

Thailand Banks

กำไร 2Q23 สูงกว่าที่เราคาด 4%

- กำไรสุทธิ 2Q23 อยู่ในเกณฑ์ดีจากส่วนต่างดอกเบี้ย (NIM) ที่เพิ่มขึ้นตามการขึ้นอัตราดอกเบี้ย
- การบริหารคุณภาพสินทรัพย์เชิงรุกก่อให้เกิดสำรองจำนวนมาก
- เราคาดว่า BBL จะรายงานผลประกอบการที่ดีที่สุดในกลุ่มฯ อย่างต่อเนื่องใน 3Q23
- เราคงให้น้ำหนักเท่ากับตลาดโดยมี BBL และ TTB เป็นหุ้นเด่น.

กำไร 2Q23 อยู่ในเกณฑ์ดีโดยมีจุดเด่นอยู่ที่รายได้ดอกเบี้ยสุทธิ (NII)

7 ธนาคารที่เราศึกษารายงานกำไรสุทธิ 2Q23 รวมอยู่ที่ 52.1 พัน ลบ. (+4% q-q, +20% y-y) BBL, SCB, และ TTB เป็นธนาคารที่มีผลประกอบการดีที่สุด ในขณะที่ KKP รายงานผลประกอบการแย่มากที่สุด นอกจากนี้กำไรจากการดำเนินงานก่อนสำรอง (PPOP) ใน 2Q23 ยังเพิ่ม 4% q-q และ 21% y-y NII ยังเป็นดาวเด่นในไตรมาสนี้โดยได้ปัจจัยหนุนจากอัตราผลตอบแทนที่สูงขึ้นพร้อมกับอัตราดอกเบี้ยนโยบายที่ปรับขึ้น 50bp ใน 2Q23 ปัจจัยดังกล่าวเป็นประโยชน์ต่อพอร์ตสินเชื่อโดยเฉพาะอย่างยิ่งของธนาคารที่เป็นผู้ปล่อยสินเชื่อสุทธิในตลาดสินเชื่อระหว่างธนาคาร (ธนาคารขนาดใหญ่ อาทิเช่น BBL, KBANK, SCB, และ KTB) ธนาคารได้รับผลกระทบเชิงบวกจากการปรับขึ้นอัตราดอกเบี้ยสำหรับพอร์ตลงทุนในช่วงที่ดอกเบี้ยปรับขึ้น ต้นทุนในการระดมทุน (Cost of funds) เพิ่มในอัตราที่ต่ำกว่าจากการแข่งขันที่ลดลงในด้านเงินฝากส่วนมากจากสภาพคล่องของธนาคารที่มีเหลือเฟือ ด้วยเหตุดังกล่าว NIM ของธนาคารที่เราศึกษาปรับตัวดีขึ้นอย่างมีนัยสำคัญใน 2Q23 เป็น 3.37% (+18bp จาก 1Q23) ตัวเลขรายได้ค่าธรรมเนียมและรายได้ที่ไม่ใช่ดอกเบี้ยสุทธิ (Non-NII) ไม่น่าประทับใจโดยมีปัจจัยกดดันจากสถานะตลาดทุนที่ตกต่ำ แม้ว่าค่าใช้จ่ายดำเนินงานจะปรับตัวขึ้น สัดส่วนค่าใช้จ่ายดำเนินงานต่อรายได้ (Cost-to-income ratio) รวมยังทรงตัวที่ 42.9%.

คุณภาพสินทรัพย์ต่างกันโดย KKP และ KBANK มีคุณภาพสินทรัพย์ที่อ่อนแอที่สุด

การฟื้นตัวที่ไม่สม่ำเสมอของเศรษฐกิจไทย หนี้ครัวเรือนที่อยู่ในระดับสูงและการบริหารหนี้ด้วยคุณภาพ (NPL) เชิงรุกของธนาคารได้ก่อให้เกิด Credit cost ที่สูงขึ้นใน 2Q23 เพื่อรับมือกับ NPL ที่ทะยานขึ้น จากความพยายามในการตัดจำหน่ายและการขาย NPL ratio รวมลดลงเล็กน้อยเหลือ 3.62% จาก 3.69% ใน 1Q23 ในขณะที่สัดส่วนสำรองต่อหนี้ด้วยคุณภาพ (LLR/NPL) ยังทรงตัวที่ 183% KKP และ KBANK รายงานคุณภาพสินทรัพย์แย่มากที่สุดเมื่อเทียบกับกลุ่มฯ ส่วนมากจากนโยบายขยายสินเชื่อเชิงรุกในช่วงการแพร่ระบาดโควิด (KKP) และสัดส่วนสินเชื่อ SME ในระดับสูง และการขยายสินเชื่อรายย่อย (KBANK)

คาด PPOP อยู่ในเกณฑ์ดีใน 3Q23 โดย BBL อจรายงานผลประกอบการที่ดีที่สุด

เราคาดว่า PPOP จะโตต่อเนื่องใน 3Q23 โดยได้ปัจจัยผลักดันจากแนวโน้ม NIM ขาขึ้น (การขึ้นอัตราดอกเบี้ยนโยบายในเดือน พ.ค. 2023 น่าจะเป็นประโยชน์ต่อ NIM อย่างเต็มที่ใน 3Q23) และฤดูกาลความต้องการสินเชื่อที่กำลังจะมาถึงเมื่อเทียบกับในช่วง 1H23 เราคาดว่า BBL จะรายงานผลประกอบการที่ดีใน 3Q23 จาก NIM ที่เพิ่มขึ้นจากการลดอัตราดอกเบี้ยเงินฝากสะสมทรัพย์ 25bp ตอนสิ้น 2Q23

คงให้น้ำหนักเท่ากับตลาดโดยมี BBL และ TTB เป็นหุ้นเด่น

เราคงให้น้ำหนักกลุ่มธนาคารไทยเท่ากับตลาด แม้ว่าธนาคารส่วนมากจะมีการซื้อขายต่ำกว่าค่า P/BV 5 ปีเฉลี่ยและมูลค่าทางบัญชีต่อหุ้นอย่างต่อเนื่อง ปัจจัยดังกล่าวไม่น่าจะทำให้เกิดการปรับระดับการประเมินมูลค่าของกลุ่มฯ ขึ้นในระยะสั้นจากสถานการณ์คุณภาพสินทรัพย์ที่ยังกดดัน เราแนะนำซื้อ BBL และ TTB และเลือกหุ้นทั้ง 2 เป็นหุ้นเด่น



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Exhibit 1: 2Q23 operations summary of Thai banks under coverage

Year-end Dec 31	BBL	KBANK	KTB	SCB	TTB	KKP	TISCO	Coverage
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)
Net interest income	31,487	36,701	27,771	30,791	14,093	5,521	3,420	149,784
Change q-q%	5	5	8	6	4	6	4	6
Change y-y%	34	15	27	18	14	23	10	21
Non-interest income	10,956	11,369	7,944	13,525	3,668	1,902	1,324	50,687
Change q-q%	7	(3)	(18)	13	9	11	(4)	1
Change y-y%	3	20	4	7	6	14	(9)	8
Fee income - net	6,571	7,714	4,797	8,509	2,659	1,464	1,152	32,865
Change q-q%	(8)	(5)	(7)	(4)	4	9	(9)	(5)
Change y-y%	(2)	(5)	(2)	(9)	1	5	(1)	(4)
Total operating income	42,443	48,070	35,715	44,316	17,760	7,423	4,743	200,471
Change q-q%	5	3	1	8	5	7	2	5
Change y-y%	24	16	21	15	12	21	4	18
Total operating expenses	20,111	20,847	14,028	17,016	7,863	3,791	2,378	86,033
PPOP before tax	22,333	27,223	21,687	27,300	9,897	3,632	2,366	114,438
Change q-q%	4	2	0	13	3	(2)	(1)	4
Change y-y%	33	16	28	20	15	9	(3)	21
Expected credit loss	8,880	12,784	7,754	12,098	4,244	1,878	63	47,701
Change q-q%	5	1	(4)	22	(1)	71	(59)	7
Change y-y%	6	30	37	18	(3)	131	(55)	21
Income tax	2,047	2,760	2,864	3,289	1,087	342	449	12,837
Non-controlling interest	112	685	912	46	0	3	0	1,758
Net profit	11,294	10,994	10,157	11,868	4,566	1,408	1,854	52,141
Change q-q%	11	2	1	8	6	(32)	3	4
Change y-y%	62	2	22	18	33	(31)	0	20
EPS (THB)	5.92	4.64	0.73	3.52	0.05	1.66	2.32	
2Q23 net profit (% of 2023E)	30%	27%	27%	27%	28%	19%	25%	27%
Key ratios	2Q23	2Q23	2Q23	2Q23	2Q23	2Q23	2Q23	2Q23
Asset quality ratio	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)
Gross NPLs (THB m)	93,285	93,834	98,810	93,028	40,719	14,928	5,065	439,669
Change q-q%	(5.2)	7.1	(3.6)	(2.2)	(3.1)	9.3	7.9	(1.0)
NPL ratios (%) - reported	2.90	3.20	3.11	3.25	2.63	3.70	2.20	
NPL ratio (%)*	3.46	3.83	3.83	3.84	2.99	3.78	2.20	3.62
Coverage ratio (%) - reported	287	147	177	171	144	143	224	
Coverage ratio (%)*	287	137	171	162	144	137	224	183
Credit cost (bp)	133	208	120	201	125	294	11	158
Profitability ratio	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)
Cost to income ratio	47.4	43.4	39.3	38.4	44.3	51.1	50.1	42.9
Average yield (%)	4.26	4.49	4.26	4.75	4.38	6.16	6.44	4.50
Cost of funds (%)	1.70	1.21	1.21	1.26	1.39	1.82	1.80	1.39
NIM (%) - reported	2.91	3.63	3.00	3.25	3.18	n/a	5.02	
NIM (%)*	2.83	3.64	3.21	3.70	3.17	4.55	5.01	3.37
Non-interest income/total income (%)	25.8	23.7	22.2	30.5	20.7	25.6	27.9	25.3
Liquidity ratio	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)
Loan to deposit	84.3	90.4	100.0	98.2	97.7	118.2	115.6	94.2
Loan to deposit & borrowing (LDBR)	79.5	82.3	94.2	94.0	88.6	96.9	108.0	87.7
Capital adequacy ratio	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)
CAR	19.1	19.0	19.7	18.6	19.8	14.8	20.2	
CET 1/ Risk assets	14.8	16.1	15.7	17.5	15.7	11.6	16.9	
Tier 2 / Risk assets	3.5	2.0	3.1	1.1	3.7	3.2	3.3	
Loan growth	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)
q-q	2.2	(1.6)	(0.2)	1.0	0.4	2.8	4.7	0.7
y-y	1.7	(1.8)	(2.2)	2.7	(2.1)	17.3	13.4	0.6
Year-to-date	0.6	(0.6)	(0.6)	1.9	(0.9)	5.6	5.2	0.2

* FSSIA's calculation;
Sources: Company data; FSSIA estimates

Exhibit 2: 1H23 operations summary of Thai banks under coverage

Year-end Dec 31	BBL	KBANK	KTB	SCB	TTB	KKP	TISCO	Coverage
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)
Net interest income	61,565	71,576	53,391	59,734	27,595	10,744	6,707	291,311
Change y-y%	36	12	24	18	11	22	9	20
1H23 % of 23E	48	49	50	49	49	50	50	49
Non-interest income	21,171	23,068	17,597	25,482	7,035	3,620	2,707	100,681
Change y-y%	6	26	8	(0)	3	(5)	(4)	7
1H23 % of 23E	63	55	48	53	48	49	48	54
Fee income - net	13,693	15,828	9,935	17,418	5,218	2,807	2,418	67,318
Change y-y%	52	(1)	18	14	34	(15)	0	17
1H23 % of 23E	56	53	54	52	54	47	49	53
Total operating income	82,736	94,644	70,987	85,216	34,630	14,364	9,414	391,992
Change y-y%	27	15	20	12	9	14	5	17
1H23 % of 23E	51	51	50	50	49	50	49	50
Total operating expenses	38,961	40,640	27,679	33,773	15,166	7,030	4,659	167,908
PPOP before tax	43,776	54,004	43,309	51,443	19,464	7,334	4,755	224,084
Change y-y%	35	16	26	16	12	5	(0)	20
1H23 % of 23E	53	51	51	55	50	51	47	52
Expected credit loss	17,354	25,476	15,858	22,025	8,520	2,975	218	92,426
Change y-y%	17	33	42	16	(7)	58	(3)	22
1H23 % of 23E	50	47	48	60	46	61	32	51
Income tax	4,774	5,322	5,395	6,436	2,083	859	889	25,760
Non-controlling interest	224	1,471	1,832	118	0	6	0	3,653
Net profit	21,423	21,735	20,223	22,864	8,861	3,493	3,646	102,245
Change y-y%	52	(1)	18	14	34	(15)	0	17
1H23 % of 23E	56	53	54	52	54	47	49	53
Key ratios	1H23	1H23	1H23	1H23	1H23	1H23	1H23	1H23
Asset quality ratio	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)
Gross NPLs (THB m)	93,285	93,834	98,810	93,028	40,719	14,928	5,065	439,669
Change q-q%	(11.2)	(14.7)	(5.4)	(9.3)	(1.5)	36.3	13.5	(8.2)
NPL ratios (%) - reported	2.90	3.20	3.11	3.25	2.63	3.70	2.20	
NPL ratio (%)*	3.46	3.83	3.83	3.84	2.99	3.78	2.20	3.62
Coverage ratio (%) - reported	287	147	177	171	144	143	224	
Coverage ratio (%)*	287	137	171	162	144	137	224	183
Credit cost (bp)	130	206	123	183	125	278	19	153
Profitability ratio	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)
Cost to income ratio	47.1	42.9	39.0	39.6	43.8	48.9	49.5	42.8
Average yield (%)	4.17	4.37	4.11	4.63	4.28	6.18	6.58	4.39
Cost of funds (%)	1.63	1.16	1.17	1.22	1.34	1.80	1.77	1.34
NIM (%) - reported	2.91	3.63	2.91	3.25	3.18	n/a	5.02	
NIM (%)*	2.81	3.57	3.09	3.61	3.12	4.59	5.17	3.30
Non-interest income/total income (%)	25.6	24.4	24.8	29.9	20.3	25.2	28.8	25.7

* FSSIA's calculation
Sources: Company data; FSSIA estimates

Public disclosures related to sustainable development evaluation of Thai listed companies

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**" by the Thai Institute of Directors Association (Thai IOD); 2) "**AGM Checklist**" by the Thai Investors Association (TIA), a "**CAC certified member**" of the Thai Private Sector Collective Action Against Corruption (CAC); and 3) **Sustainability Investment List (THSI)** by the Stock Exchange of Thailand. The ratings are updated on an annual basis. FSS International Investment Advisory Company Limited does not confirm nor certify the accuracy of such ratings.

CG Score by the Thai Institute of Directors Association (Thai IOD)¹

The **CG Score** indicates corporate governance (CG) strength in the sustainable development of Thai listed companies. Annually, the Thai IOD, with support from the Stock Exchange of Thailand (SET), surveys and assesses the CG practices of companies and publishes the results on the [Thai IOD website](#) in a bid to promote and enhance the CG of Thai listed companies in order to promote compliance with international standards for better investment decisions. The results are from the perspective of a third party, not an evaluation of operations, as of the date appearing in the report, and may be changed after that date.

The **five underlying categories and weighting** used for the CG scoring in 2022 include the rights of shareholders and equitable treatment of shareholders (weight 25% combined), the role of stakeholders (25%), disclosure and transparency (15%), and board responsibilities (35%).

The CGR report rates CG in six categories: 5 for Excellent (score range 90-100), 4 for Very Good (score range 80-89), 3 for Good (Score range 70-79), 2 for Fair (score range 60-69), 1 for Pass (score range 60-69), and not rated (score below 50).

AGM Checklist by the Thai Investors Association (TIA)²

The "**AGM Checklist**" quantifies the extent to which shareholders' rights and equitable treatment are incorporated into business operations and the extent to which information is sufficiently disclosed and the level of its transparency. All the considered factors form important elements of two out of five the CG components. Annually, the TIA, with support from the SEC, leads the project to evaluate the quality of Annual General Meetings of Shareholders (AGMs) and to rate quality of the meetings.

The **Checklist** contains the minimum requirements under law that companies must comply with, or best practices according to international CG guidance. Representatives of the TIA will attend the meetings and perform the evaluation. The assessment criteria cover AGM procedures before the meeting (45%), at the meeting date (45%), and after the meeting (10%). The first assesses 1) advance circulation of sufficient information for voting; and 2) facilitating of 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.

The results are classified into four categories: 5 for Excellent (score 100), 4 for Very Good (score 90-99), 3 for Fair (score 80-89), and not rated (score below 79).

CAC certified member by the Thai Private Sector Collective Action Against Corruption (CAC)³

A **CAC certified member** is a listed company whose Checklist satisfies the CAC Certification's criteria and is approved by the CAC Council. The core elements of the Checklist include corruption risk assessment, establishment of key controls, and the monitoring and developing of policies. Note that the CAC does not certify the behaviour of the employees nor whether the companies have engaged in bribery, and Certification is good for three years.

Companies deciding to become a CAC certified member **start with** by submitting a Declaration of Intent signed by the Chairman of the Board to kick off the 18-month deadline for companies to submit the CAC Checklist for Certification. The 18-month provision is for risk assessment, in place of policy and control, training of managers and employees, establishment of whistleblowing channels, and communication of policies to all stakeholders.

The checklist document will be reviewed by the CAC Certification Committee for adequate information and evidence. It is worth noting that the committee consists of nine professionals in business law, corporate governance, internal audit, financial audit and experienced representatives from certified members.

A passed Checklist will move on to the **CAC Council** for granting certification approvals. The CAC Council consists of twelve prominent individuals who are highly respected in professionalism and ethical achievements. Among them are former ministers, a former central bank governor, the former head of the Thai Listed Companies Association, Chairman of Anti-Corruption Organizations (Thailand), Chairman of Thai Institute of Directors, and reputable academic scholars.

Sustainability Investment (THSI)⁴ by the Stock Exchange of Thailand (SET)

Thailand Sustainability Investment (**THSI**) quantifies responsibility in **E**nvironmental, and **S**ocial issues, by managing business with transparency in **G**overnance. The THSI serves as another choice for investors who desire to adopt a responsible investment approach, according to the SET.

Annually, the SET will announce the voluntary participation of the company candidates which pass the preemptive criteria, and whose two key crucial conditions are met, i.e. no irregular trading of the board members and executives and a free float of >150 by the number of shareholders, and combined holding must >15% of paid-up capital. Some key disqualifying criteria include a CG score of below 70%; independent directors and free float violation; executives' wrongdoing related to CG, social and environmental impacts, equity in negative territory, and earnings in the red for more than three years in the last five years. To become eligible for THSI, the candidate must pass three indicators in data declaration: **E**conomic (CG, risk management, customer relation management, supply chain management, and innovation); **E**nvironmental (environmental management, eco-efficiency, and climate risk); **S**ocial (human rights, talent attraction, operational health & safety, community development, and stakeholder engagement); and the incorporation of ESG in business operations.

To be approved for THSI inclusion, verified data must be scored at a 50% minimum for each indicator, unless the company is a part of the Dow Jones Sustainability Indices⁵ (DJSI) during the assessment year. The scoring will be fairly weighted against the nature of the relevant industry and materiality.

Note that, from the **THSI list**, the SET further developed a sustainability **SETTHSI Index** in June 2018 from selected THSI companies whose 1) market capitalisation > 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.

Sources: [SEC](#); [Thai IOD](#); [Thai CAC](#); [SET](#); FSSIA's compilation

Disclaimer:

¹ Thai Institute of Directors Association ([Thai IOD](#)) was established in December 1999 and is a membership organisation that strives to promote professionalism in directorship. The Thai IOD offers directors certification and professional development courses, provides a variety of seminars, forums and networking events, and conducts research on board governance issues and practices. Membership comprises board members from companies ranging from large publicly listed companies to small private firms.

² Thai Investors Association ([TIA](#)) was established in 1983 with a mission to promote investment knowledge and to protect the investment rights of Thai investors. In 2002, the association was appointed by the Securities and Exchange Commission (SEC) to represent individual shareholders. To obtain information for evaluation, the association recruits volunteer investors to join AGMs and score the meetings. Weightings for each meeting are at a 45:45:10 ratio. They have been applied since 2017 and subject to change.

³ Thai Private Sector Collective Action against Corruption ([CAC](#)) was founded in 2010 and is 100% privately funded. It is an initiative by the Thai private sector to take part in tackling corruption problems via collective action. The CAC promotes the implementation of effective anti-corruption policies in order to create a transparent business ecosystem by developing a unique certification program for large/medium/small companies to apply for and to control corruption risk systematically and efficiently. The CAC's operations are sponsored by the US-based Center for Private Enterprise (CIPE) and the UK Prosperity Fund.

⁴ Sustainability Investment List ([THSI](#)), created by the Stock Exchange of Thailand in 2015, comprises the listed companies that conduct sustainable business operations.

⁵ Dow Jones Sustainability Indices – [Wikipedia](#) – Launched in 1999, DJSI evaluates the sustainability performance of companies based on corporate economic, environmental, and social performance.

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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 164.50	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.
Kasikornbank	KBANK TB	THB 129.00	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.
Kiatnakin Bank	KKP TB	THB 60.50	HOLD	Downside risks to our GGM-based target price include weakening asset quality and lower fee income and upside risks include better capital market conditions, higher used car price, and strengthening asset quality.
Krung Thai Bank	KTB TB	THB 20.20	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 110.50	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.
Tisco Financial	TISCO TB	THB 97.75	BUY	Downside risks to our GGM-based TP are 1) prolonged economic sluggishness affecting loan growth and asset quality; and 2) the impact of new regulations from the Bank of Thailand.
TMBThanachart Bank	TTB TB	THB 1.69	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.

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

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All share prices are as at market close on 21-Jul-2023 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.