3 years in the last 5 years.	To be eligible for <b>THSI inclusion</b> , verified data must be scored at a minimum of 50% for each indicator, unless the company is a part of DJSI during the assessment year. The scoring will be fairly weighted against the nature of the relevant industry and materiality. <b>SETTHSI Index</b> is extended from the THSI companies whose 1) market capitalization > THB5b (~USD150b); 2) free float >20%; and 3) liquidity >0.5% of paid-up capital for at least 9 out of 12 months. The SETTHSI Index is a market capitalisation-weighted index, cap 5% quarterly weight at maximum, and no cap for number of stocks.																				
<b>CG Score</b> 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%).																				
<b>AGM level</b> By Thai Investors Association (TIA) with support from the SEC	It quantifies the extent to which shareholders' rights and equitable treatment are incorporated into business operations and information is transparent and sufficiently disclosed. All form important elements of two out of five the CG components to be evaluated annually. The assessment criteria cover AGM procedures before the meeting (45%), at the meeting date (45%), and after the meeting (10%). <i>(The first assesses 1) advance circulation of sufficient information for voting; and 2) facilitating how voting rights can be exercised. The second assesses 1) the ease of attending meetings; 2) transparency and verifiability; and 3) openness for Q&amp;A. The third involves the meeting minutes that should contain discussion issues, resolutions and voting results.)</i>	The scores are classified into four categories: 5 for Excellent (100), 4 for Very Good (90-99), 3 for Fair (80-89), and not rated for scores below 79.																				
<a href="#">Thai CAC</a> 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.																				
<a href="#">Morningstar Sustainability</a>	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 &amp; peer reviews.</i>	A company's ESG risk rating score is the sum of unmanaged risk. The more risk is unmanaged, the higher ESG risk is scored. <table><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+																		
<a href="#">ESG Book</a>	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.																				
<a href="#">MSCI</a>	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><b>AAA</b></td><td>8.571-10.000</td><td rowspan="3"><b>Leader:</b></td><td rowspan="3">leading its industry in managing the most significant ESG risks and opportunities</td></tr><tr><td><b>AA</b></td><td>7.143-8.570</td></tr><tr><td><b>A</b></td><td>5.714-7.142</td></tr><tr><td><b>BBB</b></td><td>4.286-5.713</td><td rowspan="3"><b>Average:</b></td><td rowspan="3">a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers</td></tr><tr><td><b>BB</b></td><td>2.857-4.285</td></tr><tr><td><b>B</b></td><td>1.429-2.856</td></tr><tr><td><b>CCC</b></td><td>0.000-1.428</td><td><b>Laggard:</b></td><td>lagging its industry based on its high exposure and failure to manage significant ESG risks</td></tr></table>		<b>AAA</b>	8.571-10.000	<b>Leader:</b>	leading its industry in managing the most significant ESG risks and opportunities	<b>AA</b>	7.143-8.570	<b>A</b>	5.714-7.142	<b>BBB</b>	4.286-5.713	<b>Average:</b>	a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers	<b>BB</b>	2.857-4.285	<b>B</b>	1.429-2.856	<b>CCC</b>	0.000-1.428	<b>Laggard:</b>	lagging its industry based on its high exposure and failure to manage significant ESG risks
<b>AAA</b>	8.571-10.000	<b>Leader:</b>	leading its industry in managing the most significant ESG risks and opportunities																			
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<b>CCC</b>	0.000-1.428	<b>Laggard:</b>	lagging its industry based on its high exposure and failure to manage significant ESG risks																			
<a href="#">Moody's ESG solutions</a>	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.																					
<a href="#">Refinitiv ESG rating</a>	Designed to transparently and objectively measure a company's relative ESG performance, commitment and effectiveness across 10 main themes, based on publicly available and auditable data. The score ranges from 0 to 100 on relative ESG performance and insufficient degree of transparency in reporting material ESG data publicly. <i>(Score ratings are 0 to 25 = poor; &gt;25 to 50 = satisfactory; &gt;50 to 75 = good; and &gt;75 to 100 = excellent.)</i>																					
<a href="#">S&amp;P Global</a>	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
TMBThanachart Bank	TTB TB	THB 1.83	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.
Bangkok Bank	BBL TB	THB 154.00	BUY	Downside risks 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 151.50	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.
Kiatnakin Phatra Bank	KKP TB	THB 52.50	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 21.50	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.
SCB X	SCB TB	THB 110.00	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.
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 18-Oct-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.