

# Thailand Bank Sector

## Caught in a de-risking cycle

Sector Valuation			Current	Target	Norm EPS grw		— Norm PE —		— P/BV —		— Div yield —	
Company	BBG Code	Rec.	price (Bt)	price (Bt)	2024F (%)	2025F (%)	2024F (x)	2025F (x)	2024F (x)	2025F (x)	2024F (%)	2025F (%)
Bangkok Bank	BBL TB	BUY	155.00	180.00	8.0	4.8	6.6	6.3	0.5	0.5	4.5	5.2
KASIKORN BANK	KBANK TB	HOLD	156.00	163.00	16.0	9.4	7.6	6.9	0.7	0.6	4.8	5.4
Kiatnakin Bank	KKP TB	HOLD	51.00	52.00	(22.1)	18.8	10.2	8.6	0.7	0.7	5.9	5.9
Krung Thai Bank	KTB TB	BUY	20.60	24.00	19.2	10.3	6.6	6.0	0.7	0.6	6.1	6.7
SCB X	SCB TB	BUY	111.00	123.00	(5.2)	13.8	9.1	8.0	0.8	0.8	9.0	10.0
Tisco Fin. Group	TISCO TB	BUY	97.25	109.00	(5.0)	1.2	11.2	11.1	1.8	1.8	8.0	8.0
TMBThanachart Bank	TTB TB	BUY	1.94	2.30	14.0	14.0	9.0	7.9	0.8	0.8	6.7	7.6

Source: Thanachart estimates, Based on 25 September 2024 closing prices

**Despite an economic rebound, Thai banks will likely remain in a de-risking phase. With NIM gains ending and provisions normalizing, the slow recovery in asset growth is reducing EPS growth to 9% in 2024-26F. Cut to NEUTRAL, with KTB and TTB as top sector picks.**

### No de-risking breakthroughs

Struggling with the fallout from COVID-19 restructuring and bailouts, Thai banks have been prioritizing asset quality over volume growth. Combined with worsening SMEs, weakened debt servicing by Thai households, and rising corporate defaults, this has reduced their risk-taking capacity. Banks are focusing on quality and balance sheet optimization. While we expect an economic recovery driven by looser fiscal and monetary policies, this won't resolve the country's structural issues. We foresee banks staying selective, with a limited improvement in lending appetite, particularly in the mass retail segments. We now expect the loan growth to be flat this year, with a gradual 3% recovery annually over 2025-26F.

### An end to double-digit earnings growth

While NIM has held up, provisions have fallen slower than we'd expected despite muted loan growth. However, with higher investment gains, we lift our earnings slightly by an average of 2.3% in 2024-26F. Supported by NIM expansion, bank earnings grew by an average of 21% over the past three years. With NIM gains ending and slow asset growth hurting fee income, we now project EPS growth to slow to 9% over 2024-26F.

### No longer a bargain; downgrading to NEUTRAL

The banking index is up 5.2%, outperforming the SET by 2% YTD. With sluggish 0.3-0.4% ROE expansion to 9.4/9.8% in 2025-26F, the sector's 0.7x 2025F P/BV doesn't look undervalued to us. PE of over 7x also seems fair, given the modest 9% annual EPS growth. Limited asset growth has led banks to lift dividend payouts since last year significantly, and we foresee no surprise in the already generous 6.9% dividend yield.

### KTB and TTB are our top picks

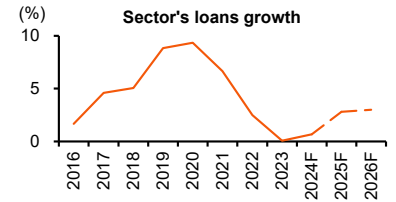
We remove KBANK from our top picks and downgrade it to HOLD, given the limited upside to our 2025F TP of Bt163. We prefer KTB among the large banks, as it has completed its de-risking process and should benefit most from the government's accelerated spending with a clear turnaround in fee income. KTB's valuation is the most attractive, in our view, with room for a higher dividend payout. Meanwhile, we continue to favor TTB for its flexibility in navigating internal dynamics to conquer structural setbacks and outperforming the sector with higher earnings growth and dividend yield.



**SARACHADA SORNSONG**

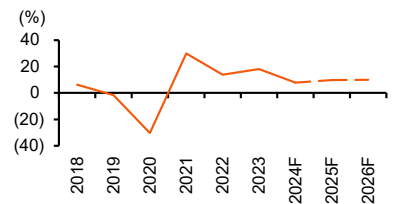
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### Weak Risk-taking Capacity



Sources: Company data; Thanachart estimates

### Declining Sector EPS Growth



Sources: Company data; Thanachart estimates

### Change In Ratings And TPs

	— Rating —		TP (Bt/shr)	
	New	Old	New	Old
BBL	BUY	BUY	180.00	180.00
KBANK	HOLD	BUY	163.00	150.00
KKP	HOLD	HOLD	52.00	36.00
KTB	BUY	BUY	24.00	22.00
SCB	BUY	BUY	123.00	118.00
TISCO	BUY	BUY	109.00	111.00
TTB	BUY	BUY	2.30	2.05

Sources: Company data; Thanachart estimates

## No de-risking breakthroughs

*We expect banks to remain risk-averse for several years*

Emerging from the over-lending that occurred during the COVID-19 relief measures in 2020-21, Thai banks have experienced a significant slowdown in loan growth. After expanding at 8% p.a. during the pandemic, loan growth decelerated to 2.5% in 2022 before declining to just 0.08% in 2023. This sharp drop reflects a shift in banks' strategy, characterized by more selective lending practices with a strong focus on managing NPL outflows. Banks have also been actively cleaning up their balance sheets through write-offs and selling bad assets to improve financial stability.

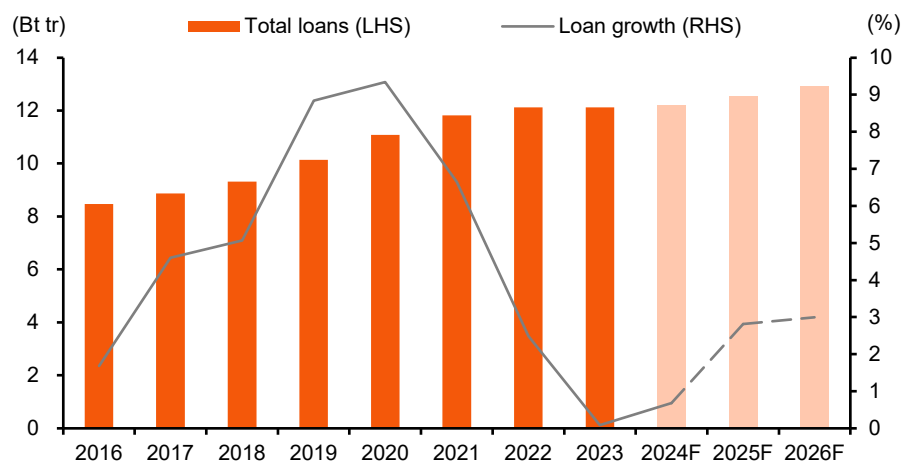
Despite the formation of a new government in the third quarter of 2023 and the robust recovery of Thailand's tourism sector, our expectation of a rebound in loan growth has yet to materialize. By June 2024, the seven banks under our coverage reported stagnant loan growth, remaining flat from the end of 2023.

The ongoing stagnation in Thailand's banking sector reflects a cautious approach, with lenders focusing on asset quality and stability rather than pursuing aggressive loan growth. We expect this risk-averse stance to continue for several years. Due to their reduced capacity for risk, we lower our loan growth assumption from 2.3% to flat this year before expecting a recovery of around 3% annually in 2025-26F.

### Three key factors are driving this prolonged de-risking cycle:

- 1) The larger-than-expected fallout from COVID-19 restructuring and bailout programs has strained banks' balance sheets.
- 2) Looser fiscal and monetary policies may support a broader economic recovery, but they are unlikely to resolve the structural challenges limiting loan growth and income potential in the banking sector.
- 3) Banks are increasingly adopting balance sheet optimization strategies, including higher dividend payments, to prevent a further erosion of profitability.

**Ex 1: A Lengthy Transition From The Over-lending Period During COVID-19**



Sources: Company data, Thanachart estimates

### #1: Larger-than-expected fallout from COVID-19 programs

During the COVID-19 pandemic, the Bank of Thailand (BoT) introduced a series of measures to mitigate the economic shock of COVID-19 and prevent systemic risk in the financial markets. We provide details in Exhibit 2, but in brief, these measures occurred in two phases:

*Loan growth overshoot to 9/6% during the pandemic*

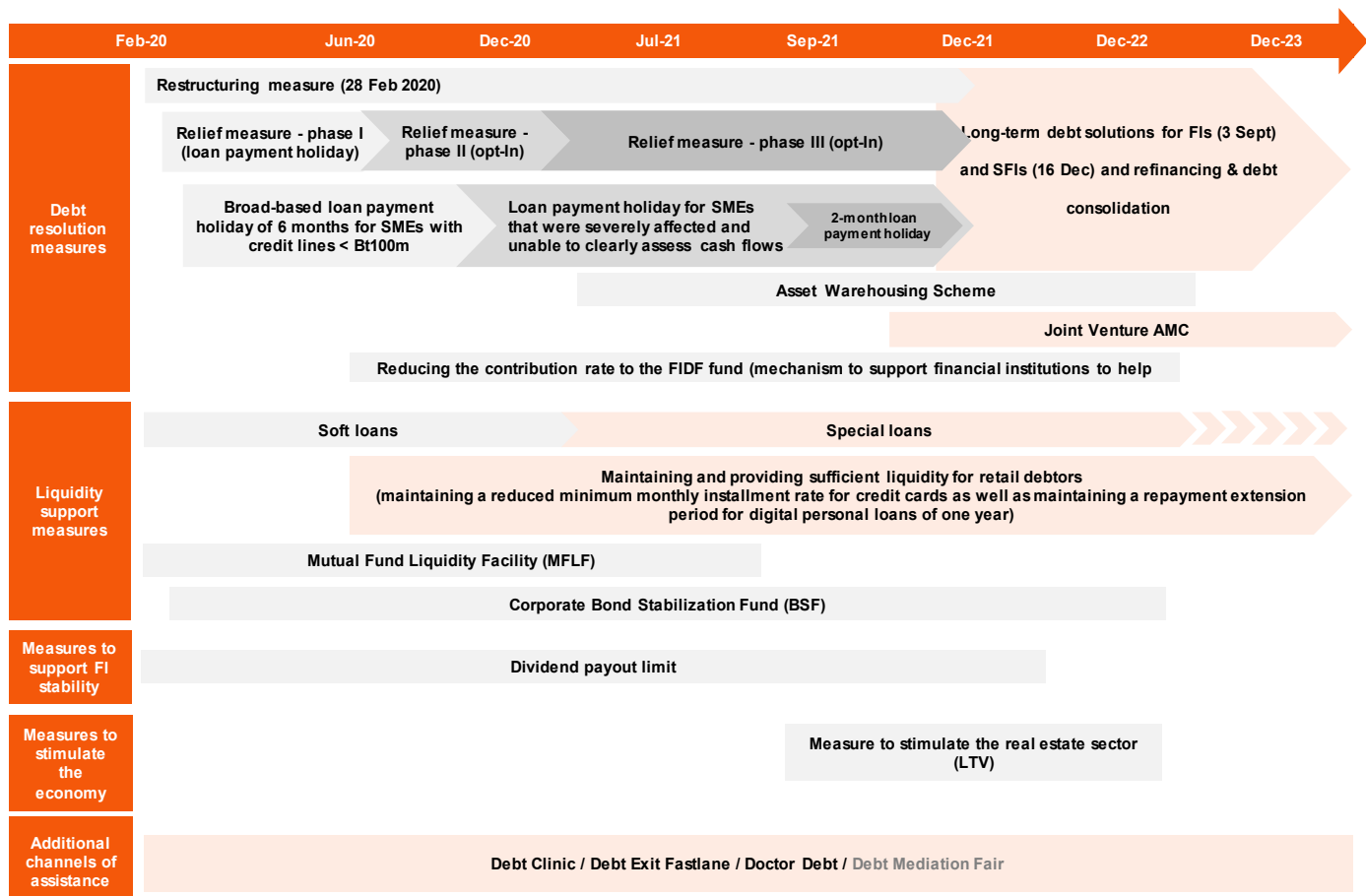
**1) Phase 1 (April 2020 – December 2021):** Liquidity support through various financial assistance programs. The offering of debt moratoriums and loan payment holidays allowed borrowers to defer repayments, combined with the extension of soft and special loans to those affected by COVID-19. These measures contributed to strong sector-wide loan growth of 9% in 2020 and 6% in 2021.

According to the BoT, loans under commercial bank and non-bank relief programs totaled Bt4.56tr in 2Q20, dropping to Bt3tr by 4Q20 and further declining to Bt2tr by the end of 2021.

**2) Phase 2 (2022 – 2023):** Regulatory support to encourage banks to implement deep restructuring plans aimed at preventing non-performing loans (NPLs) in a more sustainable manner.

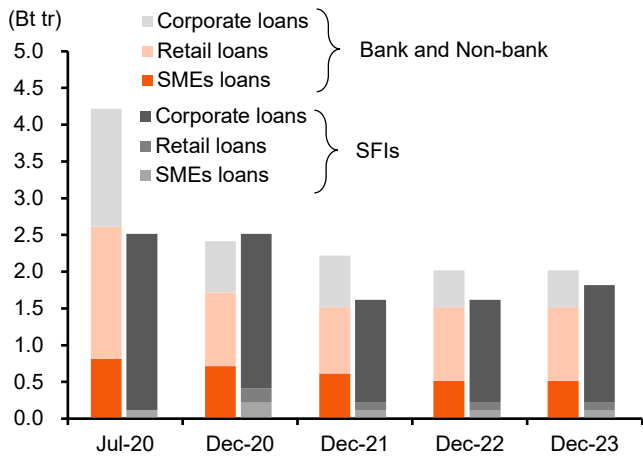
By 2023, around Bt1.89tr, or 95% of the outstanding loans as of 2021, had been restructured through long-term debt solutions, refinancing, and consolidation programs. In addition, rehabilitation and transformation loans provided under government and BoT assistance programs amounted to Bt272bn as of February 2024.

#### Ex 2: Financial Measures During The COVID-19 Pandemic



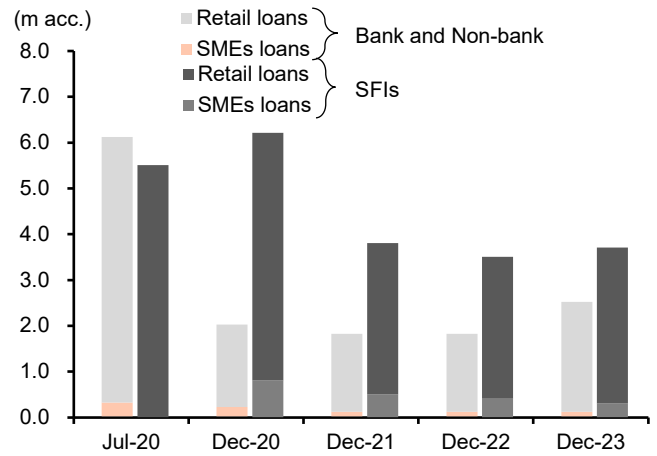
Source: Bank of Thailand

**Ex 3: Loan Values Under Relief Programs – Systemwide**



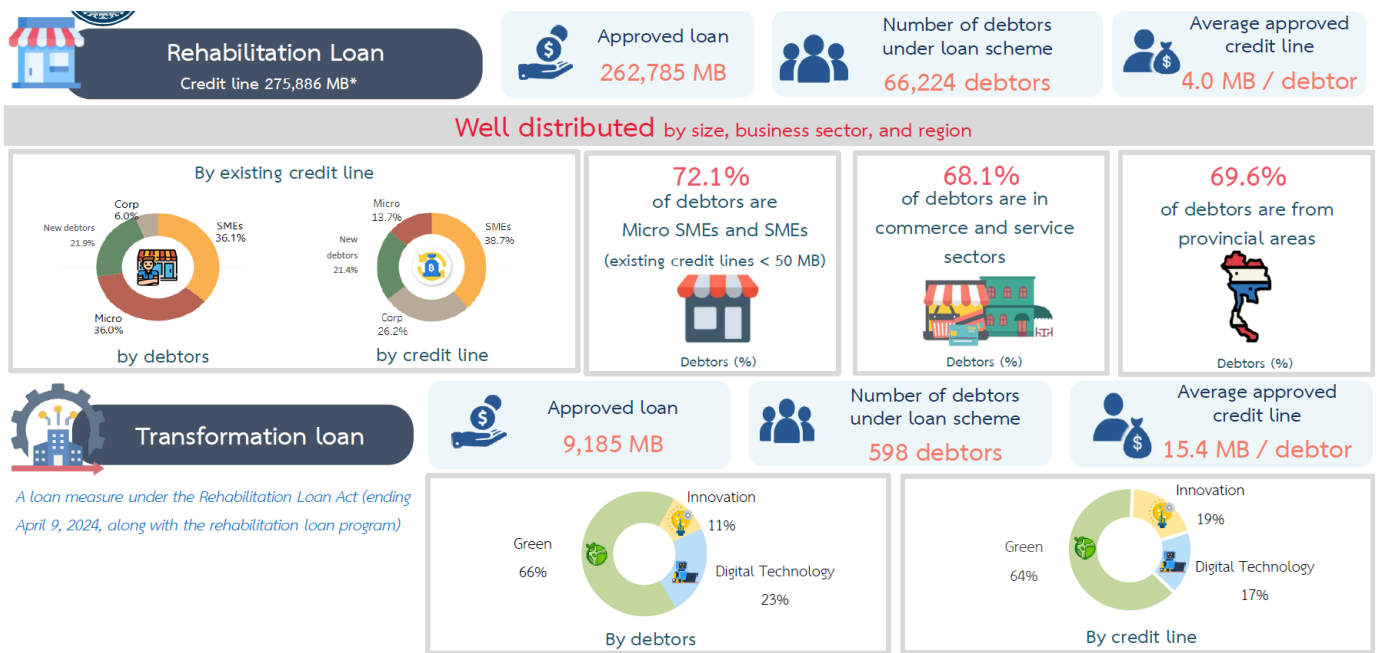
Source: Bank of Thailand

**Ex 4: Loan Accounts Under Relief Programs – Systemwide**



Source: Bank of Thailand

**Ex 5: Progress Of The Financial Rehabilitation Measures (5 February 2024)**



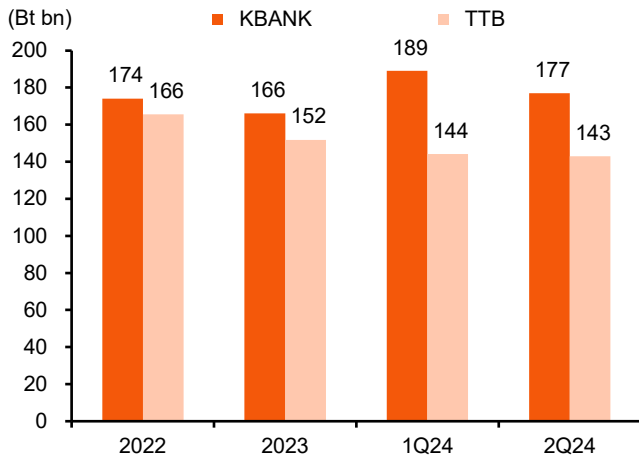
Source: Bank of Thailand

**Around 10% of total loans were in modified programs**

The conclusion of the BoT’s debt relief programs at the end of last year marked the end of relaxed loan staging classifications. This means that loans previously under forbearance will now be treated as part of the standard restructuring processes. Banks will be required to assess and classify these loans based on their actual quality rather than benefiting from the temporary regulatory leniency offered during the pandemic.

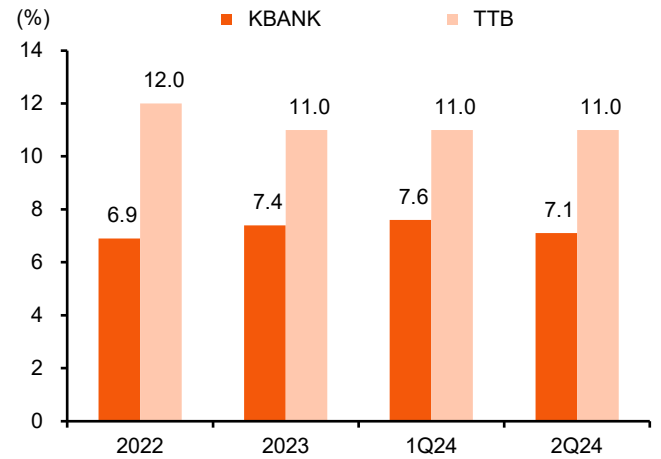
KBANK and TTB have continued to disclose the dynamics of these loans under restructuring, as illustrated in Exhibits 6 and 7. Meanwhile, SCBX has also disclosed that 12% of its Gen1 loans of Bt2.45tr are in restructuring programs. These modified loans are classified across all stages. As for other banks, we show the movements of stage 2 loans and NPLs of each bank in Exhibits 8 and 9.

**Ex 6: Debt Restructuring (DR)**



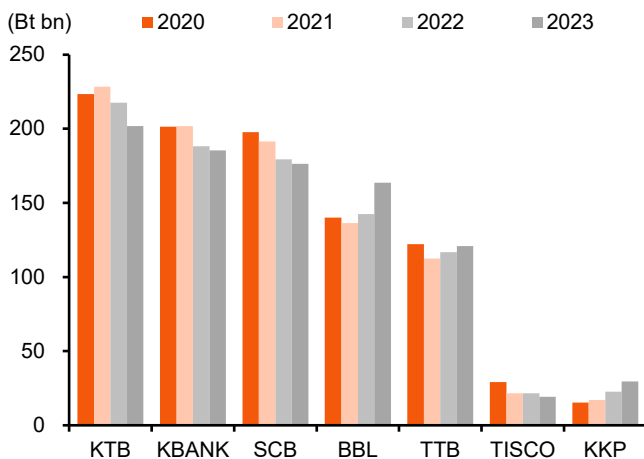
Source: Company data

**Ex 7: Percentage Of DR To Total Loans**



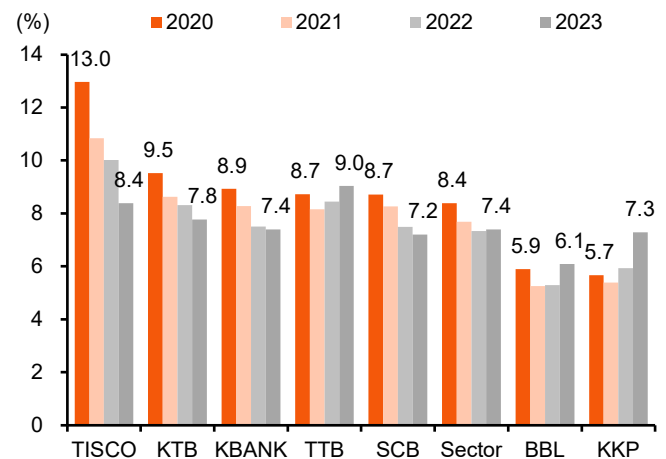
Source: Company data

**Ex 8: Stage 2 Loans**



Source: Company data

**Ex 9: Exposure Of Each Bank**



Source: Company data

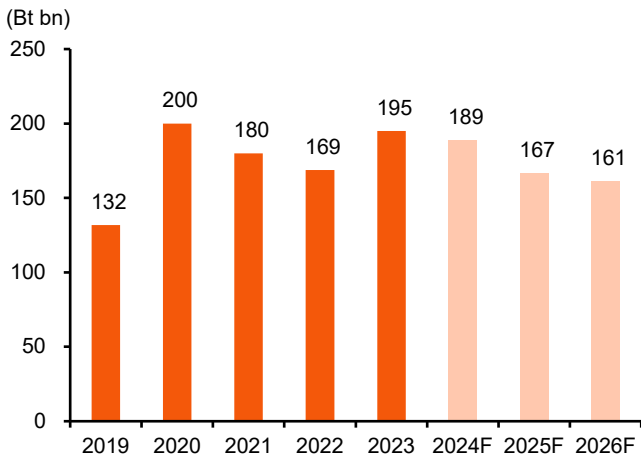
**Banks plan to reduce excess provisions and transition toward a normalized credit cycle**

Anticipating the risk of stage migration, where loans could deteriorate in quality as customers face difficulties with stepped-up repayments following the end of forbearance programs, banks have proactively increased their provisioning over the past three years. This strategy is intended to mitigate the potential impact of borrowers struggling to meet higher repayment post-relief obligations. As a result, provisioning expenses have surged by 50%, rising from the 2019 aggregate level of Bt132bn. Overall credit costs rose from just 1.2% in 2019 to 1.6% in 2023.

Having utilized provisioning buffers to proactively address bad loans through sales and write-offs, banks were able to keep NPLs under control, with outstanding NPLs decreasing by 7% in 2022 and an additional 3% in 2023. Consequently, the NPL ratio dropped from its peak of 4.2% in 2020 to 3.68% in 2022 and 3.6% in 2023.

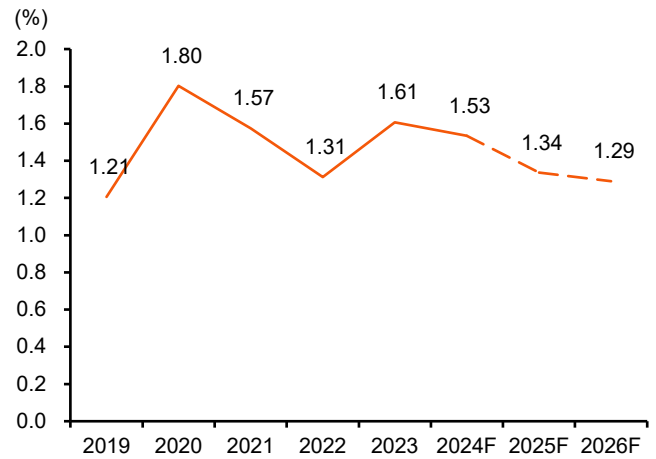
We expect banks to scale back their aggressive resolution actions as the economic outlook improves. Starting this year, they plan to reduce excess provisions and gradually transition toward a normalized credit cycle.

**Ex 10: Provisioning Expenses**



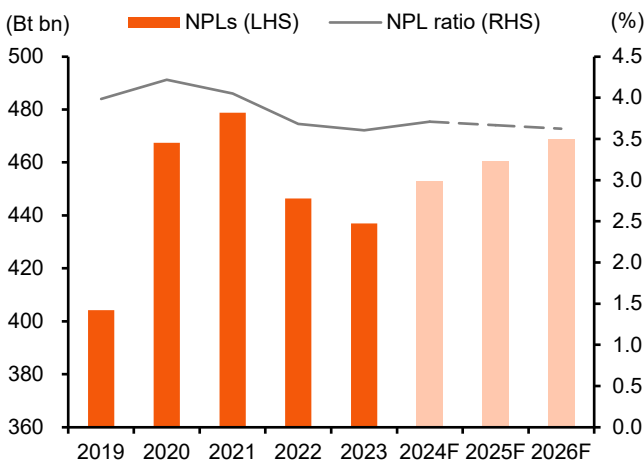
Sources: Company data, Thanachart estimates

**Ex 11: Credit Costs**



Sources: Company data, Thanachart estimates

**Ex 12: NPLs And NPL Ratio**



Sources: Company data, Thanachart estimates

**Ex 13: Actual Credit Costs Vs Guidance In 2024**

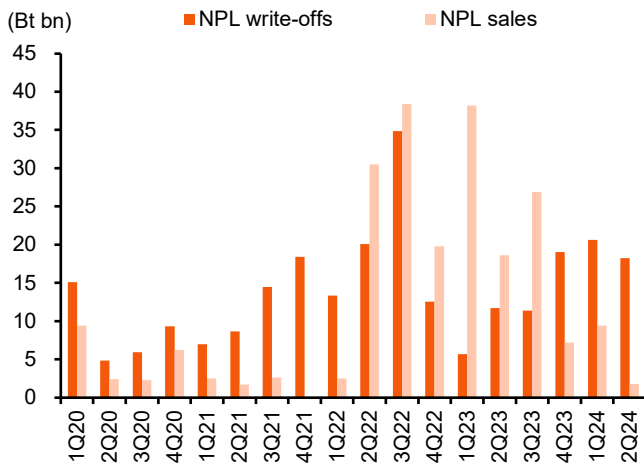
Credit costs	1H24	FY24's target	2023A
BBL	140bps	90-100bps	126bps
KBANK	188bps	175-195bps	208bps
KTB	126bps	120-130bps	144bps
KKP	248bps	250-275bps	280bps
SCB	179bps	160-180bps	182bps
TISCO	58bps	< 70bps	26bps
TTB	Normal = 133bps	125-135bps	164bps
	Total = 159bps		

Sources: Company data, Thanachart compilation

**Transition to normalized credit cycle has not been as smooth as anticipated**

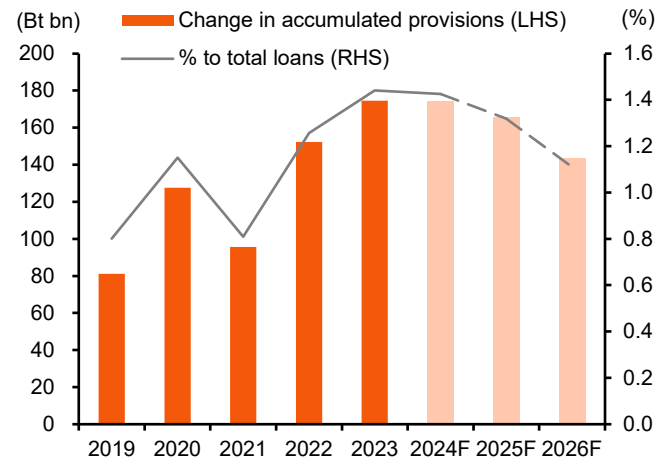
However, the transition to a normalized credit cycle has not been as smooth as we had anticipated. The prevention of an NPL cliff has been mandated by ongoing aggressive resolution efforts. The proportion of NPL write-offs and sales remains elevated. Despite muted loan growth, provisioning reductions have been slower than we had expected.

**Ex 14: NPL Write-offs And Sales – KBANK And SCB**



Sources: Company data, Thanachart estimates

**Ex 15: Estimated NPL Resolution**



Sources: Company data, Thanachart estimates

**Banks are focusing on quality and balance sheet optimization**

We believe the challenges banks face in the post-COVID forbearance transition stem from an uneven economic recovery. Key factors include delays in government spending, factory closures in certain manufacturing sectors, and increased competition from cheap Chinese imports. Additionally, the rise of online shopping has adversely impacted SMEs and traditional brick-and-mortar retailers. Compounding these issues are the rising cost of living, higher interest expenses, and a high household debt level of over 90% of GDP, which are weighing on both businesses and consumers.

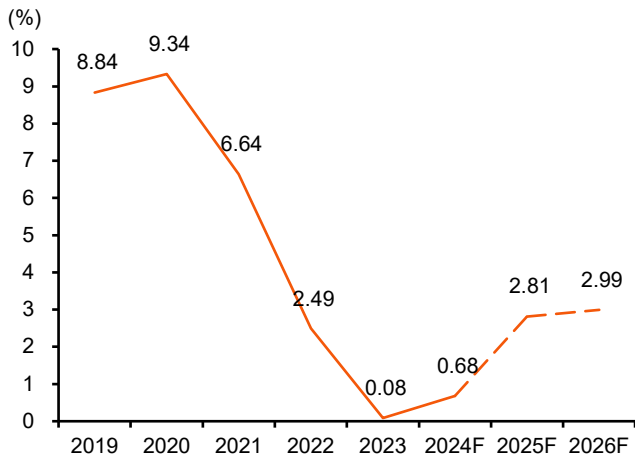
The extended fallout from COVID-19 restructuring and bailout programs, combined with the weak macro backdrop, has led banks to prioritize asset quality over volume growth. To safeguard their asset quality, they have adopted stricter lending policies, particularly for SME and mass retail borrowers.

**Flat loan growth YTD in 2Q24**

By June 2024, the seven banks under our coverage reported stagnant loan growth, remaining flat compared to the end of 2023. The slowdown has been particularly evident in SME and retail lending. SME loans contracted roughly 4% from the total outstanding of Bt2.1bn in 2023.

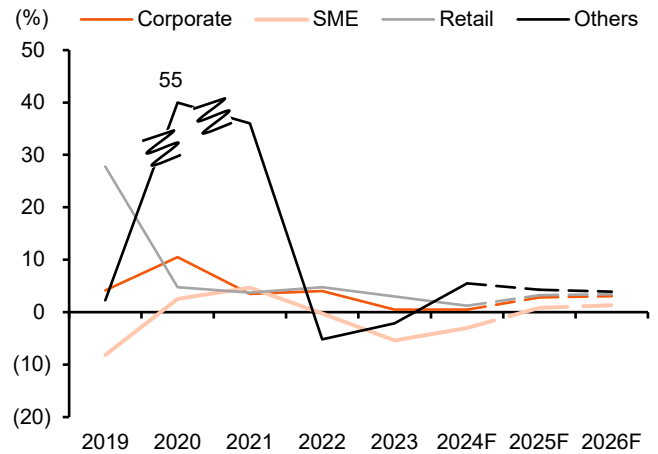
In retail lending, the conservative stance extends beyond unsecured loans to include secured loans such as housing and auto hire-purchase (HP) loans. The rejection rate for housing loans below Bt3m has surged to nearly 100%, while the rejection rate for loans below Bt5m has risen to 50%. Similarly, the rejection rate for auto loans has increased to an estimated 40%-plus compared to the typical rejection rate of around 20%. This reflects the tightening of credit conditions as banks focus on preserving asset quality amidst ongoing economic challenges.

Ex 16: Muted Loan Growth



Sources: Company data, Thanachart estimates

Ex 17: By Segment

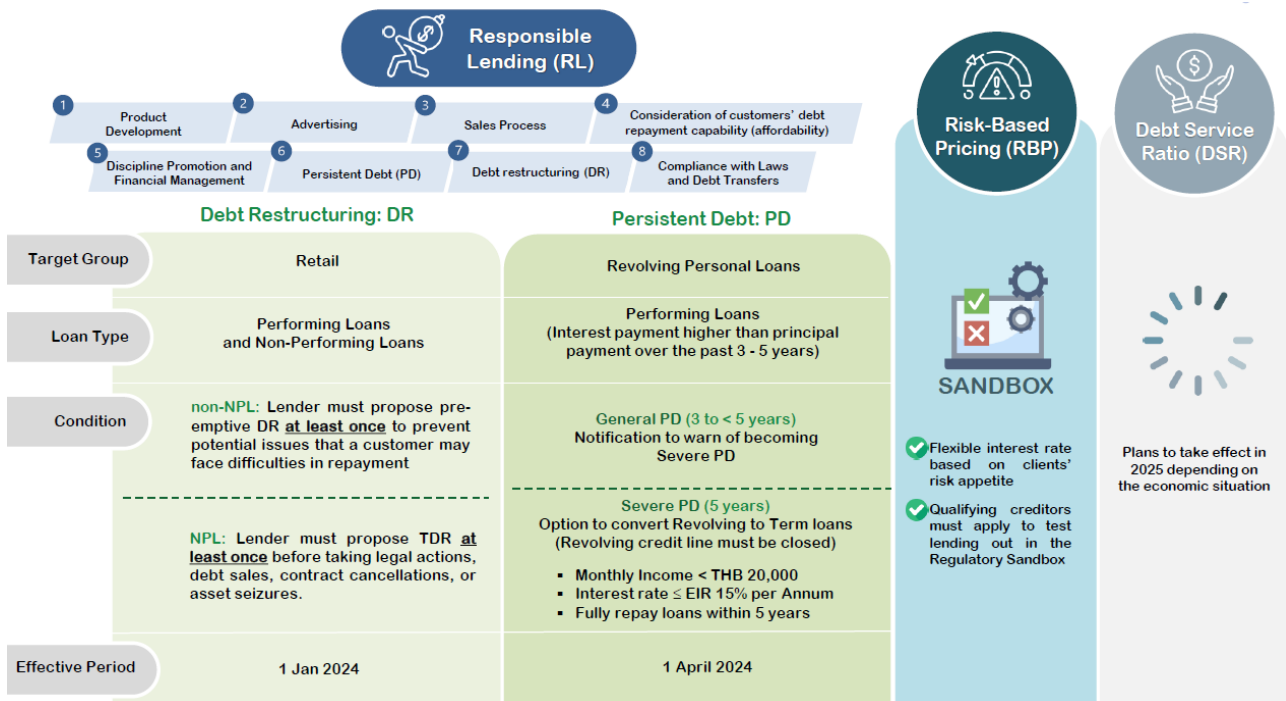


Sources: Company data, Thanachart estimates

### BoT's responsible lending (RL) measures

The BoT introduced the responsible lending framework (RL), which has been effective since 1 January 2024. The moves aim to more sustainably manage Thais' high household debt.

Ex 18: First Version Of RL



Source: Bank of Thailand

**Slow household income recovery keeps debt levels persistently high**

We believe the BoT recognizes that household debt levels are unlikely to decline naturally. Household income has to increase to fix the problem. So, the measures aim to reduce the debt servicing burden on borrowers. They include implementing debt relief programs, such as persistent debt restructuring and debt consolidation policies. These initiatives are designed to help borrowers manage their obligations more effectively while addressing the broader issue of rising household debt in the economy.

The debt restructuring (DR) initiative, which mandates lenders to propose preemptive restructuring plans to address potential repayment challenges faced by borrowers and implement troubled debt restructuring (TDR) before resorting to legal action, debt sales, contract cancellations, or asset seizures, has been effectively executed thus far.

**Bt1.5tr loans in DR programs**

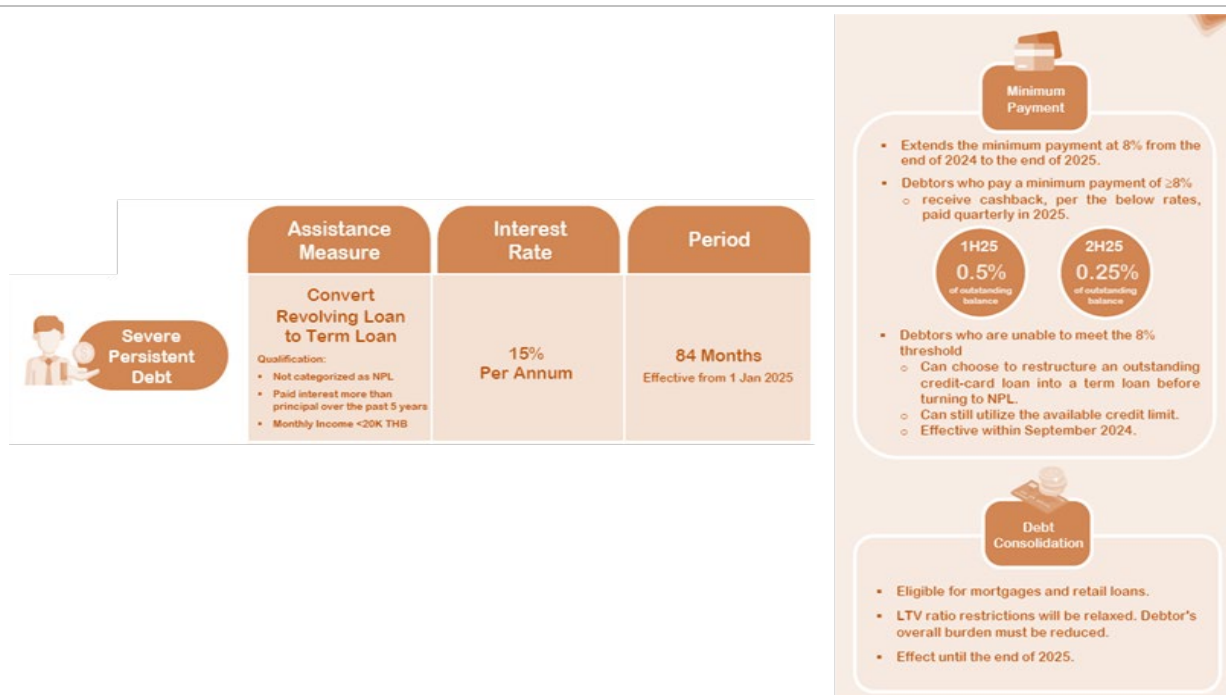
As of the first half of 2024, the accumulated number of accounts receiving assistance stood at 4.9m. Of these, 1.21m accounts were under the purview of banks and non-bank financial institutions, while the remaining 3.69m were handled by specialized financial institutions (SFIs). The total outstanding loan balance under the program amounted to Bt1.5tr, with 33% held by banks and non-bank institutions and 67% by SFIs.

However, the execution of persistent debt (PD) restructuring has faced challenges, with only a small percentage of borrowers choosing to participate in the programs. One key reason is that many borrowers rely on their credit lines primarily for revolving purposes, using them to manage short-term cash flow needs rather than for long-term debt reduction. Given the instability of their income, committing to fixed-repayment installments, even with the advantage of lower interest rates, can be daunting. The unpredictability of their earnings makes it difficult for them to stick to a structured repayment plan, undermining these initiatives' effectiveness.

**Modification of PD term**

Therefore, the BoT has modified the PD terms to suit the conditions of borrowers, as shown in Exhibit 19. Given that addressing high household debts is the BoT's top priority, we anticipate that more policies will be introduced or existing policies will be modified soon. However, these changes may reduce operators' willingness to lend, as stricter regulations could result in an unjustified risk-reward profile.

**Ex 19: Recent Modifications Of RL**



Sources: Krungthai Card, Bank of Thailand

## #2: Fiscal and monetary easing won't resolve structural issues

*Double-drag factors, tight fiscal and monetary conditions, to be relaxed*

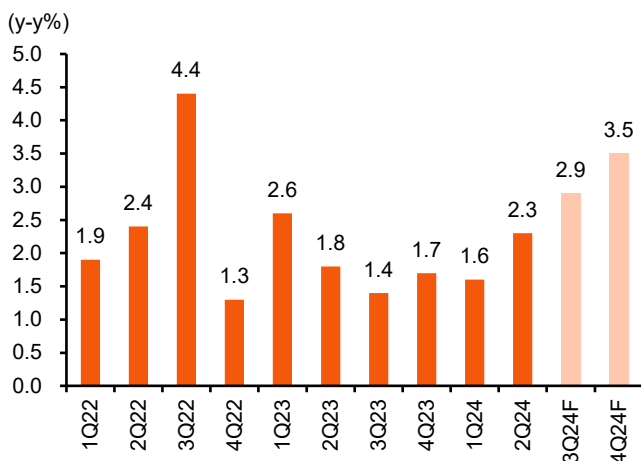
The weak economy has been driven by tight monetary and fiscal policies. However, fiscal spending began to loosen in May, boosting economic momentum in 2Q24. Spending softened again in July and August, possibly due to uncertainty surrounding the court case against former prime minister Srettha Thavisin.

However, the passing of the FY25 budget has alleviated concerns about delays in government spending for the fiscal year starting October 2024. Additionally, Thailand now has a newly appointed prime minister, and the government has distributed Bt145bn this month as a cash handout of Bt10,000 each to 14.5m poor and disabled individuals. The funding will come from the recently approved Bt122bn supplementary FY24 budget and Bt23bn from the FY24 central budget.

*Quarterly economic growth rebound*

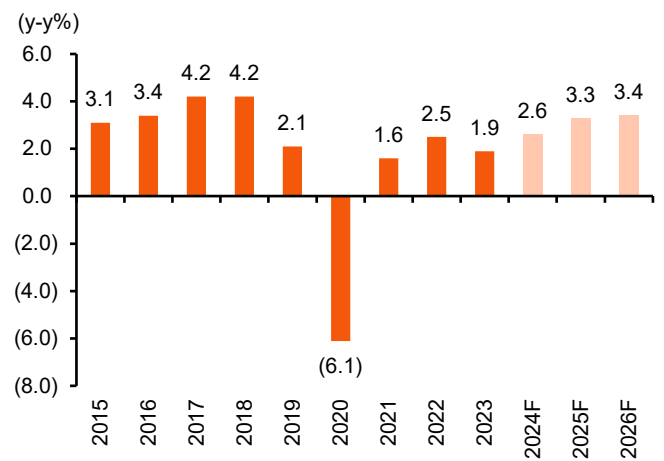
With the gradual relaxation of both tight fiscal and monetary conditions, which have hindered the post-COVID recovery, Thanachart Securities expects quarterly GDP growth to improve from 1.6% y-y in 1Q24 and 2.3% in 2Q24 to 2.9% in 3Q24F and 3.5% in 4Q24F. We project annual GDP growth to increase from 1.9% in 2023 to 2.6%, 3.3%, and 3.4% in 2024F, 2025F, and 2026F, respectively.

**Ex 20: Rising GDP Growth Momentum**



Sources: NESDC; Thanachart estimates

**Ex 21: Rising GDP Growth Momentum**



Sources: NESDC; Thanachart estimates

*But we see the loosening fiscal and monetary policies offering short-term boosts...*

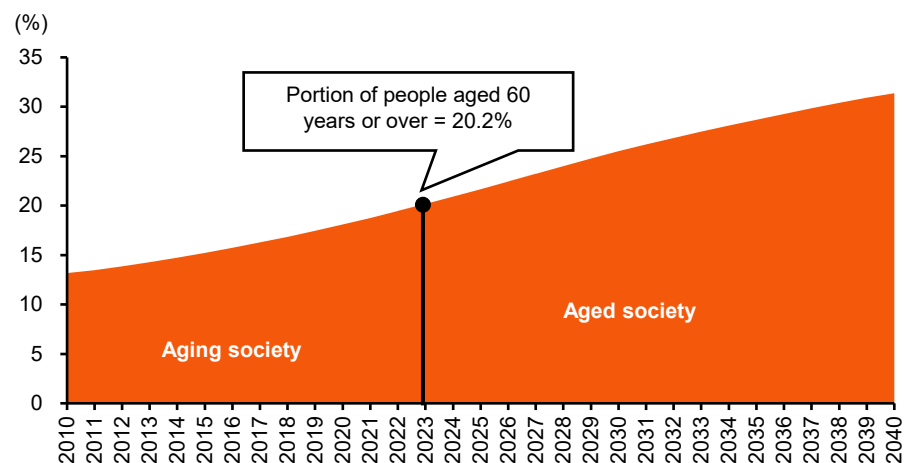
We acknowledge that the revived economic momentum, as discussed earlier, is a positive development for the banking industry. Additional liquidity injections will help ease tight financial conditions, offering some relief to businesses and consumers. However, these quick-win measures primarily benefit consumer-related sectors, providing short-term gains while failing to address the deeper systemic issues that have led banks to reduce their risk-taking capacity.

*... rather than addressing structural issues*

Over the past decade, frequent political upheavals, weak institutions, and governance challenges have delayed the country's key economic reforms. In our view, the country still lacks policies such as investment in infrastructure, innovation, and productivity improvements to tackle its structural economic issues. The Thai economy continues to face the following challenges:

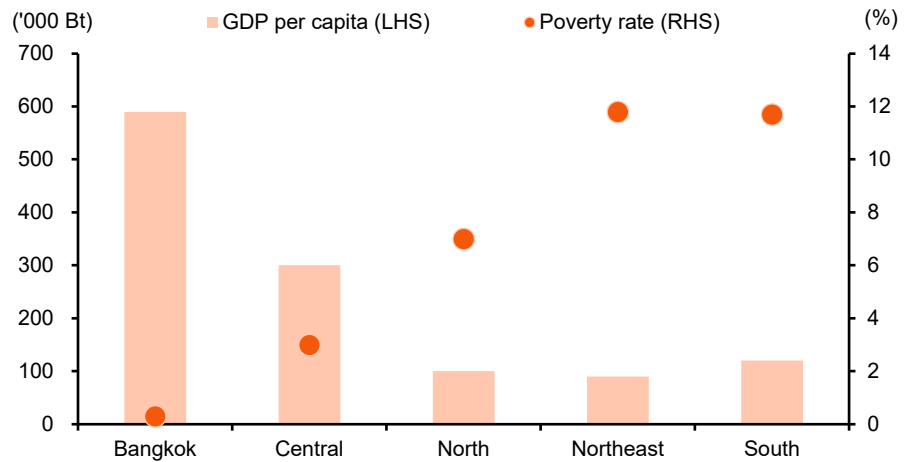
- 1) **Aging population and labor market constraints.** The population is aging rapidly, with the proportion of middle-aged individuals (25-49 years) declining from 40% in 2010 to 35% in 2023 and projected to fall to 33% by 2030. This shrinking labor force increases the dependency ratio, putting pressure on public finances for pensions and healthcare while reducing long-term productivity and competitiveness. The demographic shift has started to adversely impact housing and auto demand.
- 2) **Low productivity and skills mismatch.** A reliance on low-value-added sectors like agriculture and traditional manufacturing has constrained economic growth. The education system is not producing enough graduates with skills suited to high-tech and advanced industries. This has led to a skills mismatch that hinders innovation and the shift to a knowledge-based economy.
- 3) **Income inequality and regional disparities.** Wealth is concentrated in urban centers like Bangkok, while rural regions, especially the North and Northeast, lag behind. This disparity exacerbates income inequality, limits domestic consumption, and weakens social cohesion, with rural areas having less access to infrastructure, education, and healthcare.
- 4) **Structurally high household debt, exceeding 90% of GDP.** Growing consumer, auto, and personal loans have been the primary drivers of rising household debt in Thailand, unlike other countries where mortgages dominate. In Thailand, mortgage loans account for less than 40% of the total. The COVID-19 pandemic worsened the situation, with households borrowing more to manage financial hardship. The debt burden is particularly high relative to income levels, especially for lower-income households.
- 5) **Environmental and energy challenges.** Thailand faces significant environmental risks, including climate change, pollution, and deforestation. The economy's reliance on energy imports makes it vulnerable to global price shocks. While there is a shift toward renewable energy, the slow pace of transition exposes the country to environmental degradation and rising energy costs, threatening long-term sustainability.

**Ex 22: Thailand's Aged Society**



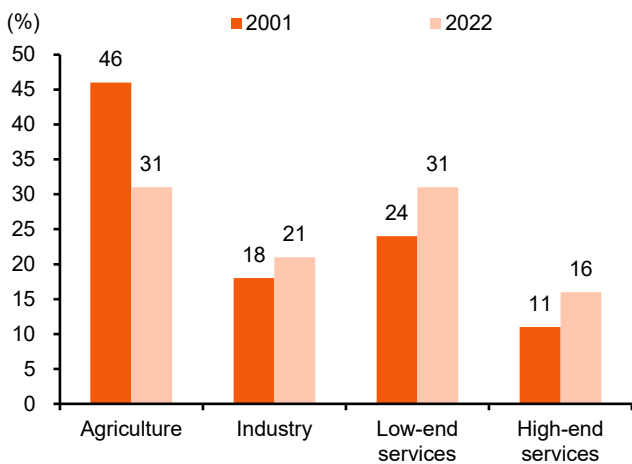
Source: National Statistical Office

**Ex 23: Income and Poverty Incidence, 2020**



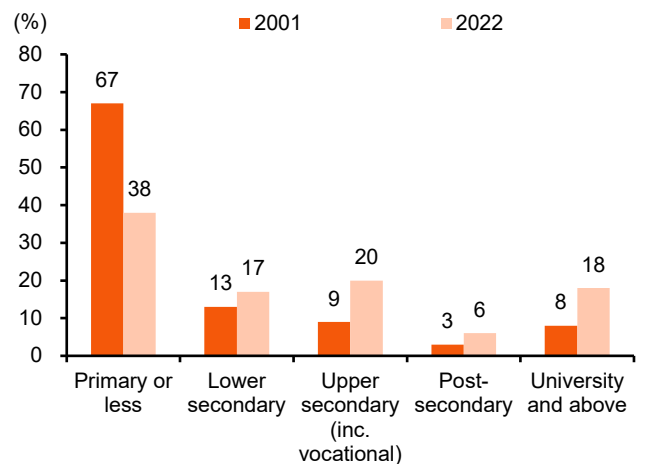
Source: World Bank

**Ex 24: % Employment By Sector**



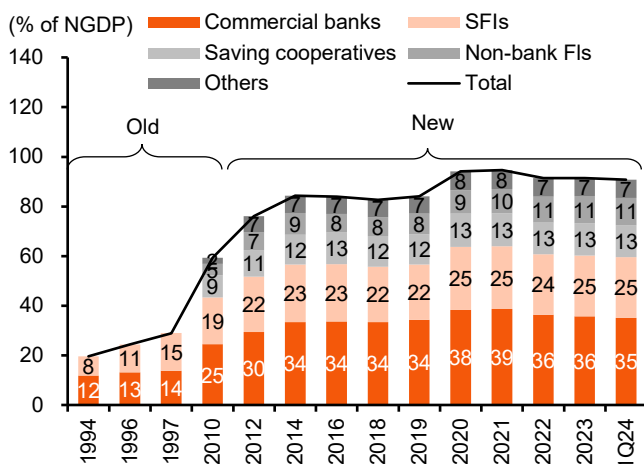
Source: World Bank

**Ex 25: % Employment By Education**



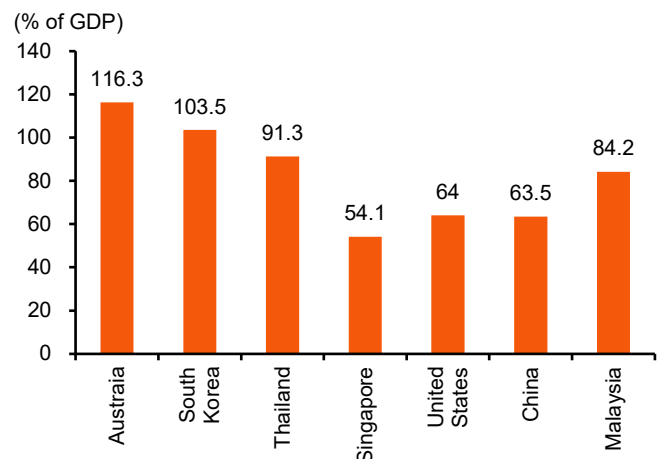
Source: World Bank

**Ex 26: Household Debt To GDP**



Sources: Bank of Thailand and K Research

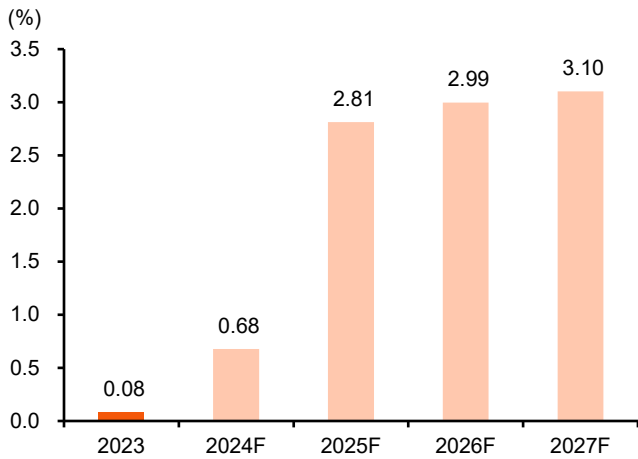
**Ex 27: Cross Country Comparison**



Sources: CEIC and K Research

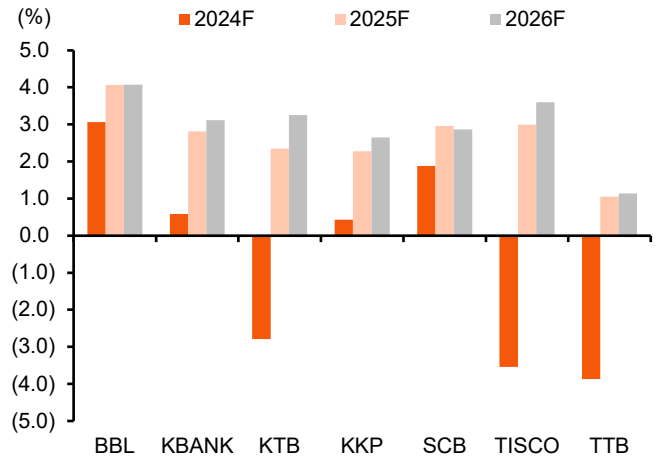
Given the absence of policies aimed at strengthening overall economic fundamentals — critical for improving long-term debt servicing capacity across the economy — we expect banks to maintain a cautious and selective approach to lending. Loan volume growth is likely to continue being driven primarily by corporate lending and loans to the government and overseas, with only limited improvement in appetite for the SME and mass retail segments. As a result, we project loan growth to remain flat this year and estimate a gradual recovery of around 3% annually for 2025-26F.

**Ex 28: Our Loan Growth Forecasts**



Sources: Company data, Thanachart estimates

**Ex 29: Loan Growth Comparison**



Sources: Company data, Thanachart estimates

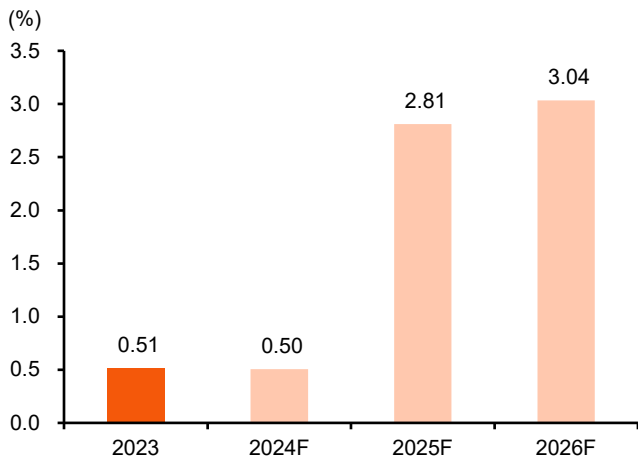
Our view of the growth outlook for each lending segment is provided below:

**#1: Corporate loans**

**Main growth contributor**

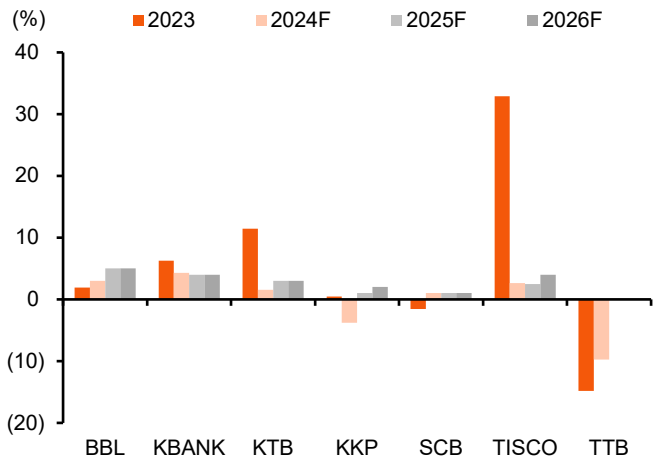
Corporate lending remains the segment where banks are most comfortable. However, with corporate debt-to-GDP rising to 88%, up from 78% a decade ago — driven by increasing debenture exposure — and weak capex cycle, we expect corporate loan growth to track GDP growth. Starting at 0.5% in 2024, we estimate loan growth to rise to 2.8% in 2025F and 3.0% in 2026F. The key drivers of this growth will likely be the financial institutions, food & beverage, petroleum & petrochemical, and communication sectors. Additionally, we account for the rising demand for larger credit lines fueled by the heightened volatility in the corporate debenture market.

**Ex 30: Growth In Corporate Lending**



Sources: Company data, Thanachart estimates

**Ex 31: Growth Of Each Bank**



Sources: Company data, Thanachart estimates

**#2: SME loans**

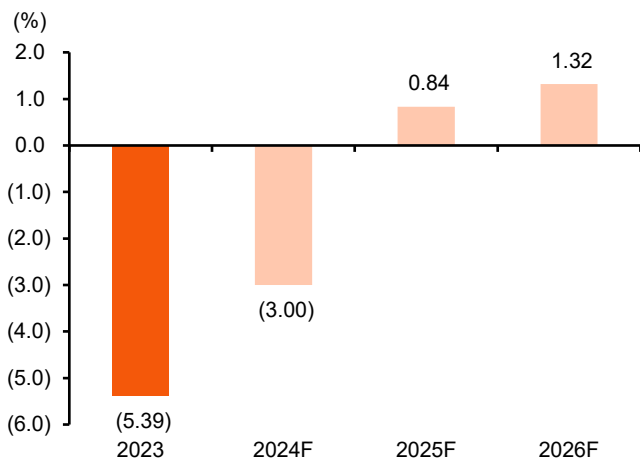
**Increased structural problems**

SMEs in Thailand contribute approximately 35-40% to the country’s GDP and employ over 70-80% of the workforce. They are predominantly concentrated in sectors such as wholesale and retail trade, manufacturing, construction, services, and agriculture, with wholesale and retail trade making up the largest share.

Thai SMEs have faced significant challenges, including outdated technology, low productivity, and difficulties competing with larger businesses both domestically and internationally. These challenges have lately been exacerbated by digital transformation, global market shifts, and an influx of cheap imports from China due to oversupply and limited tariff protections. Rising business costs, particularly higher diesel and labor expenses, have further strained labor-intensive SMEs. The deterioration of their competitive edge has weakened their financial positions, leading to liquidity constraints and limited access to financing.

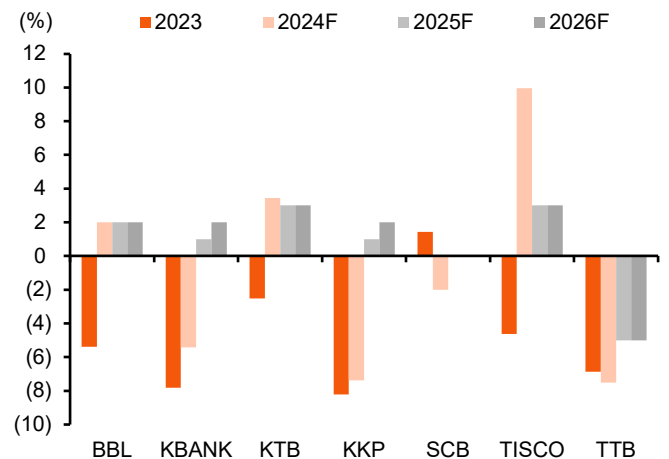
Banks’ exposure to SMEs has been steadily declining. SME loans represented 24% of total loans in 2018, falling to 17.4% in 2023 and 16.7% in 1H24. Moving forward, we expect banks to prioritize secured lending, focusing on quality over quantity through a selective approach to their existing customer base. We estimate SME loan growth to be -3% in 2024F, 0.8% in 2025F, and 1.3% in 2026F.

**Ex 32: Growth In SME Lending**



Sources: Company data, Thanachart estimates

**Ex 33: Growth Of Each Bank**

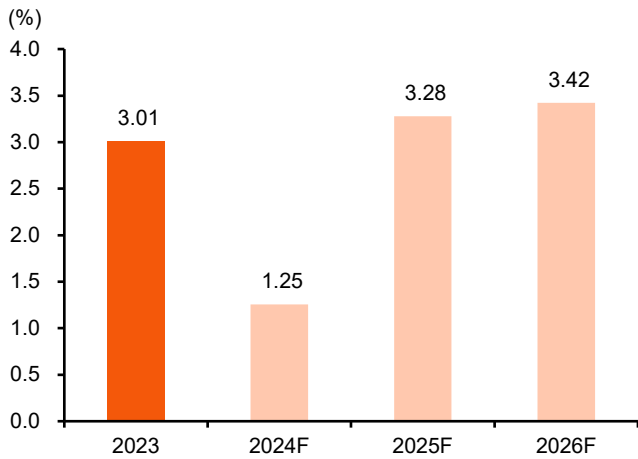


Sources: Company data, Thanachart estimates

**#3: Retail loans**

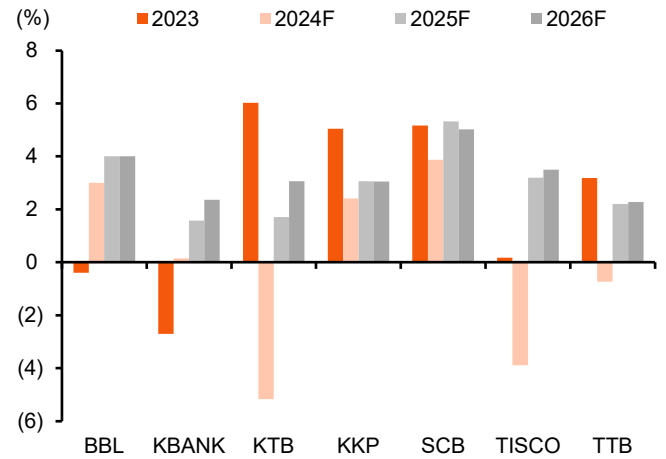
Retail loans account for approximately 38% of the total outstanding loans of the seven banks under our coverage. This segment includes products such as mortgages, auto loans, personal loans, and credit card loans. However, growth in retail loans has been relatively slow, reflecting economic challenges and tighter lending conditions. We estimate overall growth in retail lending of 1.3% in 2024F, 3.3% in 2025F, and 3.4% in 2026F.

**Ex 34: Growth In Retail Lending**



Sources: Company data, Thanachart estimates

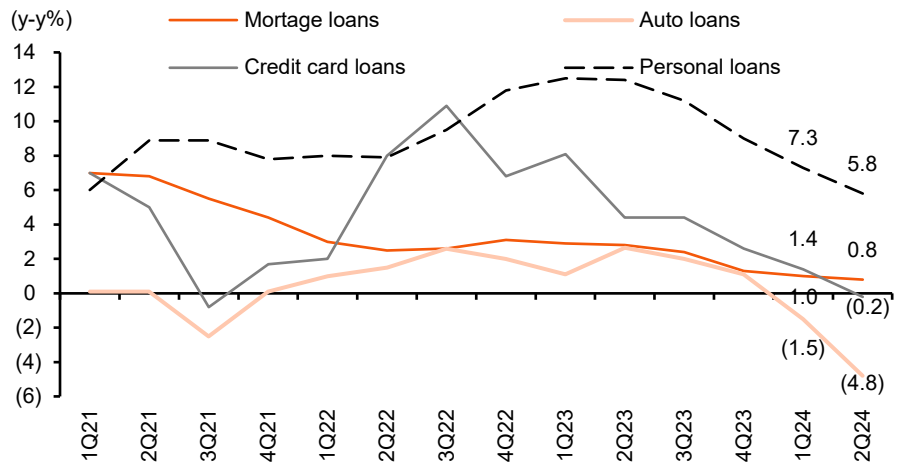
**Ex 35: Growth Of Each Bank**



Sources: Company data, Thanachart estimates

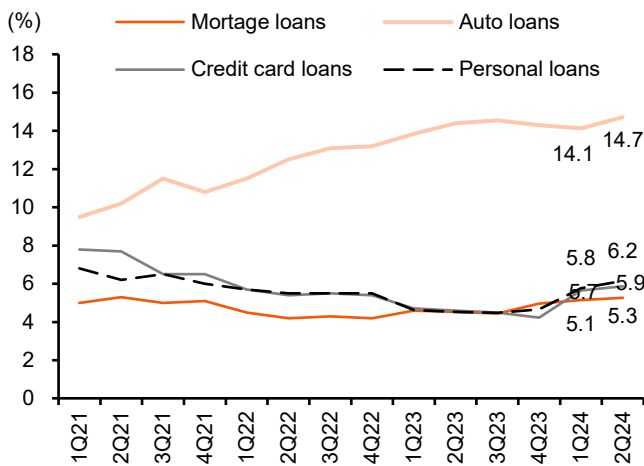
We provide a detailed analysis of each retail lending segment based on aggregate consumer loan data from the BoT, as shown in Exhibits 36-38 below.

**Ex 36: Consumer Loan Growth**



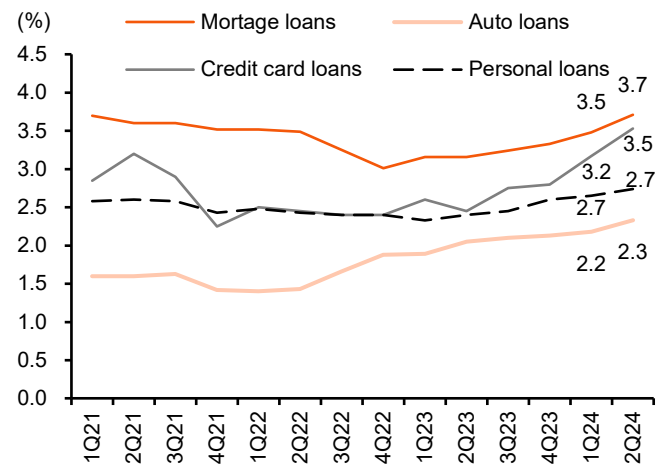
Source: Bank of Thailand

**Ex 37: Stage 2 By Segment**



Source: Bank of Thailand

**Ex 38: NPLs By Segment**



Source: Bank of Thailand

**We see the government's populist measures giving a short-term boost to credit card loans**

We expect a short-term boost in credit card loans, spurred by the government's populist measures such as cash handouts and other stimulus initiatives. However, the overall growth outlook remains constrained. Expanding penetration into the lower-income segment is challenging due to weak debt-servicing capabilities in the mass market and an increasingly unfavorable risk-return profile, especially with credit card interest rates now capped at 16%, the lowest among all consumer loans. Meanwhile, we foresee only a modest increase in revolving credit demand from high-end cardholders, who tend to engage in frequent transactions to capitalize on discounts, cashback, and mileage rewards.

**Less attractive return of personal loans**

The initial excitement surrounding the unsecured personal loan segment, driven by its high interest rate of 25% and the low penetration of banks in this market, is waning. The slowdown is primarily due to the segment's elevated default rate. With no collateral required, borrowers often lack a commitment to repayment. Additionally, the small loan sizes make it less cost-effective for lenders to pursue rigorous collection, further impacting profitability in this segment.

**High rejection rates of housing prices below Bt5m**

Shifting to secured lending, the growth in housing and auto hire-purchase (HP) loans has also decelerated. Housing loans experienced a modest increase of just 0.8% y-y in the second quarter of 2024. This slowdown was primarily due to weak sales of low-end housing and condominiums, as banks have become more risk-averse and are reducing their exposure to the mass retail segment. Notably, rejection rates for housing loans have surged, reaching 100% for properties priced below Bt3m and rising to 50% for those below Bt5m.

The government's property stimulus measures, introduced in April 2024, aimed at boosting the mid-to-low-end housing market (for units priced below Bt7m) through reductions in transfer fees, mortgage registration fees, tax savings, and low-interest rate schemes from the Government Housing Bank (GHB) and Government Savings Bank (GSB), have so far failed to revive weak sentiment in the low-end property segment. Despite these incentives, buyers in this price range continue to face challenges, largely due to tighter lending criteria and the overall economic environment.

This illustrates the difficulty in stimulating the lower-tier property market despite favorable policies, as banks' reluctance to lend and households' limited debt servicing capacity continue to hinder growth in this segment.

**Ex 39: Property Stimulus**

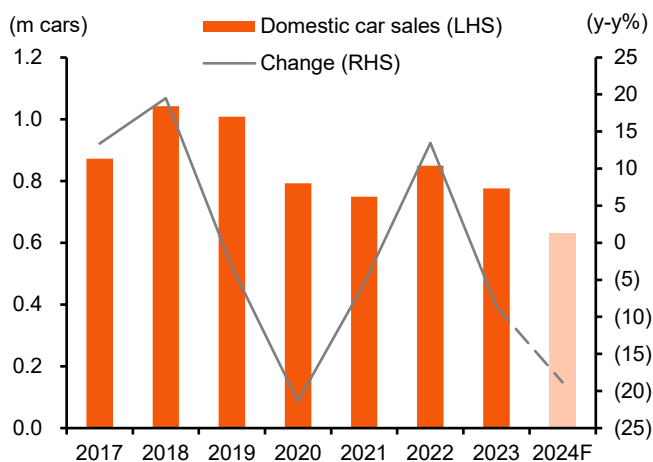
Property measures	Effective
The cabinet, on <b>April 9th, 2024</b> approved the following measures:	
1) A reduction in the transfer fee (from 2.0% to 0.01%) and mortgage registration fee (from 1.0% to 0.01%) for residential purchases of up to Bt7m/unit (extended from Bt3m/unit) <ul style="list-style-type: none"> <li>▪ Benefits go to both developers and home buyers.</li> <li>▪ Developers save 1% on the transfer fee; buyers save 1% on the transfer fee and 1% on the mortgage registration fee.</li> </ul>	now - 31 Dec 24
2) Personal income tax deductible on home construction expenses of up to Bt100,000/person. For Bt1m of home construction expenses, a person will be entitled to a Bt10,000 tax deductible.	9 Apr 24 - 31 Dec 25
3) Government Housing Bank measures	
3.1 Unlocking GHB's "One Million Home" project from a house price limit of Bt1.5m/unit to Bt3.0m/unit with a Bt20bn loan budget <ul style="list-style-type: none"> <li>▪ The mortgage rate for the first 5 years is pegged at 3% with up to a 40-year repayment period.</li> </ul>	9 Apr 24 - 30 Dec 25
3.2 "Happy Life" loan for a home purchase, home construction, and home renovation with a Bt10bn loan budget <ul style="list-style-type: none"> <li>▪ The mortgage rate for the first 3 years averages 2.98% for up to Bt2.5m/person</li> </ul>	Now till loan limit reached
3.3 BOI home tax exemption for developers <ul style="list-style-type: none"> <li>▪ Corporate income tax exemption for three years limited to a home price of not over Bt1.5m/unit</li> </ul>	Now - 31 Dec 25
4) Government Savings Bank measures	
4.1 GSB home loan for home buyers with a Bt10bn loan budget <ul style="list-style-type: none"> <li>▪ The mortgage rate for the first 3 years averages 2.95% at up to Bt7m/person and up to a 40-year loan period.</li> </ul>	17 Apr 24 - 30 Dec 24
4.2 GSB D-Home loan for developers with a Bt10bn loan budget <ul style="list-style-type: none"> <li>▪ Interest rate of 3.5%/year and up to a 4-year loan period.</li> </ul>	17 Apr 24 - 30 Dec 24

Sources: Ministry of Finance, Thanachart compilation

**Structural challenges of domestic car sales**

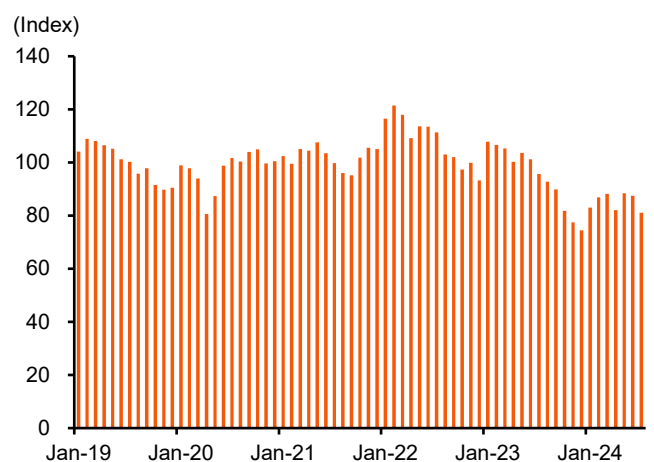
Growth in auto hire purchase (HP) loans contracted 4.8% y-y in 2Q24, the worst figure in the consumer loan universe. The slump has been due to declining new car sales and stricter underwriting practices. Following a sharp rise in the segment's stage 2 loans and increased losses upon default due to falling used car prices, banks have become highly risk averse in the segment.

**Ex 40: Worst-ever Domestic Car Sales**



Sources: Thailand Automotive Institute, Thanachart estimates

**Ex 41: Used Car Price Index**



Source: Bank of Thailand

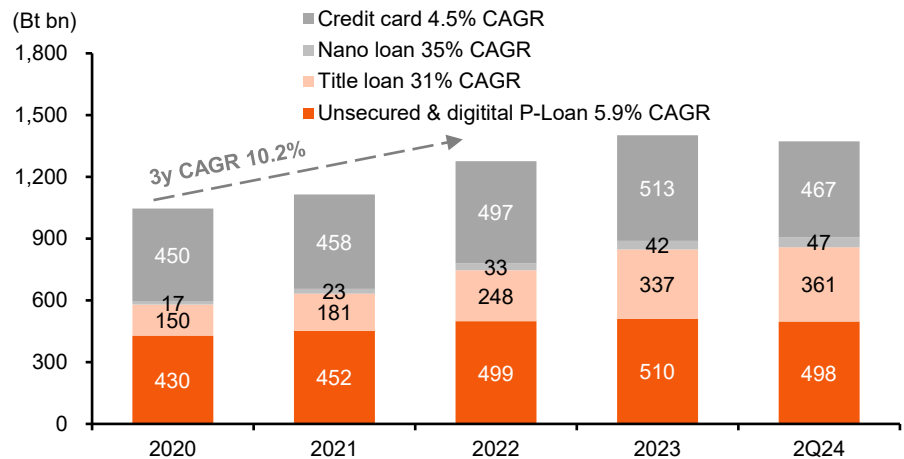
While we recognize that the oversupply of used cars is a consequence of the expiry of COVID-era forbearance programs, the slump in new car sales appears to be not just a temporary issue. TTB analytics foresees several structural challenges that will continue to weigh on new car sales.

- 1) **Market saturation.** The domestic automotive market in Thailand has reached saturation, with almost 20m vehicles on the road, equating to 277 cars per 1,000 people. This figure is significantly higher compared to countries like Vietnam (50 cars), the Philippines (38 cars), and Indonesia (78 cars) per 1,000 people. Additionally, Thai consumers tend to hold on to their vehicles for an extended period, averaging 12 years, considerably longer than the six to eight years in many major markets. This extended use reduces the frequency of new car purchases.
- 2) **Changes in consumer behavior.** Consumer behavior is also evolving. Since Chinese electric vehicle (EV) manufacturers entered the Thai market, new car prices have been trending downwards, offering consumers more options. However, many buyers are delaying their purchases, waiting for prices to match their purchasing power. Furthermore, younger consumers are increasingly opting for car rental over ownership, seeking greater flexibility and lower financial burdens. We expect this shift to lead to a decline in vehicle purchases compared to previous years.
- 3) **Aging society.** Thailand is also transitioning into a full-fledged aging society. Recent declines in housing and car sales reflect this demographic shift. Currently, the country is in the "Complete Aged Society" phase, with more than 20% of the population aged 65 or older, and is projected to enter the "Super Aged Society" stage within the next decade. In contrast, the proportion of the key car-buying demographic (ages 25-49) has been shrinking, from 40% of the population in 2010 to 35.2% in 2023, with projections showing it will fall further to 33.2% by 2030.
- 4) **Slow economic growth.** Economic growth in Thailand is also expected to slow. While recent consumption indicators have been positive, driven primarily by a recovery in the tourism sector, overall investment levels have remained low for a prolonged period. The manufacturing and export sectors also face increasing structural challenges, including stiffer competition from low-cost Chinese products. This trend is likely to hinder income growth and weaken household purchasing power over the long term.
- 5) **High household debt.** High household debt is another factor restricting credit availability. Thailand's household debt is currently 91.3% of GDP, well above the ideal threshold of 80%, limiting financial institutions' ability to extend credit to individual borrowers. Consequently, auto hire-purchase loans have contracted for two consecutive quarters. Although there may be some easing in lending conditions as the economy recovers, concerns over future vehicle depreciation, loan quality deterioration, and stricter consumer protection regulations will likely keep financial institutions cautious in approving new loans.

*Used car prices will at best be flat, in our view*

These factors not only limit the potential recovery of new car sales but will also likely suppress any rebound in used car prices. Additionally, the ongoing depreciation of internal combustion engine (ICE) vehicles, driven by the increasing popularity of electric and hybrid models, further complicates the outlook for both the new and used car markets. Given these dynamics, a swift recovery in the automotive sector looks unlikely, with long-term implications for both new car sales and used car pricing.

### Ex 42: Thailand's Consumer Finance Market



Source: The Bank of Thailand, SCB X

#### Increased interest in auto title loans

Due to the segment's promising growth prospects, we are seeing increased interest in title loans, particularly those secured by vehicles. This growth is supported by Thailand's large base of vehicles in circulation, which totals approximately 41m units, comprising motorcycles and cars. Title loans are appealing due to their relatively attractive interest rates, reaching up to 24%.

According to data from the Bank of Thailand (BoT), encompassing both bank and non-bank lenders, the outstanding amount of title loans has grown by 31% over the past five years, from Bt150bn in 2020 to Bt361bn by the second quarter of 2024. This sharp rise reflects the strong demand for such loans, which are supported by the availability of collateral and favorable loan terms.

However, the segment is becoming increasingly crowded, and the quality of these loans is starting to deteriorate. This decline can be attributed to deeper market penetration amidst the weakening debt-servicing capacity of Thai households. Additionally, the sharp drop in used car prices, driven by oversupply, reduced demand for internal combustion engine (ICE) vehicles, and the growing adoption of hybrid and electric vehicles (EVs), has led to higher losses upon default. Despite these challenges, the title loan segment is still expected to show relatively better growth than auto hire-purchase (HP) and housing loans.

### #3: Increasing adoption of balance sheet optimization policies

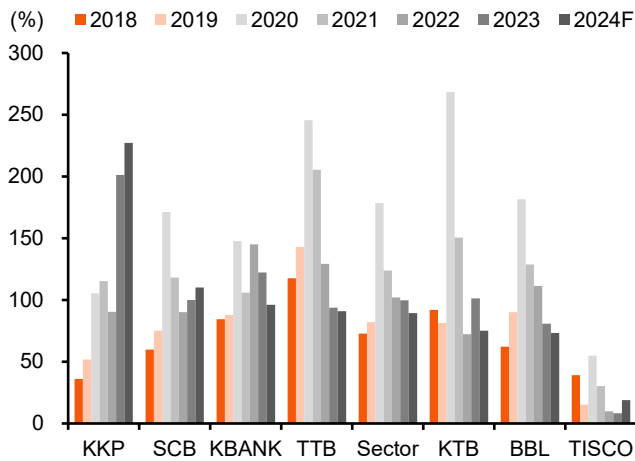
*Increasing capital leverage via higher dividends*

Thai banks' ROE has declined sharply from a peak of 17% in 2013 and 12% in 2016 to a low of 5% in 2020. This erosion in ROE has primarily been driven by a significant rise in provisioning expenses due to stricter requirements under new regulations and deteriorating asset quality.

Provisioning expenses, which accounted for 73% of profits in 2018 (pre-COVID), surged to a peak of 172% in 2020, the year when the sector experienced its lowest ROE. This highlights the impact of increasing regulatory pressures and asset quality challenges on bank profitability.

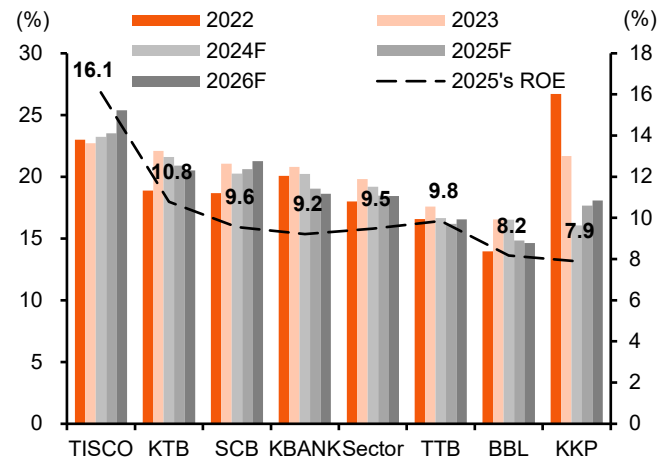
Leaving the provisioning impact aside, Thai banks' ROE has remained solid, stabilizing at around 18% from 2020 to 2022 and improving to 20% in 2023. This steady pre-provisioning profits ROE performance reflects banks' strong operational efficiency and capabilities to manage core earnings despite challenging market conditions.

**Ex 43: Provisioning Expenses To Profits**



Sources: Company data, Thanachart estimates

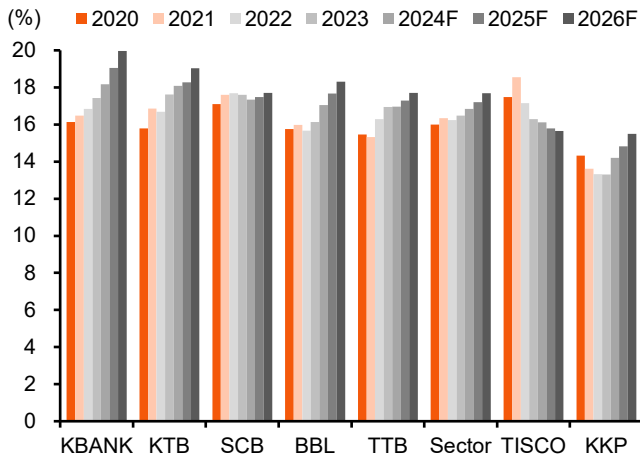
**Ex 44: Pre-provisioning Profit ROE**



Sources: Company data, Thanachart estimates

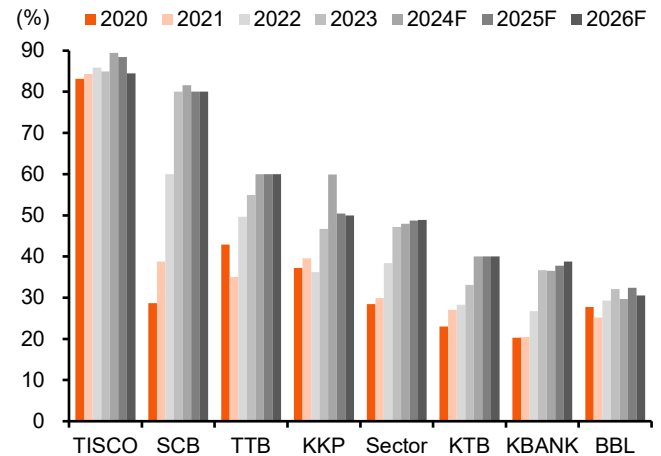
To prevent further erosion of ROE, Thai banks are prioritizing the containment of credit losses. This cautious approach has reduced their risk appetite, with an increasing focus on maintaining asset quality and optimizing balance sheets. The result has been limited asset growth, leading to a higher portion of idle capital. Consequently, the sector's capital adequacy ratios have reached historically high levels.

Ex 45: Tier I



Sources: Company data, Thanachart estimates

Ex 46: Dividend Payout Ratios



Sources: Company data, Thanachart estimates

To improve capital efficiency and boost ROE, Thai banks have significantly increased their dividend payouts — from 30% in 2021 to 38% in 2022 and further to 47% in 2023. This trend is expected to continue, with forecasts indicating an average dividend payout ratio of 47% in 2024, 48% in 2025, and 49% in 2026. The rising dividend distribution reflects efforts to enhance shareholder returns and optimize the use of excess capital amidst limited growth opportunities.

### An end to double-digit earnings growth

*NIM has held up, but provisions are down less than expected despite muted loan growth*

Earlier, we had incorporated a 50bps policy rate cut within this year. However, our revised outlook now projects a 25bps cut in December 2024, followed by another 25bps cut in 2025. The delayed rate cut has provided support for interbank income. While the shift in lending appetite toward low-risk, low-yield corporate loans has led to a decline in lending yields ahead of the anticipated rate cut, this impact has been partially offset by rising interbank and investment income. As a result, the sector’s NIM has been higher than we had initially expected.

While NIM has held up, provisions have decreased more slowly than we had expected despite muted loan growth. However, with higher investment gains, we raise our earnings estimates slightly by an average of 2.3% for 2024-26F.

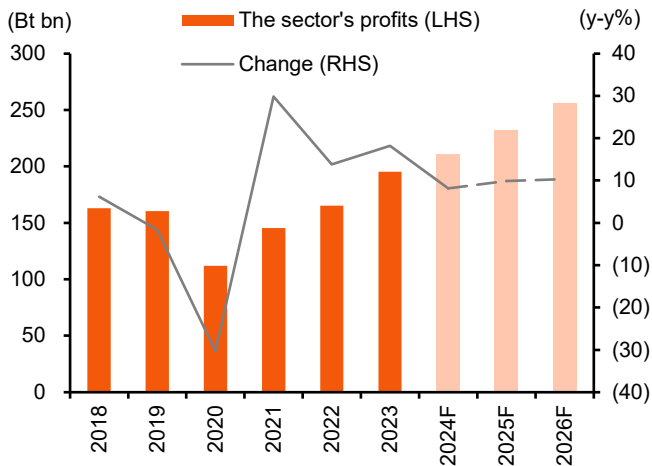
**Ex 47: Earnings Revisions**

	2019	2020	2021	2022	2023	2024F	2025F	2026F
<b>The sector's net profits (Bt bn)</b>								
- New	164.74	111.92	145.31	165.34	195.38	211.26	232.05	255.94
- Old						205.15	225.65	252.97
- Change (%)						2.98	2.84	1.18
<b>Loans growth (%)</b>								
- New	8.84	9.34	6.64	2.49	0.08	0.68	2.81	2.99
- Old						2.28	3.33	3.42
- Change (ppt)						(1.61)	(0.52)	(0.43)
<b>NIM (%)</b>								
- New	2.89	2.88	2.68	2.87	3.31	3.31	3.23	3.29
- Old						3.25	3.23	3.29
- Change (ppt)						0.06	0.01	(0.01)
<b>Provisioning expenses (Bt bn)</b>								
- New	131.83	199.86	179.88	168.69	195.07	188.69	166.66	161.32
- Old						184.11	170.09	164.56
- Change (%)						2.49	(2.02)	(1.97)
<b>Net fee income (Bt bn)</b>								
- New	137.04	135.66	147.68	139.46	132.72	134.78	140.20	146.70
- Old						134.22	139.01	145.33
- Change (%)						0.42	0.85	0.94
<b>Non-interest income (Bt bn)</b>								
- New	225.01	195.09	211.92	184.75	186.51	193.69	201.36	209.87
- Old						190.80	199.87	210.23
- Change (%)						1.52	0.75	(0.17)
<b>OPEX (Bt bn)</b>								
- New	299.42	303.30	303.25	318.13	352.33	359.56	360.26	371.89
- Old						356.82	362.89	375.49
- Change (%)						0.77	(0.72)	(0.96)

Sources: Company data, Thanachart estimates

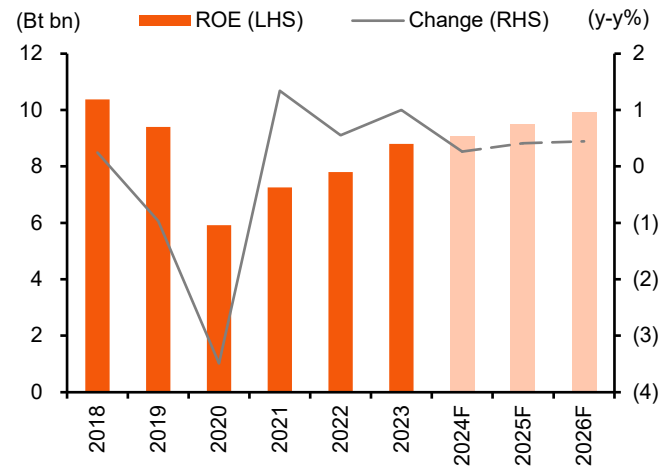
Supported by NIM expansion, bank earnings grew by an average of 21% over the past three years. With NIM gains ending and slow asset growth impacting fee income, we now project EPS growth to slow to 9% over 2024-26F. We also anticipate limited ROE expansion of just 0.26-0.44% over three years, i.e., from 8.8% in 2023 to 9.9% in 2026F.

**Ex 48: Declining Earnings Growth**



Sources: Company data, Thanachart estimates

**Ex 49: Limited ROE Expansion**



Sources: Company data, Thanachart estimates

**Ex 50: Key Assumptions Comparison**

		BBL	KBANK	KKP	KTB	SCB	TISCO	TTB	Industry
<b>Rating</b>		<b>BUY</b>	<b>HOLD</b>	<b>HOLD</b>	<b>BUY</b>	<b>BUY</b>	<b>BUY</b>	<b>BUY</b>	<b>Neutral</b>
<b>Target price (Bt)</b>		<b>180.00</b>	<b>163.00</b>	<b>52.00</b>	<b>24.00</b>	<b>123.00</b>	<b>109.00</b>	<b>2.30</b>	
<b>Upside (%)</b>		<b>16.1</b>	<b>4.5</b>	<b>2.0</b>	<b>16.5</b>	<b>10.8</b>	<b>12.1</b>	<b>17.3</b>	
<b>Consensus TP (Bt)</b>		<b>166.39</b>	<b>158.60</b>	<b>43.24</b>	<b>21.62</b>	<b>111.43</b>	<b>98.91</b>	<b>2.07</b>	
<b>Differ from consensus (%)</b>		<b>8.2</b>	<b>2.8</b>	<b>20.3</b>	<b>11.0</b>	<b>10.4</b>	<b>10.2</b>	<b>11.0</b>	
<b>Market cap. (US\$ m)</b>		<b>9,051</b>	<b>11,307</b>	<b>1,321</b>	<b>8,807</b>	<b>11,433</b>	<b>2,382</b>	<b>5,834</b>	
<b>Pre-provision profit (Bt m)</b>	2023	85,525	107,721	12,869	85,955	98,905	9,676	39,398	440,049
	2024F	89,950	111,093	9,926	89,988	97,431	9,942	38,925	447,256
	2025F	85,654	111,198	11,280	93,257	101,217	10,243	39,441	452,290
	2026F	89,274	115,653	12,043	97,820	107,626	11,306	42,207	475,930
<b>Net profit (Bt m)</b>	2023	41,636	42,405	5,443	36,616	43,521	7,301	18,462	195,384
	2024F	44,960	49,184	4,242	43,634	41,256	6,935	21,046	211,258
	2025F	47,118	53,808	5,041	48,119	46,950	7,016	24,001	232,053
	2026F	50,009	58,629	5,654	52,658	54,032	7,343	27,620	255,945
<b>Loan growth (y-y %)</b>	2023	(0.40)	(0.19)	6.58	(0.63)	2.08	7.22	(3.50)	0.08
	2024F	3.06	0.58	(2.79)	0.43	1.88	(3.54)	(3.87)	0.68
	2025F	4.06	2.81	2.34	2.27	2.96	2.99	1.05	2.81
	2026F	4.08	3.11	3.25	2.65	2.86	3.60	1.14	2.99
<b>Deposit growth (y-y %)</b>	2023	(0.83)	(1.79)	8.28	2.19	(4.42)	10.82	(0.91)	(0.74)
	2024F	0.18	2.24	3.09	0.50	0.61	4.71	(1.92)	0.68
	2025F	2.45	2.41	0.32	2.00	2.79	4.71	1.28	2.27
	2026F	2.48	2.43	0.65	2.78	2.79	4.72	1.29	2.45
<b>NIM (%)</b>	2023	2.93	3.48	4.23	3.12	3.62	4.97	3.13	3.31
	2024F	2.94	3.47	3.64	3.17	3.66	4.76	3.12	3.31
	2025F	2.77	3.40	3.63	3.06	3.67	4.77	3.13	3.23
	2026F	2.75	3.44	3.81	3.08	3.84	4.94	3.21	3.29

Sources: Company data, Thanachart estimates

Based on 25 September 2024 closing prices

## Ex 50: Key Assumptions Comparison (Con't)

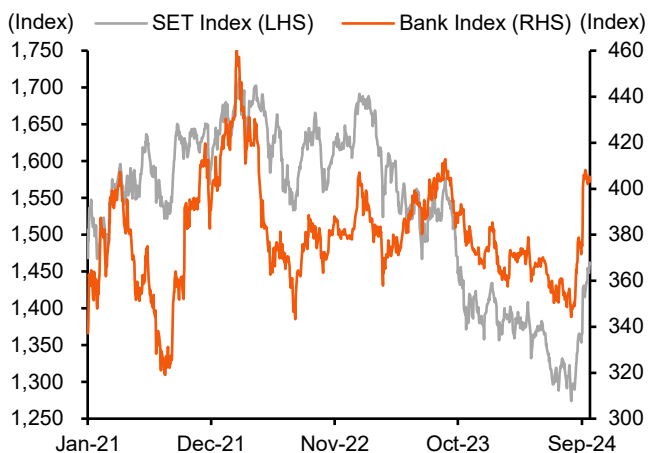
		BBL	KBANK	KKP	KTB	SCB	TISCO	TTB	Industry
Fee income growth (%)	2023	(1.00)	(5.17)	(11.17)	2.74	(11.91)	(3.53)	(0.28)	(4.83)
	2024F	3.10	7.44	(7.79)	5.40	(3.13)	(0.36)	(7.36)	1.55
	2025F	3.88	3.16	11.33	6.50	2.65	(0.71)	4.80	4.02
	2026F	4.20	4.75	8.26	6.57	3.00	3.10	5.00	4.64
Total provisions to loans (%)	2023	9.68	5.38	5.19	6.73	6.14	4.22	4.78	6.67
	2024F	9.79	5.08	5.44	6.72	6.26	3.86	5.35	6.75
	2025F	9.62	4.55	5.43	6.53	6.28	3.60	5.41	6.57
	2026F	9.51	4.41	5.48	6.45	6.27	3.62	5.47	6.52
NPL ratio (%)	2023	3.20	3.76	3.63	3.81	3.95	2.21	3.07	3.60
	2024F	3.62	3.69	4.50	3.77	3.88	2.63	3.19	3.71
	2025F	3.58	3.66	4.35	3.67	3.87	2.68	3.19	3.67
	2026F	3.55	3.62	4.00	3.61	3.83	2.72	3.22	3.63
ROE (%)	2023	8.05	8.19	9.16	9.40	9.27	17.13	8.24	8.80
	2024F	8.25	8.96	6.86	10.47	8.57	16.20	9.00	9.06
	2025F	8.17	9.21	7.89	10.79	9.56	16.10	9.84	9.47
	2026F	8.19	9.44	8.48	11.03	10.68	16.48	10.83	9.91
LLC (%)	2023	300.9	142.1	140.5	175.0	153.9	189.9	154.9	185.1
	2024F	269.6	136.9	118.6	176.5	160.0	145.6	166.7	181.8
	2025F	267.6	123.4	122.4	176.2	161.0	133.1	168.7	179.2
	2026F	267.4	121.0	134.4	176.9	162.2	132.3	169.0	179.8

Sources: Company data, Thanachart estimates  
Based on 25 September 2024 closing prices

## No longer a bargain; downgrading to NEUTRAL

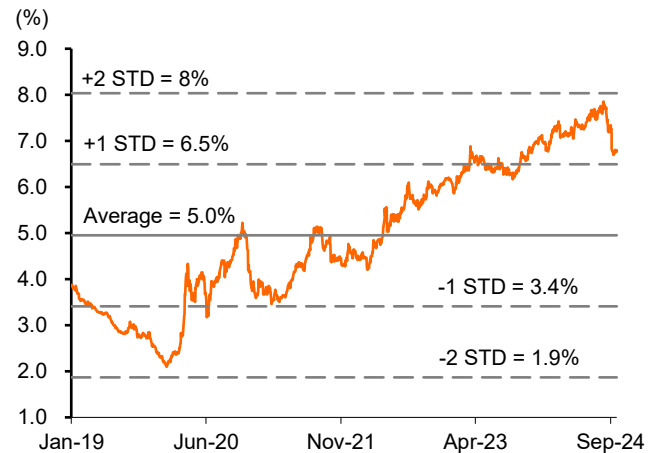
The banking index has fallen slightly 1.2 % from YTD peak on 13 September 2024 due to concern over a potential sharp decline in the policy rate following the 50bps reduction in the Fed funds interest rate. However, the banking index is still up 5.2%, outperforming the Stock Exchange of Thailand (SET) by 3% YTD.

### Ex 51: Banking Index Vs. SET



Sources: Company data, Thanachart estimates

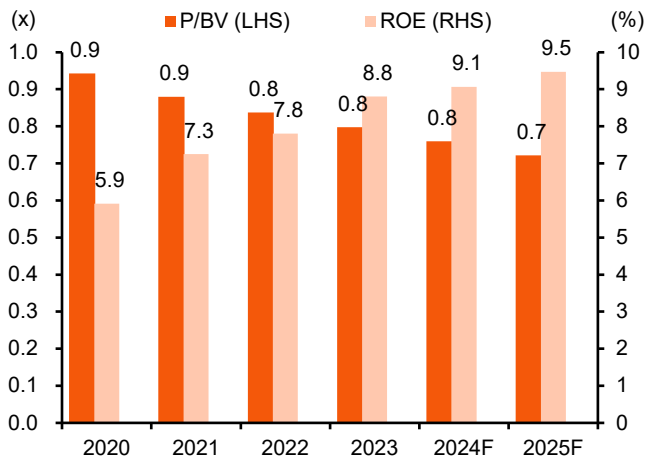
### Ex 52: STD Dividend Yield



Sources: Bloomberg, Thanachart estimates

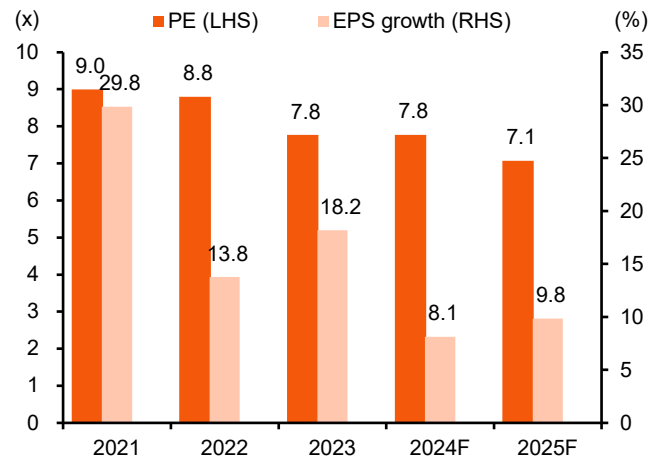
With sluggish ROE expansion of 0.41-0.44% to 9.5/9.9% in 2025-26F, the sector's 0.7x 2025F P/BV doesn't appear undervalued to us. PE of over 7x also seems fair, given the modest 9% annual EPS growth.

Ex 53: P/BV Vs. ROE



Sources: Company data, Thanachart estimates

Ex 54: PE Vs. EPS Growth

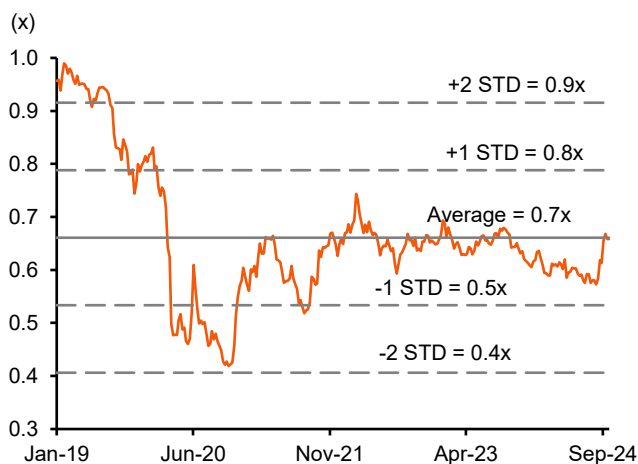


Sources: Company data, Thanachart estimates

While we do not consider Thai banks' current valuations to be particularly attractive, we also do not foresee significant downside risks to banks' share prices. As a result, we are downgrading the sector's weighting from Overweight to NEUTRAL. Eased political uncertainties following the swearing-in of the new prime minister, combined with positive market drivers such as the Bt150bn Vayupak Fund and improving fundamentals for the SET — driven by a turnaround in GDP growth and the end of the corporate earnings downgrade cycle — look set to support continued SET momentum. Thanachart Securities sets a year-end target of 1,480 for the SET, with a target of 1,620 by 2025.

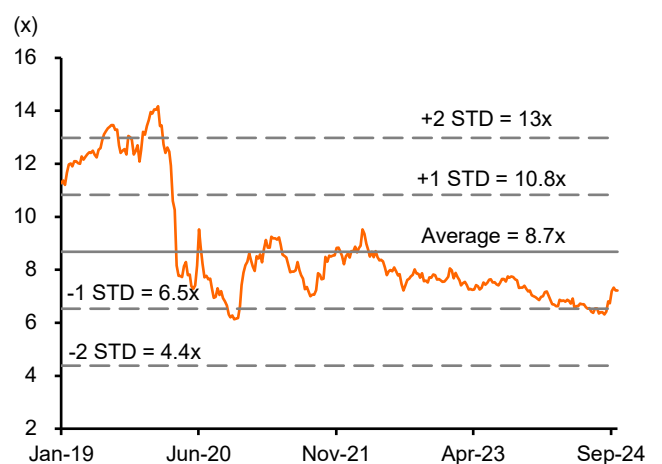
Thai banks are a large-cap sector with a more promising outlook and stronger environmental, social, and governance (ESG) credentials than the energy sector. They also offer a generous 6.8% dividend yield and look well-positioned to perform in line with the broader Thai equity market.

Ex 55: STD P/BV



Sources: Bloomberg, Thanachart estimates

Ex 56: STD PE



Sources: Bloomberg, Thanachart estimates

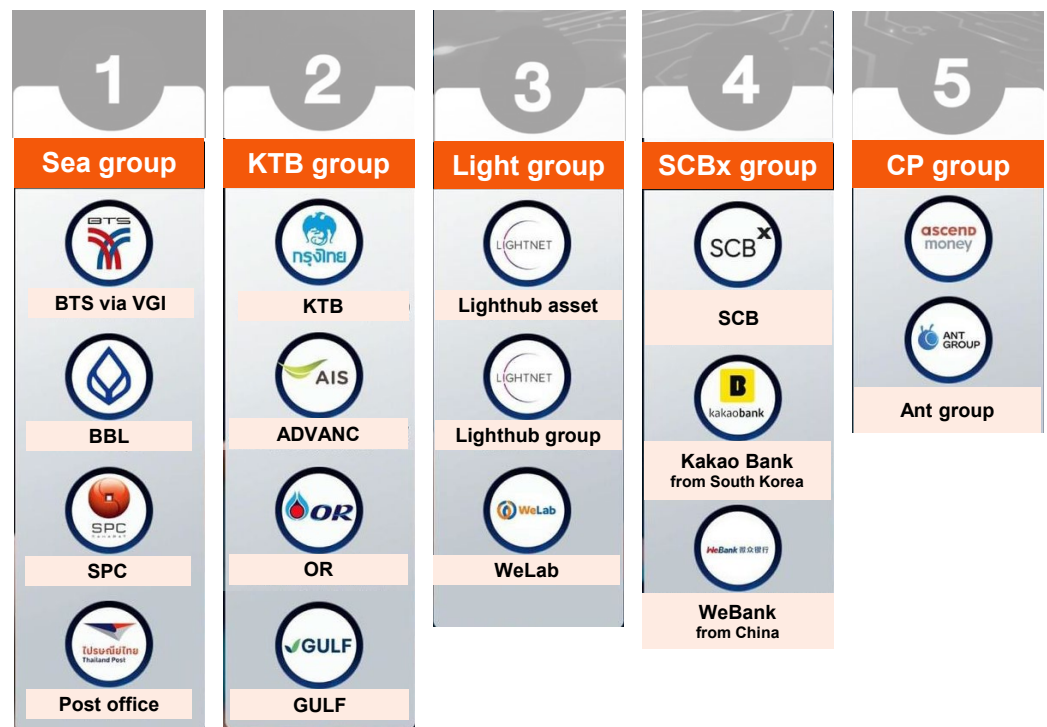
## Virtual banks – a game changer?

**Five consortiums have applied to establish a virtual bank**

The Bank of Thailand (BoT) approved and published the Virtual Bank license rules and regulations in the *Royal Gazette* in March. After the application submission deadline on 19 September, it disclosed that it had received five applications from five consortiums in 2024. The BoT anticipates approximately a year to finalize eligible licensees, with virtual bank operations scheduled to commence in March 2026.

BBL, KTB, and SCBX are among the banks participating in the virtual bank license competition. Five consortiums have applied to establish a virtual bank, each bringing unique strengths.

**Ex 57: Virtual Bank Candidates**



Sources: Thanachart compilation

- 1) The first group is led by Sea Group, Bangkok Bank (BBL), BTS Group (BTS TB, BUY, Bt4.58), Saha Group, and Thailand Post. This group boasts strong financial backing and a diverse business network. While BBL, given its Bt4tr in assets and deposits of Bt2.72tr, provides solid financial strength, the BTS Group brings digital expertise through Rabbit Holdings, which has over 6.8 million users. Meanwhile, Saha Group's nationwide retail presence, combined with Thailand Post's over 5,000 service points, enables this group to reach customers widely and efficiently.
- 2) The second group is led by KTB, partnering with Advanced Info Service (ADVANC TB, BUY, Bt265) and PTT Oil and Retail (OR TB, SELL, Bt17.20). This group combines the strengths of three giants from different industries. KTB, the second-largest bank in Thailand with assets of Bt3.62tr, is a leader in lending and has strong digital platforms like Krungthai NEXT (17m users) and Paotang (34m users), forming a solid foundation for a virtual bank. ADVANC contributes 50 million mobile subscribers and a nationwide 5G network, while OR adds its vast network of gas stations and retail outlets, along with 15m Blue Card members.

- 3) The third group is led by SCBX in partnership with international players Kakao Bank from South Korea and WeBank from China. SCBX, the fourth-largest bank in Thailand with assets of Bt3.4tr, is highly experienced in digital banking. Kakao Bank brings its success as South Korea's leading virtual bank with 20m users, while WeBank contributes its expertise in AI, blockchain, cloud computing, and big data, which efficiently lowers operating costs.
- 4) The fourth group is led by CP Group through Ascend Money, the provider of e-wallet TrueMoney, in collaboration with Ant Group from China. CP Group has a vast retail network of over 15,000 outlets nationwide, and TrueMoney boasts 27m users, with 17-18m active monthly users. Ant Group adds its global experience from Alipay, with over 1bn users, to create a comprehensive digital financial ecosystem tailored for Thai consumers.
- 5) The fifth and final group is led by Lighthub Asset and Lightnet Group, in partnership with WeLab from Hong Kong. This group brings together top fintech experts from Thailand and Asia. Lighthub Asset, founded by Chatchaval Jiaravanon, has over 30 years of experience and serves more than 46m customers with over 150,000 service points across Thailand. Lightnet Group is a globally recognized Thai fintech company with financial licenses in various countries. WeLab contributes its leadership in virtual banking in the Asia-Pacific region to help develop an AI-driven virtual bank in Thailand.

*Foreseeing many challenges, we do not see virtual banks as game changers or threats to traditional banking platforms*

As part of its open competition policy, the BoT plans to grant three virtual bank licenses initially, with the potential for more if needed. The goal is to boost competition and provide cost-effective banking services to underserved and unbanked clients. The BoT has set strict criteria for sustainable business operations among virtual bank licensees to ensure stability.

While each consortium has strong foundations, significant challenges exist for virtual banks in Thailand. One major hurdle is differentiating their services from traditional banks, given the high penetration of mobile banking (173%). This raises concerns about the substantial investments required for customer acquisition and revenue generation.

The unbanked and underbanked segments present growth opportunities, but these involve small-ticket lending, which requires focused collection efforts due to high default risks. Additionally, Thailand's high household debt-to-GDP ratio, exceeding 90%, compounds this challenge.

Virtual banks must navigate risks related to cost overruns and asset quality, making profitability dependent on innovation and strong risk management. Establishing a competitive edge in a saturated market will also be key to long-term success.

Faced with many challenges, we do not see virtual banks as game changers or threats to traditional banking platforms. Nevertheless, the early-stage investments and operating losses will be shared among consortium members; we do not anticipate material risks to participating banks, i.e., BBL, KTB, and SCBX.

## KTB and TTB are our top picks

*We downgrade KBANK to HOLD and is no longer our top sector pick*

Ex 58: Earnings Growth, TPs And Recommendations

	Target prices (Bt/share)		— Recommendation —		Average EPS growth (2024-26F)	
	New	Old	New	Old	New	Old
BBL	180.00	180.00	BUY	BUY	6.31	6.97
KBANK	163.00	150.00	HOLD	BUY	11.45	11.29
KKP	52.00	36.00	HOLD	HOLD	2.97	7.40
KTB	24.00	22.00	BUY	BUY	12.96	9.89
SCB	123.00	118.00	BUY	BUY	7.89	8.01
TISCO	109.00	111.00	BUY	BUY	0.27	2.81
TTB	2.30	2.05	BUY	BUY	14.37	13.28
<b>Sector</b>			<b>Neutral</b>	<b>Overweight</b>	<b>9.42</b>	<b>9.03</b>

Source: Thanachart estimates

Ex 59: Valuation Comparison

Sector Valuation		BBG	Current price	Target price	Norm EPS grw		— Norm PE —		— P/BV —		— Div yield —	
Company	Code				Rec.	2024F	2025F	2024F	2025F	2024F	2025F	2024F
			(Bt)	(Bt)	(%)	(%)	(x)	(x)	(x)	(x)	(%)	(%)
Bangkok Bank	BBL TB	BUY	155.00	180.00	8.0	4.8	6.6	6.3	0.5	0.5	4.5	5.2
KASIKORNBANK	KBANK TB	HOLD	156.00	163.00	16.0	9.4	7.6	6.9	0.7	0.6	4.8	5.4
Kiatnakin Bank	KKP TB	HOLD	51.00	52.00	(22.1)	18.8	10.2	8.6	0.7	0.7	5.9	5.9
Krung Thai Bank	KTB TB	BUY	20.60	24.00	19.2	10.3	6.6	6.0	0.7	0.6	6.1	6.7
SCB X	SCB TB	BUY	111.00	123.00	(5.2)	13.8	9.1	8.0	0.8	0.8	9.0	10.0
Tisco Financial Group	TISCO TB	BUY	97.25	109.00	(5.0)	1.2	11.2	11.1	1.8	1.8	8.0	8.0
TMBThanachart Bank	TTB TB	BUY	1.94	2.30	14.0	14.0	9.0	7.9	0.8	0.8	6.7	7.6

Sources: Company data, Thanachart estimates

Detailed investment theses for the seven banks under our coverage can be found in the company-specific reports attached to this sector note.

In a nutshell, we are removing KBANK from our top picks and downgrading it to HOLD, given the limited upside potential to our 2025F TP of Bt163. Among the large banks, we now favor KTB, as it has completed its de-risking process and stands to benefit the most from the government's accelerated spending, alongside a clear recovery in fee income. KTB also offers the most attractive valuation, in our view, and has room for an increased dividend payout. Meanwhile, we continue to recommend TTB for its agility in managing internal dynamics, outpacing the sector with stronger earnings growth and a higher dividend yield.

## Valuation Comparison

### Ex 60: Valuation Comparison With Regional Peers

Name	BBG Code	Country	EPS growth		— PE —		— P/BV —		— ROE —		— Div. Yield —	
			24F (%)	25F (%)	24F (x)	25F (x)	24F (x)	25F (x)	24F (%)	25F (%)	24F (%)	25F (%)
BOC Hong Kong Holdings	2388 HK	Hong Kong	10.3	(1.0)	7.2	7.2	0.8	0.7	11.0	10.5	7.6	7.7
Bank of East Asia	23 HK	Hong Kong	(8.7)	10.7	6.9	6.2	0.3	0.2	3.5	3.9	6.7	7.3
China Citic Bank Corp	998 HK	Hong Kong	(1.2)	3.9	3.9	3.7	0.4	0.4	10.1	10.0	7.2	7.5
Hang Seng Bank	11 HK	Hong Kong	(5.0)	(3.4)	10.9	11.3	1.1	1.1	10.8	10.4	6.9	6.8
Industrial & Commercial Bk	1398 HK	Hong Kong	(0.3)	1.6	4.9	4.8	0.5	0.4	9.9	9.4	6.4	6.5
Axis Bank	AXSB IN	India	(9.8)	12.7	16.4	14.6	na	2.2	17.5	16.4	2.4	3.0
ICICI Bank	ICICIBC IN	India	(6.5)	12.6	22.4	19.9	3.8	3.1	na	na	0.7	0.8
State Bank of India	SBIN IN	India	(5.5)	12.9	11.2	9.9	1.9	1.6	16.3	17.4	1.6	1.9
Bank Central Asia	BBCA IJ	Indonesia	10.5	9.5	24.9	22.7	5.0	4.6	21.1	21.2	2.5	2.8
Bank Mandiri	BMRI IJ	Indonesia	2.8	10.9	11.9	10.7	2.4	2.2	20.7	21.0	5.0	5.3
Bank Rakyat	BBRI IJ	Indonesia	1.1	10.7	13.2	12.0	2.5	2.4	19.1	19.9	6.1	6.4
Bank Negara	BBNI IJ	Indonesia	5.3	14.1	9.5	8.3	1.3	1.2	14.2	15.0	5.0	5.5
CIMB Group Holdings	CIMB MK	Malaysia	11.7	7.4	11.3	10.5	1.2	1.2	11.1	11.3	5.5	5.4
Hong Leong Bank	HLBK MK	Malaysia	(2.1)	8.2	10.7	9.9	1.2	1.1	11.6	11.6	3.2	3.6
Malayan Banking	MAY MK	Malaysia	7.7	4.5	12.8	12.2	1.3	1.3	10.4	10.6	5.9	6.2
Public Bank	PBKF MK	Malaysia	6.0	4.7	na	na	na	na	12.5	12.4	na	na
Industrial Bank of Korea	024110 KS	S Korea	7.2	2.6	4.1	4.0	0.4	0.3	8.7	8.5	7.5	8.0
DBS Group Holdings	DBS SP	Singapore	7.6	(2.8)	10.0	10.3	1.7	1.6	17.1	15.9	5.8	6.3
Oversea-Chinese Banking	OCBC SP	Singapore	7.5	(0.8)	9.2	9.2	1.2	1.1	13.5	12.7	5.8	5.9
United Overseas Bank	UOB SP	Singapore	6.3	2.7	9.2	8.9	1.2	1.1	12.9	12.6	5.5	5.7
Bangkok Bank	BBL TB*	Thailand	8.0	4.8	6.6	6.3	0.5	0.5	8.3	8.2	4.5	5.2
KASIKORNBANK	KBANK TB*	Thailand	16.0	9.4	7.6	6.9	0.7	0.6	9.0	9.2	4.8	5.4
Kiatnakin Phatra Bank	KKP TB*	Thailand	(22.1)	18.8	10.2	8.6	0.7	0.7	6.9	7.9	5.9	5.9
Krung Thai Bank	KTB TB*	Thailand	19.2	10.3	6.6	6.0	0.7	0.6	10.5	10.8	6.1	6.7
SCB X	SCB TB*	Thailand	(5.2)	13.8	9.1	8.0	0.8	0.8	8.6	9.6	9.0	10.0
Tisco Financial Group	TISCO TB*	Thailand	(5.0)	1.2	11.2	11.1	1.8	1.8	16.2	16.1	8.0	8.0
TMBThanachart Bank	TTB TB*	Thailand	14.0	14.0	9.0	7.9	0.8	0.8	9.0	9.8	6.7	7.6
<b>Average</b>			<b>2.6</b>	<b>7.2</b>	<b>10.4</b>	<b>9.7</b>	<b>1.4</b>	<b>1.3</b>	<b>12.3</b>	<b>12.4</b>	<b>5.5</b>	<b>5.8</b>

Source: Bloomberg

Note: \* Thanachart estimates , using Thanachart normalized EPS

Based on 25 September 2024 closing prices

**Note: Thanachart Capital Public Company Limited (TCAP), TMBThanachart Bank Public Company Limited (TTB), are related companies to Thanachart Securities Public Company Limited (TNS). Thanachart Securities Pcl is a subsidiary of Thanachart Capital Pcl (TCAP) which holds 24.35% of the shareholding in TMBThanachart Bank Pcl.**

## STOCK PERFORMANCE

	Absolute (%)				Rel SET (%)			
	1M	3M	12M	YTD	1M	3M	12M	YTD
<b>SET Index</b>	<b>7.1</b>	<b>10.8</b>	<b>(3.0)</b>	<b>3.2</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>BANK Index</b>	<b>6.4</b>	<b>12.6</b>	<b>3.8</b>	<b>5.2</b>	<b>(0.7)</b>	<b>1.8</b>	<b>6.8</b>	<b>1.9</b>
BBL	8.4	17.0	(6.3)	(1.0)	1.3	6.2	(3.3)	(4.2)
KBANK	8.0	22.4	24.3	15.6	0.9	11.6	27.3	12.3
KKP	9.7	7.4	(6.8)	1.5	2.6	(3.4)	(3.8)	(1.7)
KTB	10.2	20.5	10.8	12.0	3.1	9.7	13.8	8.7
SCB	2.8	4.2	7.2	4.7	(4.3)	(6.6)	10.3	1.5
TISCO	2.9	1.0	(2.0)	(2.5)	(4.2)	(9.8)	1.0	(5.7)
TTB	5.9	12.6	18.1	17.4	(1.1)	1.8	21.1	14.1

Source: Bloomberg

## SECTOR - SWOT ANALYSIS

**S — Strength**

- Solid balance sheet
- Strong capital bases

**O — Opportunity**

- Fee-based income expansion
- Rising penetration in personal loans
- Overseas expansion

**W — Weakness**

- Shortage of high-caliber personnel
- Slow development of product innovations

**T — Threat**

- World economic recession
- New accounting standards and regulations

## REGIONAL COMPARISON

Name	— EPS growth —		— PE —		— P/BV —		— ROE —		— Div. Yield —	
	24F (%)	25F (%)	24F (x)	25F (x)	24F (x)	25F (x)	24F (x)	25F (x)	24F (%)	25F (%)
Hong Kong	(1.0)	2.4	6.7	6.7	0.6	0.6	9.1	8.8	7.0	7.2
India	(7.3)	12.7	16.7	14.8	2.8	2.3	16.9	16.9	0.0	1.9
Indonesia	4.9	11.3	14.9	13.4	2.8	2.6	18.8	19.3	4.7	na
Malaysia	5.8	6.2	11.6	10.9	1.3	1.2	11.4	11.5	4.9	5.1
S. Korea	7.2	2.6	4.1	4.0	0.4	0.3	8.7	8.5	7.5	8.0
Singapore	7.2	(0.3)	9.5	9.5	1.3	1.3	14.5	13.7	5.7	5.9
Thailand	3.6	10.3	8.6	7.8	0.8	0.8	9.8	10.2	6.4	7.0
<b>Average</b>	<b>2.8</b>	<b>6.3</b>	<b>10.3</b>	<b>9.6</b>	<b>1.4</b>	<b>1.3</b>	<b>12.7</b>	<b>12.7</b>	<b>5.1</b>	<b>5.8</b>
BBL	8.0	4.8	6.6	6.3	0.5	0.5	8.3	8.2	4.5	5.2
KBANK	16.0	9.4	7.6	6.9	0.7	0.6	9.0	9.2	4.8	5.4
KKP	(22.1)	18.8	10.2	8.6	0.7	0.7	6.9	7.9	5.9	5.9
KTB	19.2	10.3	6.6	6.0	0.7	0.6	10.5	10.8	6.1	6.7
SCB	(5.2)	13.8	9.1	8.0	0.8	0.8	8.6	9.6	9.0	10.0
TISCO	(5.0)	1.2	11.2	11.1	1.8	1.8	16.2	16.1	8.0	8.0
TTB	14.0	14.0	9.0	7.9	0.8	0.8	9.0	9.8	6.7	7.6
<b>Average*</b>	<b>3.6</b>	<b>10.3</b>	<b>8.6</b>	<b>7.8</b>	<b>0.8</b>	<b>0.8</b>	<b>9.8</b>	<b>10.2</b>	<b>6.4</b>	<b>7.0</b>

Sources: Bloomberg Consensus

Note: \* Thanachart estimate – using normalized EPS

Based on 25 September 2024 closing prices

**BUY** (Unchanged)

Company Update

**TP: Bt 180.00** (Unchanged)**Upside : 16.1%****26 SEPTEMBER 2024**

# Bangkok Bank Pcl (BBL TB)

## Overly discounted

BBL's recent uptick in NPLs, with its business structure being highly vulnerable to more dovish global monetary policies, has pressured the bank's share price, despite earnings meeting expectations. Supported by the largest provisioning cushion, we believe these concerns are overdone and reaffirm our BUY call with a TP of Bt180.

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### Unaffected by the de-risking trend

As a mid-to-large corporate-focused bank, BBL has largely avoided the burden of legacy COVID-19 NPLs and the adverse effects of Thailand's high household debt levels. The bank's exposure to retail loans is limited to just 12%, with the majority consisting of secured housing loans. With increasing industry consolidation post-crisis, BBL is well-positioned to benefit significantly from the country's reopening. While other banks are focused on cleaning up their balance sheets and facing potential downside to their loan growth targets for 2024, BBL remains confident in stronger loan growth for the second half of 2024. The bank expects a minimum loan growth of 3% this year.

### Far ahead of peers in regional expansions

With the slowdown in structural growth at home, SCBx and KBANK have diversified their banking businesses outside Thailand. KBANK views the regional expansion with AEC +3 as one of its new revenue creators. The bank lifted its stake in PT Bank Maspion Indonesia to 84.6% last year. SCB Bank is also in the process of acquiring 100% of Home Credit Vietnam. While the regional contributions of them are small at less than 5%, 25% of BBL's total loans are from its international businesses. BBL has established its footing across Asia and looks poised to capitalize on growing ASEAN economies, which benefit from the relocation of production bases away from China.

### Extra provisions to cushion NIM impact

While loan volume growth has not been an issue, BBL appears to be the most susceptible to the declining interest trend. While 25% of its loan portfolio is comprised of overseas loans that could be repriced alongside the Fed Funds rate decline, it has a significant portion of domestic loans on floating rates. The bank's net interbank position is also sizable at 8% of total assets. We expect a larger NIM decline for the bank at 17bps in 2025F and another 2bps in 2026F. However, the NIM contraction impact will be cushioned by lower provisions. The recent NPL uptick does not appear alarming to the bank. BBL sees no perceived need for additional provisions and guides for credit costs of 1.0%.

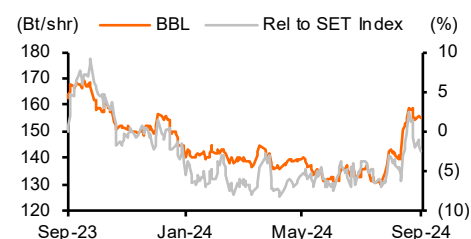
### Too cheap to ignore; BUY

BBL is the second-worst performing banking stock YTD, making it too cheap to ignore. Its 2025F PE and P/BV multiples are 6.3x and 0.5x, respectively, at 30% and 12% discounts to the sector. While BBL's earnings growth and ROE expansion may be slower, this is balanced by its exceptionally strong balance sheet. BBL offers a healthy dividend yield of over 5%. We have made only minor adjustments to our earnings, and our DDM-based 12-month TP remains unchanged at Bt180.

### COMPANY VALUATION

Y/E Dec (Bt m)	2023A	2024F	2025F	2026F
Pre Provision Profit	85,525	89,950	85,654	89,274
Net profit	41,636	44,960	47,118	50,009
Consensus NP	—	42,687	43,380	46,517
Diff frm cons (%)	—	5.3	8.6	7.5
Norm profit	41,636	44,960	47,118	50,009
Prev. Norm profit	—	44,485	47,270	50,954
Chg frm prev (%)	—	1.1	(0.3)	(1.9)
Norm EPS (Bt)	21.8	23.6	24.7	26.2
Norm EPS grw (%)	42.1	8.0	4.8	6.1
Norm PE (x)	7.1	6.6	6.3	5.9
P/BV (x)	0.6	0.5	0.5	0.5
Div yield (%)	4.5	4.5	5.2	5.2
ROE (%)	8.1	8.3	8.2	8.2
ROA (%)	0.9	1.0	1.0	1.1

### PRICE PERFORMANCE



### COMPANY INFORMATION

Price: as of 25-Sep-24 (Bt)	155.00
Market Cap (US\$ m)	9,051
Listed Shares (m shares)	1,908.8
Free Float (%)	98.5
Avg. Daily Turnover (US\$ m)	36.0
12M Price H/L (Bt)	169.50/130.00
Sector	BANK
Major Shareholder	Thai NVDR 23.74%

Sources: Bloomberg, Company data, Thanachart estimates

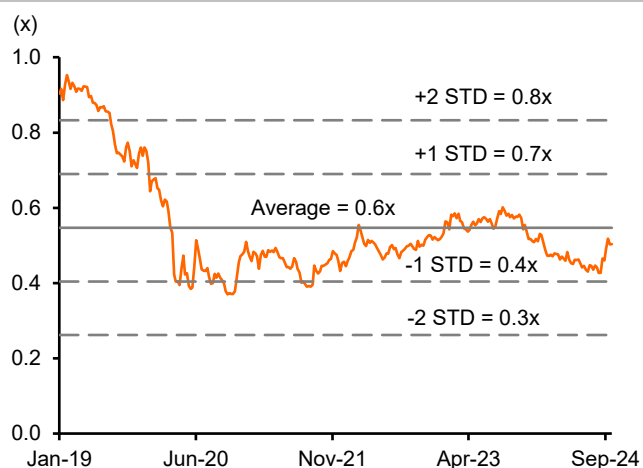
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**Ex 1: Earnings Revision**

	2019	2020	2021	2022	2023	2024F	2025F	2026F
<b>Net profits (Bt bn)</b>								
- New	35.82	17.18	26.51	29.31	41.64	44.96	47.12	50.01
- Old						44.49	47.27	50.95
- Change (%)						1.07	(0.32)	(1.85)
<b>Loans growth (%)</b>								
- New	(1.05)	14.89	9.29	3.65	(0.40)	3.06	4.06	4.08
- Old						3.06	3.62	3.63
- Change (ppt)						0.00	0.44	0.45
<b>NIM (%)</b>								
- New	2.24	2.19	2.01	2.34	2.93	2.94	2.77	2.75
- Old						2.81	2.75	2.78
- Change (ppt)						0.13	0.02	(0.02)
<b>Provisioning expenses (Bt bn)</b>								
- New	32.35	31.20	34.13	32.65	33.67	33.00	26.00	26.00
- Old						29.00	26.00	26.00
- Change (%)						13.79	0.00	(0.00)
<b>Net fee income (Bt bn)</b>								
- New	28.50	24.71	29.21	27.51	27.23	28.08	29.17	30.39
- Old						28.08	28.98	30.20
- Change (%)						0.00	0.65	0.64
<b>Non-interest income (Bt bn)</b>								
- New	62.58	41.70	52.18	36.48	36.44	37.53	39.01	40.76
- Old						38.43	39.79	41.58
- Change (%)						(2.34)	(1.96)	(1.96)
<b>OPEX (Bt bn)</b>								
- New	54.96	65.97	67.27	69.02	81.78	80.79	80.96	81.58
- Old						80.47	80.64	82.25
- Change (%)						0.39	0.40	(0.81)

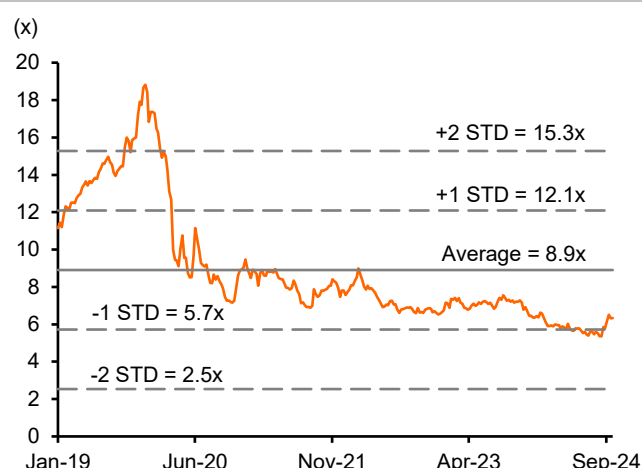
Sources: Company data, Thanachart estimates

**Ex 2: STD P/BV**



Sources: Bloomberg, Thanachart estimates

**Ex 3: STD PE**



Sources: Bloomberg; Thanachart estimates

**Ex 4: 12-month DDM-based TP Calculation Using A Base Year Of 2025F**

(Bt m)	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F	Terminal Value
Dividend of common shares	14,317	15,272	16,226	17,181	18,135	22,981	27,933	34,028	40,543	57,090	57,090
Dividend payment	14,317	15,272	16,226	17,181	18,135	22,981	27,933	34,028	40,543	57,090	556,711
PV of dividend	12,788	12,183	11,562	10,931	10,306	11,664	12,274	13,291	14,082	17,632	193,361
Risk-free rate (%)	3.0										
Market risk premium (%)	8.0										
Beta	1.1										
WACC (%)	12.0										
Cost of equity	12.0										
Terminal growth (%)	2.0										
Equity value	342,980										
No. of shares	1,909										
<b>Equity value / share</b>	<b>180.00</b>										

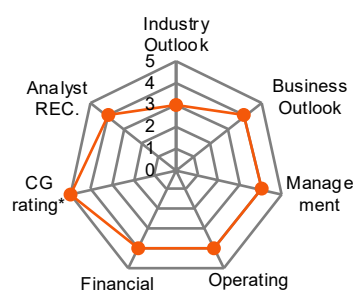
Sources: Company data, Thanachart estimates

## COMPANY DESCRIPTION

Bangkok Bank Pcl (BBL) provides various banking and financial services, including commercial, consumer, credit card, and mortgage lending, international trade financing, investment banking, and securities services.

Source: Thanachart

## COMPANY RATING



### Rating Scale

<b>Excellent</b>	<b>5</b>
<b>Good</b>	<b>4</b>
<b>Fair</b>	<b>3</b>
<b>Weak</b>	<b>2</b>
<b>Very Weak</b>	<b>1</b>
<b>None</b>	<b>0</b>

Source: Thanachart; \*CG Rating

## THANACHART'S SWOT ANALYSIS

### S — Strength

- Extensive banking network and large customer base
- Strong relationships with large corporates
- Very solid balance sheet

### O — Opportunity

- Beefing up its overseas presence and expanding its footprint into many more countries
- Rising cross-selling activity

### W — Weakness

- Its large business size makes it difficult for the bank to adjust itself to changes in the industry landscape
- Its conservatism has prevented the bank from running at its full potential in our view

### T — Threat

- Global economic recession
- New accounting standards and regulations

## CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
<b>Target price (Bt)</b>	166.39	180.00	8%
<b>Net profit 24F (Bt m)</b>	42,687	44,960	5%
<b>Net profit 25F (Bt m)</b>	43,380	47,118	9%
<b>Consensus REC</b>	<b>BUY: 19</b>	<b>HOLD: 7</b>	<b>SELL: 2</b>

## HOW ARE WE DIFFERENT FROM THE STREET?

- As we expect it to lower excess provisions, we think this is why our earnings forecast and TP are higher.

Sources: Bloomberg consensus, Thanachart estimates

## RISKS TO OUR INVESTMENT CASE

- Slower economic momentum adversely disrupting business activity would present the key downside risk to our NPL and credit cost assumptions.
- If the bank is not able to control operating expenses as we have assumed, this would present downside risks to our earnings forecasts.

Source: Thanachart



## INCOME STATEMENT

*Lower provisions to  
compensate for NIM  
decline*

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
Interest and Dividend Income	139,088	194,365	207,426	193,259	193,637
Interest Expenses	36,865	63,504	74,218	65,654	63,546
<b>Net Interest Income</b>	<b>102,223</b>	<b>130,860</b>	<b>133,208</b>	<b>127,605</b>	<b>130,091</b>
% of total income	73.7%	78.2%	78.0%	76.6%	76.1%
Gain on Investment	(1,454)	(482)	100	100	100
Fee Income	27,508	27,234	28,079	29,169	30,392
Gain on Exchange	5,155	5,544	5,000	5,500	6,000
Others	2,966	1,814	2,000	1,863	1,867
<b>Non-interest Income</b>	<b>36,482</b>	<b>36,440</b>	<b>37,532</b>	<b>39,009</b>	<b>40,760</b>
% of total income	26.3%	21.8%	22.0%	23.4%	23.9%
<b>Total Income</b>	<b>138,705</b>	<b>167,300</b>	<b>170,740</b>	<b>166,614</b>	<b>170,851</b>
Operating Expenses	69,019	81,775	80,790	80,960	81,577
<b>Pre-provisioning Profit</b>	<b>69,687</b>	<b>85,525</b>	<b>89,950</b>	<b>85,654</b>	<b>89,274</b>
Provisions	32,647	33,667	33,000	26,000	26,000
<b>Pre-tax Profit</b>	<b>37,040</b>	<b>51,859</b>	<b>56,950</b>	<b>59,654</b>	<b>63,274</b>
Income Tax	7,484	9,993	11,390	11,931	12,655
After Tax Profit	29,556	41,865	45,560	47,723	50,619
Equity Income	190	187	200	200	200
Minority Interest	(440)	(417)	(800)	(805)	(810)
Extraordinary Items	0	0	0	0	0
<b>NET PROFIT</b>	<b>29,306</b>	<b>41,636</b>	<b>44,960</b>	<b>47,118</b>	<b>50,009</b>
<b>Normalized Profit</b>	<b>29,306</b>	<b>41,636</b>	<b>44,960</b>	<b>47,118</b>	<b>50,009</b>
EPS (Bt)	15.4	21.8	23.6	24.7	26.2
Normalized EPS (Bt)	15.4	21.8	23.6	24.7	26.2

## BALANCE SHEET

*Loan growth recovery in  
2H24F*

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
<b>ASSETS:</b>					
<b>Liquid Items</b>	<b>818,507</b>	<b>802,638</b>	<b>698,000</b>	<b>651,000</b>	<b>604,000</b>
cash & cash equivalents	52,433	45,518	40,000	40,000	40,000
interbank & money market	766,074	757,120	658,000	611,000	564,000
Securities under resale agreeme	0	0	0	0	0
Investments	851,572	973,690	1,002,859	1,052,931	1,105,508
<b>Net loans</b>	<b>2,449,355</b>	<b>2,425,661</b>	<b>2,492,590</b>	<b>2,598,897</b>	<b>2,707,928</b>
Gross and accrued interest	2,692,829	2,684,327	2,762,226	2,874,473	2,991,610
Provisions for doubtful	243,474	258,666	269,636	275,577	283,682
Fixed assets - net	73,909	72,855	74,337	75,657	76,816
Other assets	228,409	239,641	280,000	285,000	290,000
<b>Total assets</b>	<b>4,421,752</b>	<b>4,514,484</b>	<b>4,547,786</b>	<b>4,663,485</b>	<b>4,784,252</b>
<b>LIABILITIES:</b>					
<b>Liquid Items</b>	<b>3,481,187</b>	<b>3,527,658</b>	<b>3,499,000</b>	<b>3,580,180</b>	<b>3,664,514</b>
Deposit	3,210,896	3,184,283	3,190,000	3,268,000	3,349,120
Interbank & money market	262,522	334,219	300,000	303,000	306,030
Liability payable on demand	7,770	9,156	9,000	9,180	9,364
Borrow ings	188,302	212,505	205,557	205,470	205,356
Other liabilities	245,122	243,491	280,000	281,000	282,000
<b>Total liabilities</b>	<b>3,914,610</b>	<b>3,983,654</b>	<b>3,984,557</b>	<b>4,066,650</b>	<b>4,151,869</b>
Minority interest	1,796	1,855	2,655	3,460	4,270
<b>Shareholders' equity</b>	<b>505,346</b>	<b>528,975</b>	<b>560,574</b>	<b>593,375</b>	<b>628,112</b>
Preferred capital	-	-	-	-	-
Paid-in capital	19,088	19,088	19,090	19,090	19,090
Share premium	56,346	56,346	56,346	56,346	56,346
Surplus/ Others	54,243	44,270	44,270	44,270	44,270
Retained earnings	375,668	409,270	440,867	473,669	508,406
<b>Liabilities &amp; equity</b>	<b>4,421,752</b>	<b>4,514,484</b>	<b>4,547,786</b>	<b>4,663,485</b>	<b>4,784,252</b>

Sources: Company data, Thanachart estimates

## VALUATION

FY ending Dec	2022A	2023A	2024F	2025F	2026F
Normalized PE (x)	10.1	7.1	6.6	6.3	5.9
Normalized PE - at target price (x)	11.7	8.3	7.6	7.3	6.9
PE (x)	10.1	7.1	6.6	6.3	5.9
PE - at target price (x)	11.7	8.3	7.6	7.3	6.9
P/PPP (x)	4.2	3.5	3.3	3.5	3.3
P/PPP - at target price (x)	4.9	4.0	3.8	4.0	3.8
P/BV (x)	0.6	0.6	0.5	0.5	0.5
P/BV - at target price (x)	0.7	0.6	0.6	0.6	0.5
Dividend yield (%)	2.9	4.5	4.5	5.2	5.2
Market cap / net loans (x)	0.1	0.1	0.1	0.1	0.1
Market cap / deposit (x)	0.1	0.1	0.1	0.1	0.1
<b>(Bt)</b>					
Normalized EPS	15.4	21.8	23.6	24.7	26.2
EPS	15.4	21.8	23.6	24.7	26.2
DPS	4.5	7.0	7.0	8.0	8.0
PPP/Share	36.5	44.8	47.1	44.9	46.8
BV/Share	264.7	277.1	293.7	310.8	329.0

*Overly punished on rising NPLs and expected declining interest rates*

## FINANCIAL RATIOS

FY ending Dec	2022A	2023A	2024F	2025F	2026F
<b>Growth Rate (%)</b>					
Net interest income (NII)	24.4	28.0	1.8	(4.2)	1.9
Non-interest income (Non-II)	(30.1)	(0.1)	3.0	3.9	4.5
Operating expenses	2.6	18.5	(1.2)	0.2	0.8
Pre-provisioning profit (PPP)	3.9	22.7	5.2	(4.8)	4.2
Net profit	10.6	42.1	8.0	4.8	6.1
Normalized profit growth	10.6	42.1	8.0	4.8	6.1
EPS	10.6	42.1	8.0	4.8	6.1
Normalized EPS	10.6	42.1	8.0	4.8	6.1
Dividend payout ratio	29.3	32.1	29.7	32.4	30.5
Loan - gross	3.6	(0.4)	3.1	4.1	4.1
Loan - net	3.1	(1.0)	2.8	4.3	4.2
Deposit	1.7	(0.8)	0.2	2.4	2.5
NPLs	(3.9)	(11.6)	16.3	3.0	3.0
Total assets	2.0	2.1	0.7	2.5	2.6
Total equity	2.6	4.7	6.0	5.9	5.9
<b>Operating Ratios (%)</b>					
Net interest margin (NIM)	2.3	2.9	2.9	2.8	2.8
Net interest spread	3.8	4.6	4.6	4.4	4.4
Yield on earnings assets	3.3	4.5	4.7	4.3	4.2
Avg cost of fund	1.0	1.7	2.0	1.8	1.7
NII / operating income	73.7	78.2	78.0	76.6	76.1
Non-II / operating income	26.3	21.8	22.0	23.4	23.9
Fee income / operating income	19.8	16.3	16.4	17.5	17.8
Normalized net margin	21.1	24.9	26.3	28.3	29.3
Cost-to-income	49.8	48.9	47.3	48.6	47.7
Credit cost - provision exp / loans	1.2	1.3	1.2	0.9	0.9
PPP / total assets	1.6	1.9	2.0	1.9	1.9
PPP / total equity	14.0	16.5	16.5	14.8	14.6
ROA	0.7	0.9	1.0	1.0	1.1
ROE	5.9	8.1	8.3	8.2	8.2

*NIM slowdown but not a collapse*

Sources: Company data, Thanachart estimates

## FINANCIAL RATIOS

FY ending Dec	2022A	2023A	2024F	2025F	2026F
<b>Liquidity and Quality Ratio (%)</b>					
Loan-to-deposit	83.5	83.9	86.3	87.7	89.1
Loan-to-deposit & S-T borrowing	83.5	83.9	86.3	87.7	89.0
Net loan / assets	55.4	53.7	54.8	55.7	56.6
Net loan / equity	484.7	458.6	444.6	438.0	431.1
Investment / assets	19.3	21.6	22.1	22.6	23.1
Deposit / liabilities	82.0	79.9	80.1	80.4	80.7
Liabilities / equity	774.6	753.1	710.8	685.3	661.0
Net interbank lender (Bt m)	503,553	422,900	358,000	308,000	257,970
Tier 1 CAR	15.7	16.1	17.0	17.7	18.3
Tier 2 CAR	3.5	3.4	3.4	3.3	3.2
Total CAR	19.1	19.6	20.5	21.0	21.6
NPLs (Bt m)	97,188	85,955	100,000	103,000	106,090
NPLs / Total loans (NPL Ratio)	3.6	3.2	3.6	3.6	3.5
Loan-Loss-Coverage	250.5	300.9	269.6	267.6	267.4

Sources: Company data, Thanachart estimates

*Too high loan loss coverage, in our view*

**HOLD** (From: BUY)**TP: Bt 163.00** (From: Bt 150.00)**26 SEPTEMBER 2024**

Change in Recommendation

Upside : 4.5%

# KASIKORNBANK Pcl (KBANK TB)

## Limited upside

Following an aggressive balance sheet clean-up, KBANK's strategic shift away from high-risk loan segments positions it well to navigate through the normalized credit cost cycle. However, with only 5% potential upside to our new TP, which already accounts for higher fees and lower operating expenses, we downgrade KBANK to HOLD.

**SARACHADA SORNSONG**

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### Reaping low-hanging fruits

KBANK has successfully outperformed its major bank peers, delivering stronger earnings growth while maintaining better control over NPLs and asset quality. This was achieved through 1) A lighter balance sheet clean-up following significant NPL write-offs and sales, totaling Bt131bn in 2022 and another Bt92.6bn in 2023; 2) lower credit costs, down from 2.08% p.a. in 2022-23 to 1.89% in 1H24; 3) a slower decline in transaction fees, alongside growth in card-related and fund management fees, driven by the bank's enhanced wealth management platform; and 4) improved profit contributions from the insurance business, benefiting from lower policy reserves after the expiry of legacy endowment life policies.

### Reduced risk-taking capacity

However, the improvement in asset quality has come at the expense of slower loan growth and reduced lending yields. Loans contracted by 0.1% YTD, despite a slower pace of NPL write-offs and sales — Bt24.5bn in 1H24 vs. Bt56.3bn in 1H23. This reflects the bank's cautious approach, driven by stricter underwriting standards for the SME and unsecured retail segments, which saw YTD loan contractions of 5% and 10% in 2Q24. Meanwhile, corporate loans grew strongly by 4% from 2023, with their contribution to total loans rising from 36% in 2022 and 38% in 2023 to 39% in 2Q24. Despite a stable interest rate environment, lending yields have declined from an average of 6.16% in 2H23 to 6.13% in 1Q24 and 6.09% in 2Q24.

### Stronger growth factored in

We raise our earnings for KBANK by 5.3% this year and 0.4% p.a. over 2025-26F, reflecting higher fees, non-interest income, and lower operating expenses. We now expect 16% earnings growth this year, followed by 9% p.a. in 2025F and 2026F. Additionally, we have rolled forward our base year to 2025F, and our DDM-based 12-month TP, using a 13% cost of equity, is raised by 9% to Bt163 from a previous Bt150.

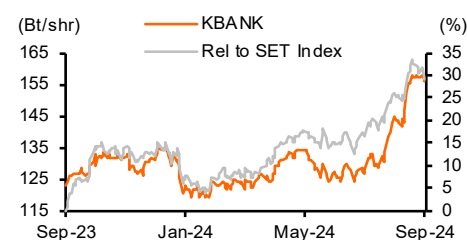
### Downgrading to HOLD with higher TP of Bt163

KBANK has been one of the best-performing Thai banks, with a YTD share price outperformance of 10.4% relative to the sector and 12.4% vs. the SET. However, KBANK is now the second most expensive bank, and its PBV-to-ROE premium of 16.3% over KTB and 10.2% over BBL appears less compelling to us. KBANK's leading retail deposit franchise will no longer be fully leveraged as it shifts its banking platform towards a more corporate-focused structure, similar to BBL. Meanwhile, KBANK's ROE is comparable to BBL's but 1.5% lower than KTB's, despite KBANK's significantly lower provisioning buffer than both banks.

### COMPANY VALUATION

Y/E Dec (Bt m)	2023A	2024F	2025F	2026F
Pre Provision Profit	107,721	111,093	111,198	115,653
Net profit	42,405	49,184	53,808	58,629
Consensus NP	—	47,399	49,710	52,298
Diff frm cons (%)	—	3.8	8.2	12.1
Norm profit	42,405	49,184	53,808	58,629
Prev. Norm profit	—	46,717	53,545	58,415
Chg frm prev (%)	—	5.3	0.5	0.4
Norm EPS (Bt)	17.7	20.6	22.5	24.5
Norm EPS grw (%)	18.6	16.0	9.4	9.0
Norm PE (x)	8.8	7.6	6.9	6.4
P/BV (x)	0.7	0.7	0.6	0.6
Div yield (%)	4.2	4.8	5.4	6.1
ROE (%)	8.2	9.0	9.2	9.4
ROA (%)	1.0	1.1	1.2	1.3

### PRICE PERFORMANCE



### COMPANY INFORMATION

Price: as of 25-Sep-24 (Bt)	156.00
Market Cap (US\$ m)	11,307
Listed Shares (m shares)	2,369.3
Free Float (%)	81.5
Avg. Daily Turnover (US\$ m)	46.8
12M Price H/L (Bt)	158.00/119.00
Sector	BANK
Major Shareholder	Thai NVDR 16.26%

Sources: Bloomberg, Company data, Thanachart estimates

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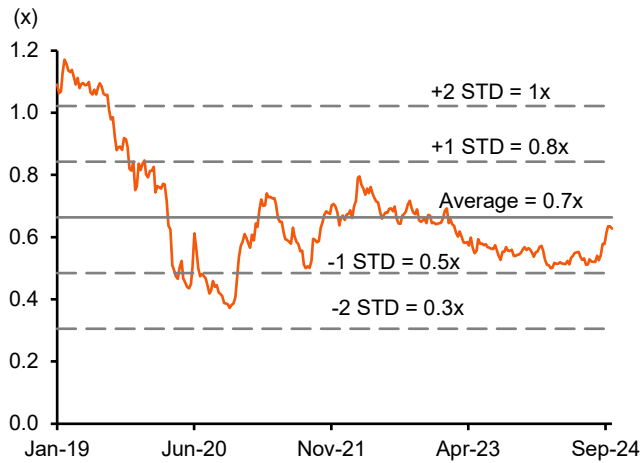


**Ex 1: Earnings Revision**

	2019	2020	2021	2022	2023	2024F	2025F	2026F
<b>Net profits (Bt bn)</b>								
- New	38.73	29.49	38.05	35.77	42.41	49.18	53.81	58.63
- Old						46.72	53.54	58.41
- Change (%)						5.28	0.49	0.37
<b>Loans growth (%)</b>								
- New	4.59	12.13	7.88	3.03	(0.19)	0.58	2.81	3.11
- Old						2.42	3.23	3.56
- Change (ppt)						(1.84)	(0.42)	(0.45)
<b>NIM (%)</b>								
- New	3.18	3.14	3.08	3.19	3.48	3.47	3.40	3.44
- Old						3.48	3.41	3.41
- Change (ppt)						(0.01)	(0.01)	0.03
<b>Provisioning expenses (Bt bn)</b>								
- New	34.01	43.55	40.33	51.92	51.84	47.34	41.20	39.83
- Old						47.19	39.50	38.18
- Change (%)						0.32	4.32	4.33
<b>Net fee income (Bt bn)</b>								
- New	36.74	33.00	35.32	32.88	31.18	33.50	34.56	36.20
- Old						32.09	33.08	34.62
- Change (%)						4.38	4.47	4.56
<b>Non-interest income (Bt bn)</b>								
- New	57.76	46.06	44.65	40.14	44.25	48.77	51.25	53.00
- Old						47.10	50.99	54.48
- Change (%)						3.55	0.52	(2.71)
<b>OPEX (Bt bn)</b>								
- New	72.73	70.00	71.04	74.75	84.97	87.99	90.99	93.89
- Old						88.18	91.16	93.94
- Change (%)						(0.22)	(0.19)	(0.05)

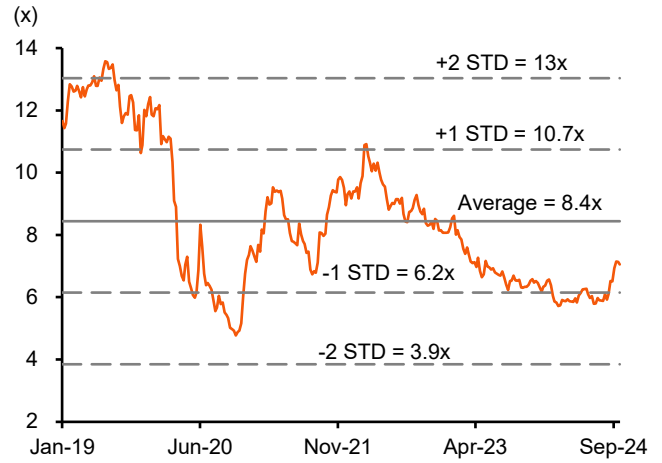
Sources: Company data, Thanachart estimates

**Ex 2: STD P/BV**



Sources: Bloomberg, Thanachart estimates

**Ex 3: STD PE**



Sources: Bloomberg; Thanachart estimates

**Ex 4: 12-month DDM-based TP Calculation Using A Base Year Of 2025F**

(Bt m)	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F	Terminal Value
Dividend of common shares	17,949	20,343	22,736	24,997	32,208	33,204	41,099	49,474	72,886	75,075	75,075
Dividend payment	17,949	20,343	22,736	24,997	32,208	33,204	41,099	49,474	72,886	75,075	665,884
PV of dividend	17,949	15,931	15,757	15,326	17,475	15,943	16,932	17,952	23,301	21,146	212,880
Risk-free rate (%)	3.0										
Market risk premium (%)	8.0										
Beta	1.3										
WACC (%)	13.0										
Cost of equity	13.0										
Terminal growth (%)	2.0										
Equity value	390,594										
No. of shares (m)	2,393										
<b>Equity value / share (Bt)</b>	<b>163.00</b>										

Sources: Company data, Thanachart estimates

## COMPANY DESCRIPTION

KASIKORNBANK Pcl (KBANK) provides commercial banking services, including personal and commercial banking, international trade, and investment banking services, to its customers throughout Thailand. The bank has foreign branches in Los Angeles, Hong Kong, the Cayman Islands, and Shenzhen, as well as representative offices in Shanghai, Beijing, and Kunming.

Source: Thanachart

## COMPANY RATING



### Rating Scale

<b>Excellent</b>	<b>5</b>
<b>Good</b>	<b>4</b>
<b>Fair</b>	<b>3</b>
<b>Weak</b>	<b>2</b>
<b>Very Weak</b>	<b>1</b>
<b>None</b>	<b>0</b>

Source: Thanachart; \*CG Rating

## THANACHART'S SWOT ANALYSIS

### S — Strength

- Leading main-bank status
- Highest CASA portion
- Healthy balance sheet

### O — Opportunity

- Wealth management
- Regional expansions
- Digital ventures

### W — Weakness

- Legacy high NPLs from SMEs and digital lending have reduced its risk-taking capacity.
- Limited growth in loan related fees given declining exposures to SME and retail loans.

### T — Threat

- Global economic recession
- Changes in accounting standards and regulations

## CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
<b>Target price (Bt)</b>	158.60	163.00	3%
<b>Net profit 24F (Bt m)</b>	47,399	49,184	4%
<b>Net profit 25F (Bt m)</b>	49,710	53,808	8%
<b>Consensus REC</b>	<b>BUY: 20</b>	<b>HOLD: 5</b>	<b>SELL: 2</b>

## HOW ARE WE DIFFERENT FROM THE STREET?

- We believe we are ahead of the Bloomberg consensus in factoring in a turnaround of fee income and asset quality.
- Our earnings forecasts and TP are consequently higher.

Sources: Bloomberg consensus, Thanachart estimates

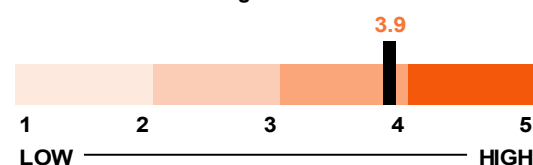
## RISKS TO OUR INVESTMENT CASE

- We see potential downside to our earnings forecasts and our HOLD call if KBANK cannot contain asset quality risks as we presently assume.
- Slower economic momentum than we currently anticipate would present the key downside risk to our earnings.
- A greater ability to pursue stronger loan growth while keeping NPLs at bay would present a potential upside risk to our earnings forecasts and HOLD recommendation.

Source: Thanachart

**KASIKORNBANK** conducts its business under the principles of a “Bank of Sustainability”, backed by good corporate governance values, as well as appropriate risk and cost management. In light of the bank’s solid ESG actions and measures, we assign a score of 3.92.

Thanachart ESG Rating



	SET ESG Index	SET ESG (BBB-AAA)	DJSI Index	MSCI (CCC-AAA)	ESG Book (0-100)	Refinitiv (0-100)	S&P Global (0-100)	Moody's (0-100)	CG Rating (0-5)
<b>KBANK</b>	<b>YES</b>	<b>YES</b>	<b>YES</b>	<b>AA</b>	<b>51.17</b>	<b>73.74</b>	<b>86.00</b>	<b>48.0</b>	<b>5.0</b>

Sources: SETTRADE, SET ESG Index, SET ESG Rating, The Dow Jones Industrial Average (DJSI), MSCI ESG Research LLC, ESG Book, Refinitiv ESG Information, S&P Global Market Intelligence, Moody's ESG Solutions, Thai IOD (CG rating)  
 Note: Please see third party on “terms of use” toward the back of this report.

**Factors Our Comments**

**ENVIRONMENT**

- Environmental Policies & Guidelines
- Energy Management
- Carbon Management
- Water Management
- Waste Management

- KBANK says it is committed to supporting Thailand and its clients in regional economies on their decarbonization journeys. The bank plans to contribute to the global effort to transition to net-zero emissions by 2050 and align with the Paris Agreement goals.
- The bank is committed to being the leading sustainable bank in Thailand, allocating at least Bt100bn-200bn in sustainable financing and investments by 2030 and pioneering green banking products.
- The bank has committed to becoming net zero in its own operations (Scope 1, 2) by 2030 and to achieve net zero in its financed portfolio in line with Thailand’s aspirations, accelerating this journey where possible.

**SOCIAL**

- Human Rights
- Staff Management
- Health & Safety
- Product Safety & Quality
- Social Responsibility

- KBANK aims to boost financial inclusion and financial literacy. The bank extends credit support to new customers who have difficulty accessing financial services, with the number of customers targeted to grow by 3x from 2021 over the next five years.
- The bank has received no complaints about discriminatory labor treatment or violence leading to lawsuits. Sixty-one percent of female staff are in leadership positions.
- The bank undertakes human rights risk assessments in all of its business activities: 100% of KBANK and joint ventures.
- The number of employee volunteer hours equaled 216,886, with the number of beneficiaries from its CSR projects reaching 988,287 persons per year in 2022.

**GOVERNANCE & SUSTAINABILITY**

- Board
- Ethics & Transparency
- Business Sustainability
- Risk Management
- Innovation

- KBANK has 18 board members: six independent directors, five executive directors, and seven non-executive directors. The director age limit is 72 years, and the term limit of the directorship for independent directors is no longer than nine consecutive years
- KBANK is reviewing its practices under Thai IOD, ASEAN CG Scorecard, and Dow Jones Sustainability Indices (DJSI) criteria.
- It is implementing a strategic plan for CG activities to enhance compliance by directors, executives, and staff with CG principles, the code of conduct, and its anti-corruption policy.
- Employees and executives have had to sign to acknowledge compliance with the code of conduct for 2022 via an electronic system and LINE KONNECT+, and the bank is reviewing its knowledge and understanding.

Sources: Company data, Thanachart

## INCOME STATEMENT

*Falling provisions with a fee income turnaround*

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
Interest and Dividend Income	151,333	183,608	191,765	189,882	194,929
Interest Expenses	18,334	35,164	41,449	38,950	38,383
<b>Net Interest Income</b>	<b>132,998</b>	<b>148,444</b>	<b>150,316</b>	<b>150,932</b>	<b>156,546</b>
% of total income	76.8%	77.0%	75.5%	74.7%	74.7%
Gain on Investment	(130)	(588)	100	100	100
Fee Income	32,882	31,181	33,500	34,560	36,202
Gain on Exchange	5,053	12,123	13,000	13,000	13,000
Others	(1,106)	(2,041)	(1,502)	(178)	(170)
<b>Non-interest Income</b>	<b>40,145</b>	<b>44,245</b>	<b>48,768</b>	<b>51,251</b>	<b>53,001</b>
% of total income	23.2%	23.0%	24.5%	25.3%	25.3%
<b>Total Income</b>	<b>173,143</b>	<b>192,689</b>	<b>199,084</b>	<b>202,184</b>	<b>209,547</b>
Operating Expenses	74,753	84,968	87,991	90,986	93,894
<b>Pre-provisioning Profit</b>	<b>98,390</b>	<b>107,721</b>	<b>111,093</b>	<b>111,198</b>	<b>115,653</b>
Provisions	51,919	51,840	47,342	41,204	39,830
<b>Pre-tax Profit</b>	<b>46,470</b>	<b>55,880</b>	<b>63,750</b>	<b>69,994</b>	<b>75,823</b>
Income Tax	8,633	10,778	12,113	13,299	14,406
After Tax Profit	37,838	45,102	51,638	56,695	61,417
Equity Income	115	(35)	900	1,000	1,100
Minority Interest	(2,183)	(2,662)	(3,354)	(3,887)	(3,887)
Extraordinary Items	0	0	0	0	0
<b>NET PROFIT</b>	<b>35,769</b>	<b>42,405</b>	<b>49,184</b>	<b>53,808</b>	<b>58,629</b>
<b>Normalized Profit</b>	<b>35,769</b>	<b>42,405</b>	<b>49,184</b>	<b>53,808</b>	<b>58,629</b>
EPS (Bt)	14.9	17.7	20.6	22.5	24.5
Normalized EPS (Bt)	14.9	17.7	20.6	22.5	24.5

## BALANCE SHEET

*Slow asset growth*

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
<b>ASSETS:</b>					
<b>Liquid Items</b>	<b>559,651</b>	<b>617,698</b>	<b>638,000</b>	<b>637,000</b>	<b>637,000</b>
cash & cash equivalents	57,115	48,690	45,000	43,000	41,000
interbank & money market	502,536	569,008	593,000	594,000	596,000
Securities under resale agreeme	0	0	0	0	0
Investments	982,177	974,585	1,005,484	1,037,250	1,069,909
<b>Net loans</b>	<b>2,377,774</b>	<b>2,371,492</b>	<b>2,395,529</b>	<b>2,476,669</b>	<b>2,557,354</b>
Gross and accrued interest	2,511,303	2,505,368	2,522,892	2,593,731	2,674,416
Provisions for doubtful	133,529	133,876	127,363	117,062	117,062
Fixed assets - net	111,105	114,698	118,086	121,833	126,025
Other assets	215,662	205,084	218,000	220,180	222,382
<b>Total assets</b>	<b>4,246,369</b>	<b>4,283,556</b>	<b>4,375,098</b>	<b>4,492,932</b>	<b>4,612,669</b>
<b>LIABILITIES:</b>					
<b>Liquid Items</b>	<b>2,928,812</b>	<b>2,909,888</b>	<b>2,971,000</b>	<b>3,038,330</b>	<b>3,106,661</b>
Deposit	2,748,685	2,699,562	2,760,000	2,826,600	2,895,198
Interbank & money market	155,240	179,207	184,000	185,000	185,000
Liability payable on demand	24,887	31,119	27,000	26,730	26,463
Borrow ings	67,897	81,572	70,042	70,800	70,032
Other liabilities	682,581	695,261	700,000	710,000	720,000
<b>Total liabilities</b>	<b>3,679,289</b>	<b>3,686,721</b>	<b>3,741,042</b>	<b>3,819,130</b>	<b>3,896,693</b>
Minority interest	63,810	64,551	67,904	71,792	75,679
<b>Shareholders' equity</b>	<b>503,270</b>	<b>532,285</b>	<b>566,152</b>	<b>602,010</b>	<b>640,297</b>
Preferred capital	-	-	-	-	-
Paid-in capital	23,693	23,693	23,933	23,933	23,933
Share premium	18,103	18,103	18,103	18,103	18,103
Surplus/ Others	36,439	33,115	33,115	33,115	33,115
Retained earnings	425,035	457,373	491,001	526,859	565,146
<b>Liabilities &amp; equity</b>	<b>4,246,369</b>	<b>4,283,556</b>	<b>4,375,098</b>	<b>4,492,932</b>	<b>4,612,669</b>

Sources: Company data, Thanachart estimates

## VALUATION

FY ending Dec	2022A	2023A	2024F	2025F	2026F
Normalized PE (x)	10.4	8.8	7.6	6.9	6.4
Normalized PE - at target price (x)	10.9	9.2	7.9	7.2	6.7
PE (x)	10.4	8.8	7.6	6.9	6.4
PE - at target price (x)	10.9	9.2	7.9	7.2	6.7
P/PPP (x)	3.8	3.5	3.4	3.4	3.2
P/PPP - at target price (x)	4.0	3.6	3.5	3.5	3.4
P/BV (x)	0.7	0.7	0.7	0.6	0.6
P/BV - at target price (x)	0.8	0.7	0.7	0.6	0.6
Dividend yield (%)	2.6	4.2	4.8	5.4	6.1
Market cap / net loans (x)	0.2	0.2	0.2	0.1	0.1
Market cap / deposit (x)	0.1	0.1	0.1	0.1	0.1
<b>(Bt)</b>					
Normalized EPS	14.9	17.7	20.6	22.5	24.5
EPS	14.9	17.7	20.6	22.5	24.5
DPS	4.0	6.5	7.5	8.5	9.5
PPP/Share	41.1	45.0	46.4	46.5	48.3
BV/Share	210.3	222.4	236.6	251.5	267.5

*Less compelling  
valuation matrix*

## FINANCIAL RATIOS

FY ending Dec	2022A	2023A	2024F	2025F	2026F
<b>Growth Rate (%)</b>					
Net interest income (NII)	11.4	11.6	1.3	0.4	3.7
Non-interest income (Non-II)	(10.1)	10.2	10.2	5.1	3.4
Operating expenses	5.2	13.7	3.6	3.4	3.2
Pre-provisioning profit (PPP)	5.8	9.5	3.1	0.1	4.0
Net profit	(6.0)	18.6	16.0	9.4	9.0
Normalized profit growth	(6.0)	18.6	16.0	9.4	9.0
EPS	(6.0)	18.6	16.0	9.4	9.0
Normalized EPS	(6.0)	18.6	16.0	9.4	9.0
Dividend payout ratio	26.8	36.7	36.5	37.8	38.8
Loan - gross	3.0	(0.2)	0.6	2.8	3.1
Loan - net	3.7	(0.3)	1.0	3.4	3.3
Deposit	5.8	(1.8)	2.2	2.4	2.4
NPLs	(11.1)	1.8	(1.3)	2.0	2.0
Total assets	3.5	0.9	2.1	2.7	2.7
Total equity	5.6	5.8	6.4	6.3	6.4
<b>Operating Ratios (%)</b>					
Net interest margin (NIM)	3.2	3.5	3.5	3.4	3.4
Net interest spread	4.7	5.4	5.3	5.2	5.3
Yield on earnings assets	3.8	4.6	4.7	4.6	4.6
Avg cost of fund	0.6	1.2	1.4	1.3	1.2
NII / operating income	76.8	77.0	75.5	74.7	74.7
Non-II / operating income	23.2	23.0	24.5	25.3	25.3
Fee income / operating income	19.0	16.2	16.8	17.1	17.3
Normalized net margin	20.7	22.0	24.7	26.6	28.0
Cost-to-income	43.2	44.1	44.2	45.0	44.8
Credit cost - provision exp / loans	2.1	2.1	1.9	1.6	1.5
PPP / total assets	2.4	2.5	2.6	2.5	2.5
PPP / total equity	20.1	20.8	20.2	19.0	18.6
ROA	0.9	1.0	1.1	1.2	1.3
ROE	7.3	8.2	9.0	9.2	9.4

*Falling lending yield  
ahead of interest rate  
cuts*

Sources: Company data, Thanachart estimates

## FINANCIAL RATIOS

FY ending Dec	2022A	2023A	2024F	2025F	2026F
<b>Liquidity and Quality Ratio (%)</b>					
Loan-to-deposit	90.8	92.3	90.8	91.1	91.7
Loan-to-deposit & S-T borrowing	90.8	92.3	90.8	91.1	91.7
Net loan / assets	56.0	55.4	54.8	55.1	55.4
Net loan / equity	472.5	445.5	423.1	411.4	399.4
Investment / assets	23.1	22.8	23.0	23.1	23.2
Deposit / liabilities	74.7	73.2	73.8	74.0	74.3
Liabilities / equity	731.1	692.6	660.8	634.4	608.6
Net interbank lender (Bt m)	347,296	389,802	409,000	409,000	411,000
Tier 1 CAR	16.8	17.4	18.2	19.1	20.0
Tier 2 CAR	2.0	2.0	2.1	2.0	2.0
Total CAR	18.8	19.4	20.3	21.1	21.9
NPLs (Bt m)	92,536	94,241	93,000	94,860	96,757
NPLs / Total loans (NPL Ratio)	3.7	3.8	3.7	3.7	3.6
Loan-Loss-Coverage	144.3	142.1	136.9	123.4	121.0

*Good containment of  
NPLs*

Sources: Company data, Thanachart estimates

**HOLD** (Unchanged)**TP: Bt 52.00**

(From: Bt 36.00)

Change in Numbers

Upside : 2.0%

**26 SEPTEMBER 2024**

# Kiatnakin Phatra Bank (KKP TB)

## Positive sentiment priced in

The revival of the capital market, an expected decline in interest rates, and its share buyback program have supported KKP's share price. Despite incorporating a more positive outlook for capital market fees, KKP continues to face pressure from credit and funding costs. With limited upside to our new higher TP, KKP is still a HOLD.

**SARACHADA SORNSONG**

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### Riding the capital market revival

Led by Phatra, one of the top brokerages and investment banking houses in Thailand, KKP has the largest exposure to the capital market. The bank provides fully integrated capital market services, including brokerage, investment banking, mutual funds, wealth management, derivatives, and hedging activities. A significant portion of KKP's profits (over 20%) comes from its capital market business. With improving economic momentum, the successful IPOs of the Vayupak Fund, and a threefold increase in tax-deductible ESG investment funds, the SET has rebounded strongly. Average daily turnover increased from Bt43.8bn and Bt43.1bn in 1Q-2Q24, and from Bt40.8bn in July-August to Bt61.5bn so far in September. We expect this more favorable market sentiment to pave the way for additional IPOs and higher investment banking income.

### Cost pressures remain

However, KKP has still been significantly affected by rising cost pressures from its banking business. While an incomplete balance sheet clean-up will keep credit costs and losses from repossessed sales elevated for two to three quarters, with the sharp rise in long-term fixed deposits in 2023, we anticipate the impact of funding cost repricing to persist into 1H25F. We anticipate a surge in KKP's combined credit and funding costs from 42/67% of total income in 2022-23 to 69/85% in 1Q-2Q24 to 80% in 2024F and down slightly to 72% in 2025F.

### Earnings revisions

We raise our earnings estimates for KKP by 5% in 2024F and 7% in 2025F. The increases reflect higher fees, non-interest income, and our less aggressive credit cost assumptions due to KKP's more conservative lending strategy. As we roll forward our base year to 2025, using a cost of equity of 11.8%, our DDM-based 12-month TP is boosted from Bt36 to Bt52 per share.

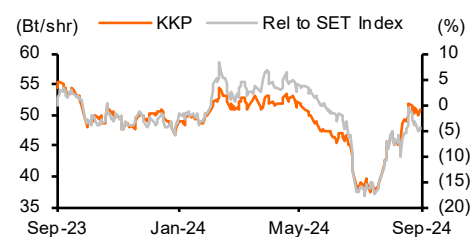
### Limited potential upside; HOLD

KKP's share price has rebounded by 38% from its 2024 low of Bt37, driven by the revival of the capital market, an anticipated decline in interest rates, and its share buyback program. KKP announced a buyback of 22m shares with a Bt950m investment budget from 12 September to 28 November 2024. So far, the bank has repurchased 11m shares, equivalent to 1.3% of total paid-up shares, compared to the program mandate of 2.6%. Given the recent rally and the bank's lowest ROE, the stock's PBV-to-ROE ratio standing 22% higher than the sector average, we believe the positive sentiment is already priced in. With only 2% potential upside to our revised TP of Bt52, we maintain our HOLD rating.

### COMPANY VALUATION

Y/E Dec (Bt m)	2023A	2024F	2025F	2026F
Pre Provision Profit	12,869	9,926	11,280	12,043
Net profit	5,443	4,242	5,041	5,654
Consensus NP	—	4,179	4,779	5,450
Diff frm cons (%)	—	1.5	5.5	3.7
Norm profit	5,443	4,242	5,041	5,654
Prev. Norm profit	—	4,038	4,720	6,190
Chg frm prev (%)	—	5.0	6.8	(8.7)
Norm EPS (Bt)	6.4	5.0	6.0	6.7
Norm EPS grw (%)	(28.4)	(22.1)	18.8	12.2
Norm PE (x)	7.9	10.2	8.6	7.6
P/BV (x)	0.7	0.7	0.7	0.6
Div yield (%)	5.9	5.9	5.9	6.5
ROE (%)	9.2	6.9	7.9	8.5
ROA (%)	1.0	0.8	1.0	1.1

### PRICE PERFORMANCE



### COMPANY INFORMATION

Price: as of 25-Sep-24 (Bt)	51.00
Market Cap (US\$ m)	1,321
Listed Shares (m shares)	846.8
Free Float (%)	87.0
Avg. Daily Turnover (US\$ m)	4.1
12M Price H/L (Bt)	55.25/37.50
Sector	BANK
Major Shareholder	Chottanawat 5.27%

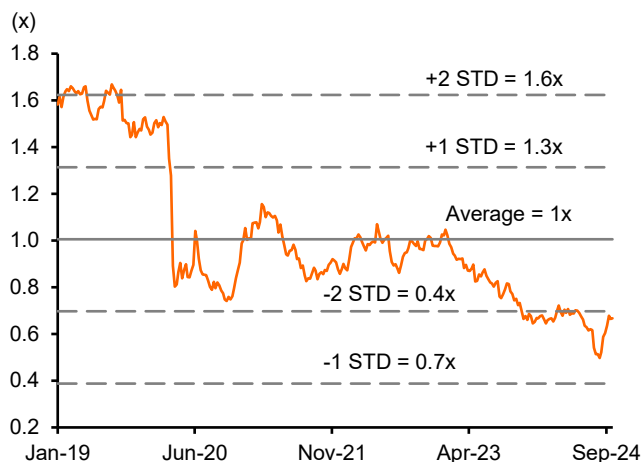
Sources: Bloomberg, Company data, Thanachart estimates



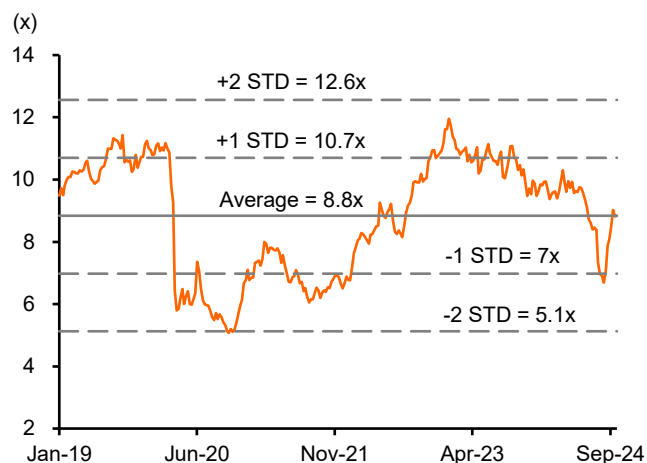
## Ex 1: Earnings Revision

	2019	2020	2021	2022	2023	2024F	2025F	2026F
<b>Net profits (Bt bn)</b>								
- New	5.99	5.12	6.32	7.60	5.44	4.24	5.04	5.65
- Old						4.04	4.72	6.19
- Change (%)						5.05	6.80	(8.66)
<b>Loans growth (%)</b>								
- New	4.06	11.65	15.91	21.68	6.58	(2.79)	2.34	3.25
- Old						(2.73)	3.45	3.92
- Change (ppt)						(0.07)	(1.11)	(0.66)
<b>NIM (%)</b>								
- New	3.99	4.35	3.93	4.04	4.23	3.64	3.63	3.81
- Old						3.67	3.70	3.94
- Change (ppt)						(0.04)	(0.07)	(0.14)
<b>Provisioning expenses (Bt bn)</b>								
- New	1.68	4.09	5.20	5.04	6.08	4.64	5.00	5.00
- Old						5.14	5.50	5.50
- Change (%)						(9.73)	(9.09)	(9.09)
<b>Net fee income (Bt bn)</b>								
- New	4.60	4.34	6.07	6.17	5.48	5.05	5.62	6.09
- Old						4.90	5.22	5.85
- Change (%)						3.06	7.79	3.96
<b>Non-interest income (Bt bn)</b>								
- New	6.85	6.55	8.55	8.46	6.47	6.47	7.06	7.55
- Old						6.32	6.66	7.32
- Change (%)						2.37	6.11	3.17
<b>OPEX (Bt bn)</b>								
- New	10.19	10.65	11.25	13.01	15.89	16.10	15.03	15.78
- Old						15.90	15.12	15.89
- Change (%)						1.26	(0.58)	(0.70)

Sources: Company data, Thanachart estimates

**Ex 2: STD P/BV**

Sources: Bloomberg, Thanachart estimates

**Ex 3: STD PE**

Sources: Bloomberg; Thanachart estimates

**Ex 4: 12-month DDM-based TP Calculation Using A Base Year Of 2025F**

(Bt m)	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F	Terminal Value
Dividend of common shares	2,540	2,684	3,091	3,396	3,488	3,687	3,989	4,272	4,532	7,265	7,265
Dividend payment	2,540	2,684	3,091	3,396	3,488	3,687	3,989	4,272	4,532	7,265	75,617
PV of dividend	2,540	2,147	2,212	2,173	1,996	1,887	1,771	1,688	1,594	2,276	23,689
Risk-free rate (%)	3.0										
Market risk premium (%)	8.0										
Beta	1.1										
WACC (%)	11.8										
Cost of equity	11.8										
Terminal growth (%)	2.0										
Equity value	43,974										
No. of shares (m shares)	847										
<b>Equity value / share (Bt)</b>	<b>52.0</b>										

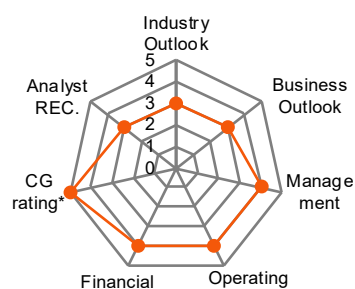
Source: Thanachart estimates

## COMPANY DESCRIPTION

Kiatnakin Phatra Bank Pcl (KKP) provides commercial banking services to its customers in Thailand, including commercial, developmental, consumer, hire-purchase, and mortgage financing. The bank also offers securities brokerage and investment advisory services.

Source: Thanachart

## COMPANY RATING



### Rating Scale

<b>Excellent</b>	<b>5</b>
<b>Good</b>	<b>4</b>
<b>Fair</b>	<b>3</b>
<b>Weak</b>	<b>2</b>
<b>Very Weak</b>	<b>1</b>
<b>None</b>	<b>0</b>

Source: Thanachart; \*CG Rating

## THANACHART'S SWOT ANALYSIS

### S — Strength

- Strong footing in auto HP.
- Expertise in loan restructuring management.
- Leading in the capital markets business

### O — Opportunity

- Growth in non-auto HP retail lending.
- Capital market products outside Thailand.

### W — Weakness

- Small branch network.
- Relatively weak deposit franchise.
- High concentration in a few lending segments.

### T — Threat

- Global economic recession.
- New accounting standards and regulations.

## CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
<b>Target price (Bt)</b>	43.24	52.00	20%
<b>Net profit 24F (Bt m)</b>	4,179	4,242	2%
<b>Net profit 25F (Bt m)</b>	4,779	5,041	5%
<b>Consensus REC</b>	<b>BUY: 2</b>	<b>HOLD: 12</b>	<b>SELL: 6</b>

## HOW ARE WE DIFFERENT FROM THE STREET?

- We believe our funding costs and provisions assumptions are more aggressive than the Bloomberg consensus numbers.
- As we expect improving capital market fees and lower cost pressures in the medium to longer term, our DDM-based TP is higher.

Sources: Bloomberg consensus, Thanachart estimates

## RISKS TO OUR INVESTMENT CASE

- Weaker economic momentum that drags down asset quality to a greater extent than we have currently factored in represents the key downside risk to our assumptions for KKP's credit costs.
- A weaker capital market performance than we assumed represents another downside risk to our earnings forecasts.
- An upside risk to our HOLD call would emerge should KKP be able to contain NPL and provisions to a greater extent than we have assumed.

Source: Thanachart



## INCOME STATEMENT

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
Interest and Dividend Income	23,671	30,717	30,735	29,696	30,207
Interest Expenses	4,589	8,424	11,179	10,450	9,937
<b>Net Interest Income</b>	<b>19,081</b>	<b>22,294</b>	<b>19,556</b>	<b>19,246</b>	<b>20,271</b>
% of total income	69.3%	77.5%	75.1%	73.2%	72.9%
Gain on Investment	(4)	(12)	20	20	20
Fee Income	6,165	5,476	5,050	5,622	6,087
Gain on Exchange	1,789	665	1,200	1,200	1,200
Others	507	340	200	220	242
<b>Non-interest Income</b>	<b>8,457</b>	<b>6,469</b>	<b>6,470</b>	<b>7,062</b>	<b>7,549</b>
% of total income	30.7%	22.5%	24.9%	26.8%	27.1%
<b>Total Income</b>	<b>27,539</b>	<b>28,763</b>	<b>26,026</b>	<b>26,308</b>	<b>27,819</b>
Operating Expenses	13,013	15,894	16,100	15,028	15,776
<b>Pre-provisioning Profit</b>	<b>14,526</b>	<b>12,869</b>	<b>9,926</b>	<b>11,280</b>	<b>12,043</b>
Provisions	5,036	6,082	4,640	5,000	5,000
<b>Pre-tax Profit</b>	<b>9,490</b>	<b>6,787</b>	<b>5,286</b>	<b>6,280</b>	<b>7,043</b>
Income Tax	1,873	1,331	1,037	1,231	1,381
After Tax Profit	7,616	5,456	4,250	5,049	5,662
Equity Income	0	0	0	0	0
Minority Interest	(14)	(13)	(8)	(8)	(9)
Extraordinary Items	0	0	0	0	0
<b>NET PROFIT</b>	<b>7,602</b>	<b>5,443</b>	<b>4,242</b>	<b>5,041</b>	<b>5,654</b>
<b>Normalized Profit</b>	<b>7,602</b>	<b>5,443</b>	<b>4,242</b>	<b>5,041</b>	<b>5,654</b>
EPS (Bt)	9.0	6.4	5.0	6.0	6.7
Normalized EPS (Bt)	9.0	6.4	5.0	6.0	6.7

Combined cost pressures

## BALANCE SHEET

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
<b>ASSETS:</b>					
<b>Liquid Items</b>	<b>46,733</b>	<b>63,411</b>	<b>63,000</b>	<b>55,950</b>	<b>46,900</b>
cash & cash equivalents	1,000	1,382	1,000	950	900
interbank & money market	45,732	62,029	62,000	55,000	46,000
Securities under resale agreeme	0	0	0	0	0
Investments	31,848	36,262	36,262	38,075	39,978
<b>Net loans</b>	<b>364,871</b>	<b>384,826</b>	<b>373,427</b>	<b>382,216</b>	<b>394,432</b>
Gross and accrued interest	383,839	405,493	394,479	403,715	416,842
Provisions for doubtful	18,969	20,668	21,052	21,499	22,411
Fixed assets - net	13,200	14,677	14,164	13,741	13,411
Other assets	50,986	46,152	43,425	40,699	39,176
<b>Total assets</b>	<b>507,637</b>	<b>545,327</b>	<b>530,277</b>	<b>530,681</b>	<b>533,896</b>
<b>LIABILITIES:</b>					
<b>Liquid Items</b>	<b>351,979</b>	<b>382,421</b>	<b>388,583</b>	<b>389,973</b>	<b>392,589</b>
Deposit	331,464	358,903	370,000	371,200	373,624
Interbank & money market	20,175	23,035	18,000	18,180	18,362
Liability payable on demand	340	483	583	593	603
Borrowings	61,354	68,900	48,732	48,236	48,857
Other liabilities	36,192	32,753	30,000	27,000	24,000
<b>Total liabilities</b>	<b>449,526</b>	<b>484,074</b>	<b>467,315</b>	<b>465,210</b>	<b>465,447</b>
Minority interest	288	286	294	302	311
<b>Shareholders' equity</b>	<b>57,824</b>	<b>60,967</b>	<b>62,668</b>	<b>65,169</b>	<b>68,139</b>
Preferred capital	-	-	-	-	-
Paid-in capital	8,468	8,468	8,468	8,468	8,468
Share premium	9,356	9,356	9,356	9,356	9,356
Surplus/ Others	2,010	1,981	1,981	1,981	1,981
Retained earnings	37,990	41,162	42,864	45,364	48,334
<b>Liabilities &amp; equity</b>	<b>507,637</b>	<b>545,327</b>	<b>530,277</b>	<b>530,681</b>	<b>533,896</b>

Stricter underwriting practices

Sources: Company data, Thanachart estimates

**VALUATION**

FY ending Dec	2022A	2023A	2024F	2025F	2026F
Normalized PE (x)	5.7	7.9	10.2	8.6	7.6
Normalized PE - at target price (x)	5.8	8.1	10.4	8.7	7.8
PE (x)	5.7	7.9	10.2	8.6	7.6
PE - at target price (x)	5.8	8.1	10.4	8.7	7.8
P/PPP (x)	3.0	3.4	4.4	3.8	3.6
P/PPP - at target price (x)	3.0	3.4	4.4	3.9	3.7
P/BV (x)	0.7	0.7	0.7	0.7	0.6
P/BV - at target price (x)	0.8	0.7	0.7	0.7	0.6
Dividend yield (%)	6.4	5.9	5.9	5.9	6.5
Market cap / net loans (x)	0.1	0.1	0.1	0.1	0.1
Market cap / deposit (x)	0.1	0.1	0.1	0.1	0.1
<b>(Bt)</b>					
Normalized EPS	9.0	6.4	5.0	6.0	6.7
EPS	9.0	6.4	5.0	6.0	6.7
DPS	3.3	3.0	3.0	3.0	3.3
PPP/Share	17.2	15.2	11.7	13.3	14.2
BV/Share	68.3	72.0	74.0	77.0	80.5

*We believe KKP's valuation looks less attractive than peers'*

**FINANCIAL RATIOS**

FY ending Dec	2022A	2023A	2024F	2025F	2026F
<b>Growth Rate (%)</b>					
Net interest income (NII)	21.5	16.8	(12.3)	(1.6)	5.3
Non-interest income (Non-II)	(1.0)	(23.5)	0.0	9.1	6.9
Operating expenses	15.7	22.1	1.3	(6.7)	5.0
Pre-provisioning profit (PPP)	11.8	(11.4)	(22.9)	13.6	6.8
Net profit	20.3	(28.4)	(22.1)	18.8	12.2
Normalized profit growth	20.3	(28.4)	(22.1)	18.8	12.2
EPS	20.3	(28.4)	(22.1)	18.8	12.2
Normalized EPS	20.3	(28.4)	(22.1)	18.8	12.2
Dividend payout ratio	36.2	46.7	59.9	50.4	50.0
Loan - gross	21.7	6.6	(2.8)	2.3	3.3
Loan - net	22.0	5.5	(3.0)	2.4	3.2
Deposit	14.9	8.3	3.1	0.3	0.7
NPLs	31.1	5.5	20.7	(1.1)	(5.1)
Total assets	16.4	7.4	(2.8)	0.1	0.6
Total equity	13.3	5.4	2.8	4.0	4.6
<b>Operating Ratios (%)</b>					
Net interest margin (NIM)	4.0	4.2	3.6	3.6	3.8
Net interest spread	5.7	5.7	5.0	5.0	5.2
Yield on earnings assets	5.6	6.4	6.2	6.0	6.0
Avg cost of fund	1.2	1.9	2.5	2.4	2.3
NII / operating income	69.3	77.5	75.1	73.2	72.9
Non-II / operating income	30.7	22.5	24.9	26.8	27.1
Fee income / operating income	22.4	19.0	19.4	21.4	21.9
Normalized net margin	27.6	18.9	16.3	19.2	20.3
Cost-to-income	47.3	55.3	61.9	57.1	56.7
Credit cost - provision exp / loans	1.3	1.5	1.2	1.3	1.2
PPP / total assets	3.1	2.4	1.8	2.1	2.3
PPP / total equity	26.7	21.7	16.1	17.6	18.1
ROA	1.6	1.0	0.8	1.0	1.1
ROE	14.0	9.2	6.9	7.9	8.5

*Escalating increase in cost of funds*

Sources: Company data, Thanachart estimates

**FINANCIAL RATIOS**

<b>FY ending Dec</b>	<b>2022A</b>	<b>2023A</b>	<b>2024F</b>	<b>2025F</b>	<b>2026F</b>
<b>Liquidity and Quality Ratio (%)</b>					
Loan-to-deposit	112.7	110.9	104.6	106.7	109.4
Loan-to-deposit & S-T borrowing	112.7	110.9	104.4	106.6	109.2
Net loan / assets	71.9	70.6	70.4	72.0	73.9
Net loan / equity	631.0	631.2	595.9	586.5	578.9
Investment / assets	6.3	6.6	6.8	7.2	7.5
Deposit / liabilities	73.7	74.1	79.2	79.8	80.3
Liabilities / equity	777.4	794.0	745.7	713.9	683.1
Net interbank lender (Bt m)	25,557	38,994	44,000	36,820	27,638
Tier 1 CAR	13.3	13.3	14.2	14.8	15.5
Tier 2 CAR	3.3	3.3	3.4	3.4	3.4
Total CAR	16.6	16.6	17.6	18.3	18.9
<i>Rising NPLs</i>					
NPLs (Bt m)	13,947	14,710	17,752	17,562	16,674
NPLs / Total loans (NPL Ratio)	3.6	3.6	4.5	4.4	4.0
Loan-Loss-Coverage	136.0	140.5	118.6	122.4	134.4

Sources: Company data, Thanachart estimates

**BUY** (Unchanged)**TP: Bt 24.00** (From: Bt 22.00)**26 SEPTEMBER 2024**

Change in Numbers

Upside : 16.5%

# Krung Thai Bank Pcl (KTB TB)

## Value yet to catch up

KTB takes the top spot over KBANK as our favorite big bank. Its PBV-to-ROE ratio is the lowest on our estimates, which doesn't reflect the bank's completed de-risking, fee recovery, and the second-best balance sheet quality. We raise our earnings and lift our TP to Bt24.

**SARACHADA SORNSONG**

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### Better internal dynamics

Amid Thailand's structural economic challenges and the declining interest rate trend, KTB looks better positioned to navigate these headwinds than its peers. We expect it to achieve higher pre-provision profit growth of 3.6% in 2025F and 4.9% in 2026F, outpacing the flat growth forecast for other major banks in 2025 and a modest 2.2% recovery in 2026. This performance is driven by 1) deeper penetration of the growing government and welfare loans for civil servants and state enterprise employees; 2) a balanced mix of recurring and cyclical fees; 3) a large CASA base with a solid portion of fixed-rate loans; and 4) a sharper decline in OPEX due to lower impairment losses on NPAs.

### Second-best balance sheet quality

Since initiating its balance sheet de-risking process in 2014, KTB has outpaced its peers in reducing SME exposure and improving the quality of retail loans by increasing the share of secured and low-risk welfare loans. These efforts have been undertaken along with a proactive clean-up of legacy NPLs and allocating additional provisions. As a result, KTB's NPL ratio has dropped to the sector average, while it maintains the second-highest provision-to-loan and loan-loss-coverage ratios, standing at 4.6% and 176%, respectively, in 2024.

### Raising our earnings; lifting our TP to Bt24

Given higher NIM, fees, and non-interest income, we are raising our earnings estimates for KTB by 8%, 9%, and 8% for 2024-26F. Additionally, as we roll forward our base year to 2025F, our DDM-based 12-month TP, using a cost of equity of 12.6%, increases to Bt24 from Bt22 previously. Our new TP implies P/BV and PE multiples of 0.7x and 7x for 2025F. There is 17% potential upside to our new TP, with a healthy dividend yield of 6%, closing to 7% in 2025F.

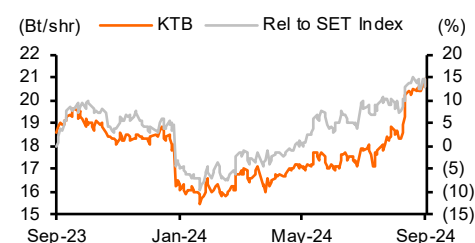
### Our most favored big bank

KTB has moved up from third place to take the top spot in our Thai bank rankings, overtaking KBANK as our favorite big bank. Our key reasons are as follows: **1)** KTB stands to benefit the most from accelerated government budget disbursements, with government loans making up 15% of total loans last year, compared to the peak of 21% in 2021. **2)** Its high CASA ratio of 78%, along with 27% of its loans on fixed interest rates, helps cushion the impact of declining interest rates on its NIM. **3)** With the strongest pre-provisioning profit growth and room to lower its provisioning buffer, KTB's three-year EPS CAGR of 13% exceeds the sector average of 9%, and its ROE expansion is also outpacing the sector. **Finally,** KTB's PBV-to-ROE ratio of 5.8x is the lowest in the sector, further underscoring its value.

### COMPANY VALUATION

Y/E Dec (Bt m)	2023A	2024F	2025F	2026F
Pre Provision Profit	85,955	89,988	93,257	97,820
Net profit	36,616	43,634	48,119	52,658
Consensus NP	—	41,092	42,787	44,583
Diff frm cons (%)	—	6.2	12.5	18.1
Norm profit	36,616	43,634	48,119	52,658
Prev. Norm profit	—	40,489	44,037	48,587
Chg frm prev (%)	—	7.8	9.3	8.4
Norm EPS (Bt)	2.6	3.1	3.4	3.8
Norm EPS grw (%)	8.7	19.2	10.3	9.4
Norm PE (x)	7.9	6.6	6.0	5.5
P/BV (x)	0.7	0.7	0.6	0.6
Div yield (%)	4.2	6.1	6.7	7.3
ROE (%)	9.4	10.5	10.8	11.0
ROA (%)	1.0	1.2	1.3	1.3

### PRICE PERFORMANCE



### COMPANY INFORMATION

Price: as of 25-Sep-24 (Bt)	20.60
Market Cap (US\$ m)	8,807
Listed Shares (m shares)	13,976.1
Free Float (%)	44.9
Avg. Daily Turnover (US\$ m)	25.2
12M Price H/L (Bt)	20.90/15.50
Sector	BANK
Major Shareholder	FIDF 55.07%

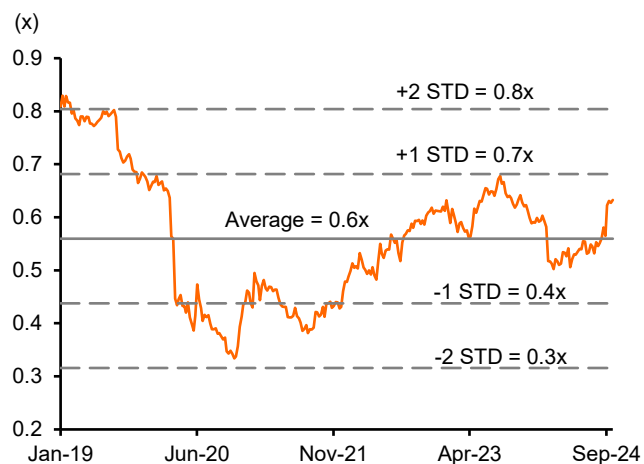
Sources: Bloomberg, Company data, Thanachart estimates

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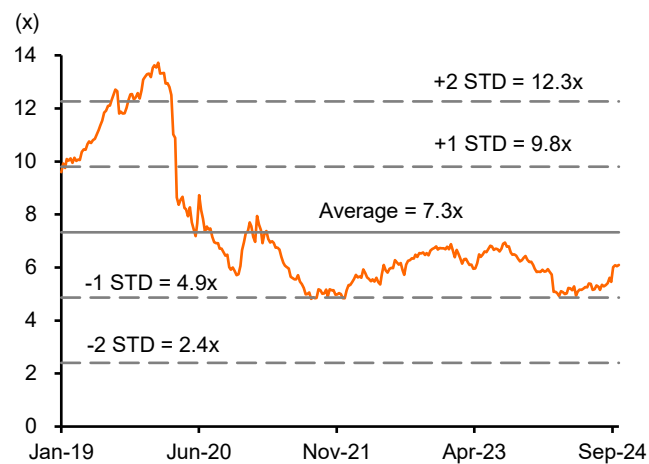
## Ex 1: Earnings Revision

	2019	2020	2021	2022	2023	2024F	2025F	2026F
<b>Net profits (Bt bn)</b>								
- New	29.28	16.73	21.59	33.70	36.62	43.63	48.12	52.66
- Old						40.49	44.04	48.59
- Change (%)						7.77	9.27	8.38
<b>Loans growth (%)</b>								
- New	3.26	11.72	12.60	(1.37)	(0.63)	0.43	2.27	2.65
- Old						3.28	3.97	4.09
- Change (ppt)						(2.85)	(1.70)	(1.44)
<b>NIM (%)</b>								
- New	3.07	2.79	2.42	2.53	3.12	3.17	3.06	3.08
- Old						3.02	2.98	3.02
- Change (ppt)						0.15	0.08	0.06
<b>Provisioning expenses (Bt bn)</b>								
- New	23.81	44.90	32.52	24.34	37.09	32.85	30.62	29.62
- Old						32.80	30.35	30.45
- Change (%)						0.16	0.91	(2.73)
<b>Net fee income (Bt bn)</b>								
- New	23.24	20.53	20.02	20.32	20.87	22.00	23.43	24.97
- Old						21.63	22.71	23.84
- Change (%)						1.70	3.15	4.73
<b>Non-interest income (Bt bn)</b>								
- New	35.92	31.84	31.37	33.89	34.69	38.14	40.39	42.77
- Old						35.16	37.10	39.19
- Change (%)						8.47	8.89	9.14
<b>OPEX (Bt bn)</b>								
- New	62.47	53.46	52.73	54.77	62.16	66.09	63.47	65.82
- Old						61.44	63.16	65.17
- Change (%)						7.58	0.49	0.99

Sources: Company data, Thanachart estimates

**Ex 2: STD P/BV**

Sources: Bloomberg, Thanachart estimates

**Ex 3: STD PE**

Sources: Bloomberg; Thanachart estimates

**Ex 4: 12-month DDM-based TP Calculation Using A Base Year Of 2025F**

(Bt m)	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F	Terminal Value
Dividend of common shares	18,351	20,155	21,405	22,650	24,056	25,145	25,950	34,290	52,905	69,133	69,133
Dividend payment	18,351	20,155	21,405	22,650	24,056	25,145	25,950	34,290	52,905	69,133	635,273
PV of dividend	18,351	15,897	14,993	14,086	13,286	12,333	10,959	12,799	17,460	20,173	185,371
Risk-free rate (%)	3.0										
Market risk premium (%)	8.0										
Beta	1.2										
WACC (%)	12.6										
Cost of equity	12.6										
Terminal growth (%)	2.0										
Equity value	335,706										
No. of shares (m shares)	13,976										
<b>Equity value / share (Bt)</b>	<b>24.00</b>										

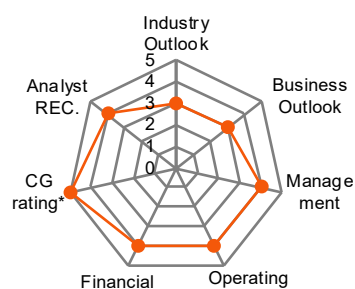
Sources: Company data, Thanachart estimates

## COMPANY DESCRIPTION

Krung Thai Bank Pcl (KTB) is a state-owned commercial bank offering various banking and financial services, including commercial, consumer, credit card, and mortgage loans, as well as provident fund management, foreign exchange, and international trade financing services. The bank is majority-owned by the Financial Institutions Development Fund.

Source: Thanachart

## COMPANY RATING



### Rating Scale

<b>Excellent</b>	<b>5</b>
<b>Good</b>	<b>4</b>
<b>Fair</b>	<b>3</b>
<b>Weak</b>	<b>2</b>
<b>Very Weak</b>	<b>1</b>
<b>None</b>	<b>0</b>

Source: Thanachart; \*CG Rating

## THANACHART'S SWOT ANALYSIS

### S — Strength

- Leading position in government-related and infrastructure loans.
- Large database as it operates “Pao Tang”, which is the government’s wallet application.

### O — Opportunity

- Increasing its exposure to the retail-lending segment.
- Soliciting more fee-based income.
- Digitalization ventures.

### W — Weakness

- Lower spread as it focuses on high-quality-low-yield loans.

### T — Threat

- Global economic recession.
- New accounting standards and regulations.

## CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
<b>Target price (Bt)</b>	21.62	24.00	11%
<b>Net profit 24F (Bt m)</b>	41,092	43,634	6%
<b>Net profit 25F (Bt m)</b>	42,787	48,119	12%
<b>Consensus REC</b>	<b>BUY: 21</b>	<b>HOLD: 6</b>	<b>SELL: 0</b>

## HOW ARE WE DIFFERENT FROM THE STREET?

- We believe we are ahead of the Bloomberg consensus in factoring in higher fees and non-interest income for KTB.
- As a consequence, our earnings and TP and higher.

Sources: Bloomberg consensus, Thanachart estimates

## RISKS TO OUR INVESTMENT CASE

- Slower economic momentum than we currently anticipate would present the key downside risk to our earnings.
- There would be a material downside risk to our earnings forecasts and TP if KTB’s credit costs are not on a declining trend, as we have assumed.

Source: Thanachart



## INCOME STATEMENT

*Higher income and manageable provisions*

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
Interest and Dividend Income	113,475	152,369	164,159	159,773	164,067
Interest Expenses	23,070	38,949	46,220	43,438	43,202
<b>Net Interest Income</b>	<b>90,405</b>	<b>113,419</b>	<b>117,939</b>	<b>116,334</b>	<b>120,864</b>
% of total income	72.7%	76.6%	75.6%	74.2%	73.9%
Gain on Investment	239	195	200	200	200
Fee Income	20,316	20,872	22,000	23,430	24,970
Gain on Exchange	5,233	5,178	6,400	6,720	7,056
Others	7,753	8,127	9,000	9,500	10,000
<b>Non-interest Income</b>	<b>33,891</b>	<b>34,692</b>	<b>38,140</b>	<b>40,393</b>	<b>42,772</b>
% of total income	27.3%	23.4%	24.4%	25.8%	26.1%
<b>Total Income</b>	<b>124,296</b>	<b>148,112</b>	<b>156,079</b>	<b>156,727</b>	<b>163,636</b>
Operating Expenses	54,771	62,157	66,091	63,470	65,816
<b>Pre-provisioning Profit</b>	<b>69,525</b>	<b>85,955</b>	<b>89,988</b>	<b>93,257</b>	<b>97,820</b>
Provisions	24,338	37,085	32,852	30,623	29,617
<b>Pre-tax Profit</b>	<b>45,188</b>	<b>48,870</b>	<b>57,136</b>	<b>62,634</b>	<b>68,203</b>
Income Tax	9,077	9,902	11,427	12,527	13,641
After Tax Profit	36,111	38,968	45,709	50,107	54,563
Equity Income	1,095	1,353	1,800	2,000	2,200
Minority Interest	(3,508)	(3,705)	(3,875)	(3,988)	(4,105)
Extraordinary Items	0	0	0	0	0
<b>NET PROFIT</b>	<b>33,698</b>	<b>36,616</b>	<b>43,634</b>	<b>48,119</b>	<b>52,658</b>
<b>Normalized Profit</b>	<b>33,698</b>	<b>36,616</b>	<b>43,634</b>	<b>48,119</b>	<b>52,658</b>
EPS (Bt)	2.4	2.6	3.1	3.4	3.8
Normalized EPS (Bt)	2.4	2.6	3.1	3.4	3.8

## BALANCE SHEET

*Slow asset growth*

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
<b>ASSETS:</b>					
<b>Liquid Items</b>	<b>612,531</b>	<b>756,787</b>	<b>734,000</b>	<b>797,000</b>	<b>876,000</b>
cash & cash equivalents	61,591	55,626	50,000	50,000	50,000
interbank & money market	550,941	701,162	684,000	747,000	826,000
Securities under resale agreeme	0	0	0	0	0
Investments	289,374	277,241	343,168	326,686	311,028
<b>Net loans</b>	<b>2,443,832</b>	<b>2,426,095</b>	<b>2,437,597</b>	<b>2,498,066</b>	<b>2,566,419</b>
Gross and accrued interest	2,618,210	2,599,418	2,611,427	2,670,761	2,741,566
Provisions for doubtful	174,378	173,323	173,830	172,696	175,147
Fixed assets - net	72,029	65,924	59,920	57,232	55,056
Other assets	174,652	151,637	178,000	179,780	181,578
<b>Total assets</b>	<b>3,592,419</b>	<b>3,677,684</b>	<b>3,752,684</b>	<b>3,858,764</b>	<b>3,990,082</b>
<b>LIABILITIES:</b>					
<b>Liquid Items</b>	<b>2,872,354</b>	<b>2,933,991</b>	<b>2,968,496</b>	<b>3,041,870</b>	<b>3,137,427</b>
Deposit	2,590,236	2,646,872	2,660,000	2,713,200	2,788,578
Interbank & money market	277,099	282,696	302,696	322,696	342,696
Liability payable on demand	5,019	4,423	5,800	5,974	6,153
Borrowings	151,172	160,839	150,626	150,575	150,729
Other liabilities	176,321	162,008	180,000	179,000	178,000
<b>Total liabilities</b>	<b>3,199,847</b>	<b>3,256,838</b>	<b>3,299,122</b>	<b>3,371,445</b>	<b>3,466,156</b>
Minority interest	16,267	18,470	22,345	26,333	30,437
<b>Shareholders' equity</b>	<b>376,305</b>	<b>402,376</b>	<b>431,217</b>	<b>460,986</b>	<b>493,488</b>
Preferred capital	28.33	28.33	28.33	28.33	28.33
Paid-in capital	71,977	71,977	71,977	71,977	71,977
Share premium	20,174	20,168	20,168	20,168	20,168
Surplus/ Others	17,907	16,171	16,171	16,171	16,171
Retained earnings	266,219	294,032	322,873	352,642	385,144
<b>Liabilities &amp; equity</b>	<b>3,592,419</b>	<b>3,677,684</b>	<b>3,752,684</b>	<b>3,858,764</b>	<b>3,990,082</b>

Sources: Company data, Thanachart estimates

## VALUATION

FY ending Dec	2022A	2023A	2024F	2025F	2026F
Normalized PE (x)	8.5	7.9	6.6	6.0	5.5
Normalized PE - at target price (x)	10.0	9.2	7.7	7.0	6.4
PE (x)	8.5	7.9	6.6	6.0	5.5
PE - at target price (x)	10.0	9.2	7.7	7.0	6.4
P/PPP (x)	4.1	3.3	3.2	3.1	2.9
P/PPP - at target price (x)	4.8	3.9	3.7	3.6	3.4
P/BV (x)	0.8	0.7	0.7	0.6	0.6
P/BV - at target price (x)	0.9	0.8	0.8	0.7	0.7
Dividend yield (%)	3.3	4.2	6.1	6.7	7.3
Market cap / net loans (x)	0.1	0.1	0.1	0.1	0.1
Market cap / deposit (x)	0.1	0.1	0.1	0.1	0.1
<b>(Bt)</b>					
Normalized EPS	2.4	2.6	3.1	3.4	3.8
EPS	2.4	2.6	3.1	3.4	3.8
DPS	0.7	0.9	1.2	1.4	1.5
PPP/Share	5.0	6.2	6.4	6.7	7.0
BV/Share	26.9	28.8	30.9	33.0	35.3

*Very attractive valuations, in our view*

## FINANCIAL RATIOS

FY ending Dec	2022A	2023A	2024F	2025F	2026F
<b>Growth Rate (%)</b>					
Net interest income (NII)	8.4	25.5	4.0	(1.4)	3.9
Non-interest income (Non-II)	8.0	2.4	9.9	5.9	5.9
Operating expenses	3.9	13.5	6.3	(4.0)	3.7
Pre-provisioning profit (PPP)	12.1	23.6	4.7	3.6	4.9
Net profit	56.1	8.7	19.2	10.3	9.4
Normalized profit growth	56.1	8.7	19.2	10.3	9.4
EPS	56.1	8.7	19.2	10.3	9.4
Normalized EPS	56.1	8.7	19.2	10.3	9.4
Dividend payout ratio	28.3	33.1	40.0	40.0	40.0
Loan - gross	(1.4)	(0.6)	0.4	2.3	2.7
Loan - net	(1.3)	(0.7)	0.5	2.5	2.7
Deposit	(0.9)	2.2	0.5	2.0	2.8
NPLs	(5.3)	(2.0)	(0.6)	(0.5)	1.0
Total assets	1.0	2.4	2.0	2.8	3.4
Total equity	4.5	6.9	7.2	6.9	7.1
<b>Operating Ratios (%)</b>					
Net interest margin (NIM)	2.5	3.1	3.2	3.1	3.1
Net interest spread	3.6	4.6	4.7	4.5	4.6
Yield on earnings assets	3.3	4.3	4.6	4.3	4.3
Avg cost of fund	0.8	1.3	1.5	1.4	1.3
NII / operating income	72.7	76.6	75.6	74.2	73.9
Non-II / operating income	27.3	23.4	24.4	25.8	26.1
Fee income / operating income	16.3	14.1	14.1	14.9	15.3
Normalized net margin	27.1	24.7	28.0	30.7	32.2
Cost-to-income	44.1	42.0	42.3	40.5	40.2
Credit cost - provision exp / loans	0.9	1.4	1.3	1.2	1.1
PPP / total assets	1.9	2.4	2.4	2.5	2.5
PPP / total equity	18.9	22.1	21.6	20.9	20.5
ROA	0.9	1.0	1.2	1.3	1.3
ROE	9.2	9.4	10.5	10.8	11.0

*Lower excess provisions*

Sources: Company data, Thanachart estimates

## FINANCIAL RATIOS

FY ending Dec	2022A	2023A	2024F	2025F	2026F
<b>Liquidity and Quality Ratio (%)</b>					
Loan-to-deposit	100.1	97.3	97.3	97.5	97.4
Loan-to-deposit & S-T borrowing	100.1	97.3	97.3	97.5	97.4
Net loan / assets	68.0	66.0	65.0	64.7	64.3
Net loan / equity	649.4	602.9	565.3	541.9	520.1
Investment / assets	8.1	7.5	9.1	8.5	7.8
Deposit / liabilities	80.9	81.3	80.6	80.5	80.5
Liabilities / equity	850.3	809.4	765.1	731.4	702.4
Net interbank lender (Bt m)	273,842	418,465	381,304	424,304	483,304
Tier 1 CAR	16.7	17.6	18.1	18.3	19.0
Tier 2 CAR	3.1	3.1	3.0	2.9	2.8
Total CAR	19.8	20.7	21.1	21.1	21.8
<i>Solid balance sheet</i>					
NPLs (Bt m)	101,096	99,047	98,500	98,000	99,000
NPLs / Total loans (NPL Ratio)	3.9	3.8	3.8	3.7	3.6
Loan-Loss-Coverage	172.5	175.0	176.5	176.2	176.9

Sources: Company data, Thanachart estimates

**BUY** (Unchanged)

Change in Numbers

**TP: Bt 123.00** (From: Bt 118.00)**Upside : 10.8%****26 SEPTEMBER 2024**

# SCB X Pcl (SCB TB)

## Turnaround in sight

SCBx is a BUY for its high dividend yield and the reduced risk of large corporate defaults. We expect improved resilience among self-employed retail borrowers. Supported by lower provisions and the higher yields of consumer finance subsidiaries, we estimate its earnings growth to rebound by 14% in 2025-26F.

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### Easing concerns

Our concerns about the group's asset quality are easing. A key corporate client involved in power plants, battery, and EV-related businesses successfully rescheduled its short-term bank loans into five-year long-term loans and deferred debenture settlement by another year. This reduces the risk of cross-default to SCB bank, its main lender. Additionally, we expect improved resilience among self-employed retail borrowers in the restructuring program and stronger debt collection from Card X as the economy improves. We keep our credit cost assumption of 1.84% this year but lower it to 1.7% in 2025F and 1.57% in 2026F.

### NIM cushions

SCB's proactive funding and liquidity management supported its NIM in 1H24. With 8% exposure to fixed-rate retail loans and 7% to consumer finance loans via Gen 2 subsidiaries, the bank looks well-positioned to mitigate the impact of declining interest rates. We also expect strong loan growth from Gen 2 Auto X's title loans and improve lending momentum of Card X's personal loans in 2025. We project SCBx's NIM to remain stable at 3.66-3.67% for 2024-25F.

### Earnings growth turnaround

Due to extra provisions and impairment expenses, we estimate a 5.2% profit contraction for SCBx in 2024. However, we expect a strong rebound with 14% annual profit growth in 2025 and 2026, driven by 1) loan growth increasing to 3% annually from 1.9% in 2024, 2) stable NIM, 3) lower provisions as extra provisions phase out, and 4) reduced operating expenses following the closure of the Robinhood application. With our base year rolled over to 2025F, we lift our DDM-based 12-month TP to Bt123 (from Bt118), based on a 12% cost of equity.

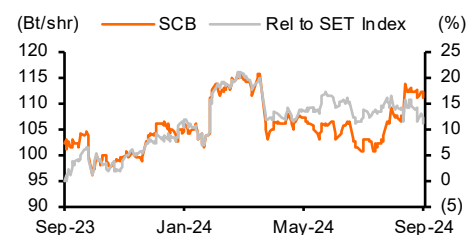
### Still the highest dividend yield; BUY

SCBx's successful transformation into a holding company has unlocked its dividend payment potential. Last year, the group raised its dividend payout ratio to 80%, and it is committed to maintaining this level going forward. Along with the announced interim dividend of Bt2 per share, we estimate a final dividend of Bt8 per share, resulting in a dividend yield exceeding 9%, the highest in the sector. We maintain our BUY rating on SCBx.

### COMPANY VALUATION

Y/E Dec (Bt m)	2023A	2024F	2025F	2026F
Pre Provision Profit	98,905	97,431	101,217	107,626
Net profit	43,521	41,256	46,950	54,032
Consensus NP	—	41,710	44,281	48,787
Diff frm cons (%)	—	(1.1)	6.0	10.7
Norm profit	43,521	41,256	46,950	54,032
Prev. Norm profit	—	41,256	44,932	54,063
Chg frm prev (%)	—	0.0	4.5	(0.1)
Norm EPS (Bt)	12.9	12.3	13.9	16.0
Norm EPS grw (%)	15.9	(5.2)	13.8	15.1
Norm PE (x)	8.6	9.1	8.0	6.9
P/BV (x)	0.8	0.8	0.8	0.7
Div yield (%)	9.3	9.0	10.0	11.6
ROE (%)	9.3	8.6	9.6	10.7
ROA (%)	1.3	1.2	1.3	1.5

### PRICE PERFORMANCE



### COMPANY INFORMATION

Price: as of 25-Sep-24 (Bt)	111.00
Market Cap (US\$ m)	11,433
Listed Shares (m shares)	3,367.1
Free Float (%)	76.4
Avg. Daily Turnover (US\$ m)	31.1
12M Price H/L (Bt)	115.50/96.00
Sector	BANK
Major Shareholder	HM King Maha Vajiralongkorn Bodindradebayavarangkun 23.58%

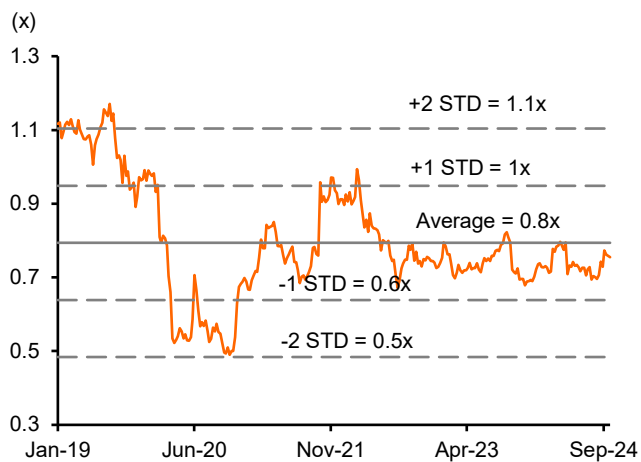
Sources: Bloomberg, Company data, Thanachart estimates



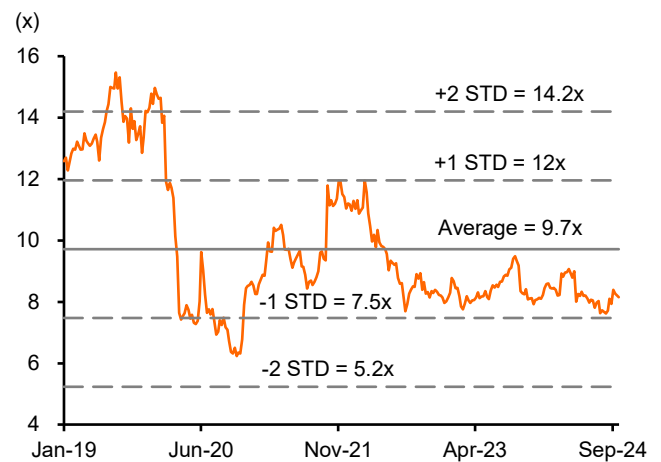
**Ex 1: Earnings Revisions**

	2019	2020	2021	2022	2023	2024F	2025F	2026F
<b>Net profits (Bt bn)</b>								
- New	40.44	27.22	35.59	37.55	43.52	41.26	46.95	54.03
- Old						41.26	44.93	54.06
- Change (%)						0.00	4.49	(0.06)
<b>Loan growth (%)</b>								
- New	(1.25)	6.69	2.07	3.27	2.08	1.88	2.96	2.86
- Old						1.88	2.96	2.86
- Change (ppt)						0.00	0.00	0.00
<b>NIM (%)</b>								
- New	3.23	3.10	2.89	3.19	3.62	3.66	3.67	3.84
- Old						3.66	3.67	3.84
- Change (ppt)						0.00	(0.00)	(0.00)
<b>Provisioning expenses (Bt bn)</b>								
- New	27.11	46.65	42.02	33.83	43.60	45.42	43.24	41.02
- Old						45.42	45.77	41.02
- Change (%)						0.00	(5.53)	0.00
<b>Net fee income (Bt bn)</b>								
- New	29.67	36.59	40.20	37.15	32.72	31.70	32.54	33.52
- Old						31.70	32.54	33.52
- Change (%)						0.00	0.00	0.00
<b>Non-interest income (Bt bn)</b>								
- New	42.64	47.95	54.61	46.28	46.00	44.39	45.04	46.38
- Old						44.39	45.04	46.38
- Change (%)						0.00	0.00	0.00
<b>OPEX (Bt bn)</b>								
- New	70.54	64.33	63.56	69.87	71.78	73.82	73.44	77.54
- Old						73.82	73.44	77.54
- Change (%)						0.00	0.00	0.00

Sources: Company data, Thanachart estimates

**Ex 2: STD P/BV**

Sources: Bloomberg, Thanachart estimates

**Ex 3: STD PE**

Sources: Bloomberg; Thanachart estimates

**Ex 4: 12-month DDM-based TP Calculation Using A Base Year Of 2025F**

(Bt m)	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F	Terminal Value
Dividend of common shares	33,671	37,560	43,225	46,460	48,382	50,249	52,255	54,403	56,700	59,156	59,156
Dividend payment	33,671	37,560	43,225	46,460	48,382	50,249	52,255	54,403	56,700	59,156	548,340
PV of dividend	33,671	29,675	30,355	28,992	26,835	24,773	22,199	20,445	18,856	17,409	161,369
Risk-free rate (%)	3.0										
Market risk premium (%)	8.0										
Beta	1.2										
WACC (%)	12.5										
Cost of equity	12.5										
Terminal growth (%)	2.0										
Equity value	414,579										
No. of shares (m)	3,367										
<b>Equity value / share (Bt)</b>	<b>123.0</b>										

Sources: Company data, Thanachart estimates

## COMPANY DESCRIPTION

Siam Commercial Bank (SCB) was Thailand's first home-grown bank, established in 1906 under Royal Charter and listed on the SET in 1976. The company has undergone a major business reorganization plan to transform the bank into SCBx, an investment holding company. The business transfer was completed in 4Q22. As a banking entity, it has divided its business operating platform into three generations. They are 1) Gen 1: SCB Bank; 2) Gen 2: Consumer and digital finance services; and 3) Gen 3: Platform and digital assets.

Source: Thanachart

## COMPANY RATING



### Rating Scale

<b>Excellent</b>	<b>5</b>
<b>Good</b>	<b>4</b>
<b>Fair</b>	<b>3</b>
<b>Weak</b>	<b>2</b>
<b>Very Weak</b>	<b>1</b>
<b>None</b>	<b>0</b>

Source: Thanachart; \*CG Rating

## THANACHART'S SWOT ANALYSIS

### S — Strength

- Leading position in retail products.
- Strong deposit franchise.
- Healthy balance sheet.

### O — Opportunity

- Successful penetration of unsecured, digital/machine lending.
- Wealth management
- Non-bank service fees.

### W — Weakness

- New structure has increased its exposure to higher-risk segments.
- Increasing exposure to digital assets, for which the business outlook remains unsettled.

### T — Threat

- Global economic recession.
- New accounting standards and regulations.

## CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
<b>Target price (Bt)</b>	111.43	123.00	10%
<b>Net profit 24F (Bt m)</b>	41,710	41,256	-1%
<b>Net profit 25F (Bt m)</b>	44,281	46,950	6%
<b>Consensus REC</b>	<b>BUY: 14</b>	<b>HOLD: 12</b>	<b>SELL: 2</b>

## HOW ARE WE DIFFERENT FROM THE STREET?

- Our 2024F earnings are lower than the Street's, which we attribute to us factoring in a slower pace of credit cost reduction for SCBx.
- As we expect a larger cut in provisions and continued high dividend payments, our earnings for 2025F and TP are higher than the Bloomberg consensus numbers.

Sources: Bloomberg consensus, Thanachart estimates

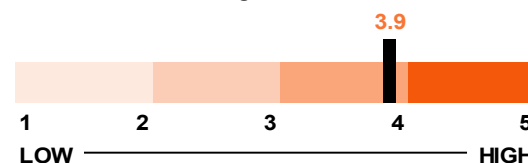
## RISKS TO OUR INVESTMENT CASE

- Our BUY rating is premised on its commitment to pay high dividends. Should SCBx cut its dividend payout ratio to less than what we presently assume, this would present a major downside risk to our TP and BUY recommendation.
- In the event that asset-quality risk is greater than we forecast, leading to higher-than-expected provisions, this would present the key downside risk to our earnings estimates and TP.

Source: Thanachart

SCB conducts its business by considering environmental, social, and governance criteria, steered by three strategic pillars of sustainability: 1) sustainable finance, 2) creating social impacts, and 3) a better environmental future. We assign an ESG score of 3.86 to SCB.

Thanachart ESG Rating



	SET ESG Index	SET ESG (BBB-AAA)	DJSI Index	MSCI (CCC-AAA)	ESG Book (0-100)	Refinitiv (0-100)	S&P Global (0-100)	Moody's (0-100)	CG Rating (0-5)
SCB	YES	YES	YES	A	50.21	77.3	77.00	-	5.0

Sources: SETTRADE, SET ESG Index, SET ESG Rating, The Dow Jones Industrial Average (DJSI), MSCI ESG Research LLC, ESG Book, Refinitiv ESG Information, S&P Global Market Intelligence, Moody's ESG Solutions, Thai IOD (CG rating)  
 Note: Please see third party on "terms of use" toward the back of this report.

**Factors Our Comments**

**ENVIRONMENT**

- Environmental Policies & Guidelines
- Energy Management
- Carbon Management
- Water Management
- Waste Management

- SCBx has committed to becoming net zero within its operations by 2023 and for overall lending and investment by 2050.
- SCBx group, via SCB, assessed and considered ESG-related risks in 100% of project finance applications last year.
- The bank also integrates climate change considerations into its risk-management system, including climate scenario analysis in line with the TCFD's recommendations as one of its inputs for stress testing to set industry limits and inform business strategy.
- The bank has provided over Bt75.2bn in financing to help mitigate climate change impacts, reduce inequality, and promote well-being. The target is to provide Bt200bn of funding to support green/ESG finance by 2030.

**SOCIAL**

- Human Rights
- Staff Management
- Health & Safety
- Product Safety & Quality
- Social Responsibility

- SCBx Group, via SCB, is committed to providing educational opportunities for youths of all ages to help them develop skills for the 21st century. Young people form an important foundation for the country's development and need help keeping pace with future changes.
- In 2022, SCB continued to support social initiatives, including the SCB Challenge, CONNEXT ED, scholarships, and financial literacy schemes.
- Some 6,000 youths and teachers and 700 schools participated in the projects. SCB offers 240 Science and Technology scholarships and 543 general scholarships.

**GOVERNANCE & SUSTAINABILITY**

- Board
- Ethics & Transparency
- Business Sustainability
- Risk Management
- Innovation

- With an ambition to align its growth strategy with the sustainable development guidelines, in 2022, SCBx established the group-wide sustainability governance structure that operates under a strategic framework comprising four pillars: "Planting Digital Seeds, Enriching Lives, Growing Economic Resilience, and Achieving Climate Neutrality" – steered by its sustainability mission, "Opportunities for Everyone, Possibilities Everyday".
- This is SCBx's direction to foster an inclusive financial ecosystem while empowering all stakeholders to take part and accelerate their climate actions through the use of technology and innovation. In doing so, the SCBx sustainability framework not only complies with the ten principles of the United Nations Global Compact but also upholds the United Nations Sustainable Development Goals (SDGs) and the Paris Agreement.
- SCBx was selected as a member of the Dow Jones Sustainability Indices (DJSI) for the World Index and the Emerging Markets Index in the banking sector for the 5th consecutive year. SCBx also ranked among the top 5% for its S&P Global ESG Score in the banking sector, as reported in *The Sustainability Yearbook 2023*.

Sources: Company data, Thanachart

## INCOME STATEMENT

*Hit by one-off expenses  
and a slower pace of  
credit cost reduction*

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
Interest and Dividend Income	126,993	161,121	167,383	169,123	176,852
Interest Expenses	19,127	36,439	40,521	39,505	38,063
<b>Net Interest Income</b>	<b>107,865</b>	<b>124,682</b>	<b>126,862</b>	<b>129,618</b>	<b>138,789</b>
% of total income	70.0%	73.0%	74.1%	74.2%	75.0%
Gain on Investment	54	68	70	70	70
Fee Income	37,148	32,723	31,700	32,541	33,517
Gain on Exchange	6,669	8,828	9,000	9,180	9,364
Others	2,262	4,234	3,400	3,000	3,150
<b>Non-interest Income</b>	<b>46,283</b>	<b>46,003</b>	<b>44,385</b>	<b>45,036</b>	<b>46,376</b>
% of total income	30.0%	27.0%	25.9%	25.8%	25.0%
<b>Total Income</b>	<b>154,148</b>	<b>170,686</b>	<b>171,247</b>	<b>174,654</b>	<b>185,165</b>
Operating Expenses	69,874	71,781	73,816	73,437	77,538
<b>Pre-provisioning Profit</b>	<b>84,274</b>	<b>98,905</b>	<b>97,431</b>	<b>101,217</b>	<b>107,626</b>
Provisions	33,829	43,600	45,418	43,236	41,023
<b>Pre-tax Profit</b>	<b>50,445</b>	<b>55,305</b>	<b>52,013</b>	<b>57,981</b>	<b>66,604</b>
Income Tax	13,592	11,955	11,131	11,596	13,321
After Tax Profit	36,853	43,351	40,882	46,385	53,283
Equity Income	273	418	618	818	1,018
Minority Interest	421	(247)	(243)	(253)	(269)
Extraordinary Items	0	0	0	0	0
<b>NET PROFIT</b>	<b>37,546</b>	<b>43,521</b>	<b>41,256</b>	<b>46,950</b>	<b>54,032</b>
<b>Normalized Profit</b>	<b>37,546</b>	<b>43,521</b>	<b>41,256</b>	<b>46,950</b>	<b>54,032</b>
EPS (Bt)	11.2	12.9	12.3	13.9	16.0
Normalized EPS (Bt)	11.2	12.9	12.3	13.9	16.0

## BALANCE SHEET

*Caution in lending  
practices leads to weak  
loan growth*

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
<b>ASSETS:</b>					
<b>Liquid Items</b>	<b>569,309</b>	<b>477,473</b>	<b>520,000</b>	<b>529,000</b>	<b>546,000</b>
cash & cash equivalents	47,254	40,676	35,000	34,000	33,000
interbank & money market	522,056	436,797	485,000	495,000	513,000
Securities under resale agreeme	0	0	0	0	0
Investments	390,671	386,162	347,820	347,920	348,020
<b>Net loans</b>	<b>2,247,848</b>	<b>2,301,044</b>	<b>2,340,243</b>	<b>2,409,079</b>	<b>2,476,593</b>
Gross and accrued interest	2,396,738	2,450,030	2,495,093	2,568,985	2,640,867
Provisions for doubtful	148,890	148,985	154,850	159,906	164,274
Fixed assets - net	68,898	71,919	74,784	72,374	68,285
Other assets	177,726	202,124	208,188	214,433	220,866
<b>Total assets</b>	<b>3,454,452</b>	<b>3,438,722</b>	<b>3,491,034</b>	<b>3,572,806</b>	<b>3,659,764</b>
<b>LIABILITIES:</b>					
<b>Liquid Items</b>	<b>2,748,576</b>	<b>2,677,324</b>	<b>2,714,221</b>	<b>2,804,694</b>	<b>2,897,116</b>
Deposit	2,555,800	2,442,860	2,457,758	2,526,230	2,596,652
Interbank & money market	181,347	221,459	241,459	261,459	281,459
Liability payable on demand	11,429	13,005	15,005	17,005	19,005
Borrowings	71,996	109,911	120,642	100,409	80,204
Other liabilities	167,268	167,754	165,754	163,754	161,754
<b>Total liabilities</b>	<b>2,987,840</b>	<b>2,954,989</b>	<b>3,000,617</b>	<b>3,068,858</b>	<b>3,139,075</b>
Minority interest	5,380	5,651	5,894	6,147	6,416
<b>Shareholders' equity</b>	<b>461,232</b>	<b>478,082</b>	<b>484,523</b>	<b>497,801</b>	<b>514,273</b>
Preferred capital	-	-	-	-	-
Paid-in capital	33,671	33,671	33,671	33,671	33,671
Share premium	11,019	11,019	11,019	11,019	11,019
Surplus/ Others	21,955	20,833	20,833	20,833	20,833
Retained earnings	394,587	412,559	418,999	432,278	448,749
<b>Liabilities &amp; equity</b>	<b>3,454,452</b>	<b>3,438,722</b>	<b>3,491,034</b>	<b>3,572,806</b>	<b>3,659,764</b>

Sources: Company data, Thanachart estimates

## VALUATION

FY ending Dec	2022A	2023A	2024F	2025F	2026F
Normalized PE (x)	10.0	8.6	9.1	8.0	6.9
Normalized PE - at target price (x)	11.0	9.5	10.0	8.8	7.7
PE (x)	10.0	8.6	9.1	8.0	6.9
PE - at target price (x)	11.0	9.5	10.0	8.8	7.7
P/PPP (x)	4.4	3.8	3.8	3.7	3.5
P/PPP - at target price (x)	4.9	4.2	4.3	4.1	3.8
P/BV (x)	0.8	0.8	0.8	0.8	0.7
P/BV - at target price (x)	0.9	0.9	0.9	0.8	0.8
Dividend yield (%)	6.0	9.3	9.0	10.0	11.6
Market cap / net loans (x)	0.2	0.2	0.2	0.2	0.2
Market cap / deposit (x)	0.1	0.2	0.2	0.1	0.1
<b>(Bt)</b>					
Normalized EPS	11.2	12.9	12.3	13.9	16.0
EPS	11.2	12.9	12.3	13.9	16.0
DPS	6.7	10.3	10.0	11.2	12.8
PPP/Share	25.0	29.4	28.9	30.1	32.0
BV/Share	137.0	142.0	143.9	147.8	152.7

*Highest dividend yield in the sector*

## FINANCIAL RATIOS

FY ending Dec	2022A	2023A	2024F	2025F	2026F
<b>Growth Rate (%)</b>					
Net interest income (NII)	13.3	15.6	1.7	2.2	7.1
Non-interest income (Non-II)	(15.3)	(0.6)	(3.5)	1.5	3.0
Operating expenses	9.9	2.7	2.8	(0.5)	5.6
Pre-provisioning profit (PPP)	(2.3)	17.4	(1.5)	3.9	6.3
Net profit	5.5	15.9	(5.2)	13.8	15.1
Normalized profit growth	5.5	15.9	(5.2)	13.8	15.1
EPS	5.5	15.9	(5.2)	13.8	15.1
Normalized EPS	5.5	15.9	(5.2)	13.8	15.1
Dividend payout ratio	60.0	80.0	81.6	80.0	80.0
Loan - gross	3.3	2.1	1.9	3.0	2.9
Loan - net	3.8	2.4	1.7	2.9	2.8
Deposit	3.6	(4.4)	0.6	2.8	2.8
NPLs	(12.6)	1.6	(0.0)	2.6	1.9
Total assets	4.2	(0.5)	1.5	2.3	2.4
Total equity	4.6	3.7	1.3	2.7	3.3
<b>Operating Ratios (%)</b>					
Net interest margin (NIM)	3.2	3.6	3.7	3.7	3.8
Net interest spread	4.7	5.3	5.2	5.3	5.5
Yield on earnings assets	3.9	4.9	5.1	5.0	5.1
Avg cost of fund	0.7	1.3	1.4	1.4	1.3
NII / operating income	70.0	73.0	74.1	74.2	75.0
Non-II / operating income	30.0	27.0	25.9	25.8	25.0
Fee income / operating income	24.1	19.2	18.5	18.6	18.1
Normalized net margin	24.4	25.5	24.1	26.9	29.2
Cost-to-income	45.3	42.1	43.1	42.0	41.9
Credit cost - provision exp / loans	1.4	1.8	1.8	1.7	1.6
PPP / total assets	2.5	2.9	2.8	2.9	3.0
PPP / total equity	18.7	21.1	20.2	20.6	21.3
ROA	1.1	1.3	1.2	1.3	1.5
ROE	8.3	9.3	8.6	9.6	10.7

*NIM support from exposures to fixed interest rate retail and consumer finance loans*

Sources: Company data, Thanachart estimates

## FINANCIAL RATIOS

	FY ending Dec	2022A	2023A	2024F	2025F	2026F
<i>Efficient management of excess liquidity</i>	<b>Liquidity and Quality Ratio (%)</b>					
	Loan-to-deposit	93.0	99.3	100.6	100.8	100.8
	Loan-to-deposit & S-T borrowing	93.0	99.3	100.6	100.7	100.8
	Net loan / assets	65.1	66.9	67.0	67.4	67.7
	Net loan / equity	487.4	481.3	483.0	483.9	481.6
	Investment / assets	11.3	11.2	10.0	9.7	9.5
	Deposit / liabilities	85.5	82.7	81.9	82.3	82.7
	Liabilities / equity	647.8	618.1	619.3	616.5	610.4
	Net interbank lender (Bt m)	340,708	215,338	243,541	233,541	231,541
	Tier 1 CAR	17.7	17.6	17.3	17.5	17.7
	Tier 2 CAR	1.1	1.1	1.9	1.8	1.8
	Total CAR	18.9	18.8	19.2	19.3	19.5
	NPLs (Bt m)	95,329	96,832	96,809	99,343	101,258
	NPLs / Total loans (NPL Ratio)	4.0	4.0	3.9	3.9	3.8
Loan-Loss-Coverage	156.2	153.9	160.0	161.0	162.2	

Sources: Company data, Thanachart estimates

**BUY** (Unchanged)

Change in Numbers

**TP: Bt 109.00**

(From: Bt 111.00)

**26 SEPTEMBER 2024****Upside : 12.1%**

# TISCO Financial Group (TISCO TB)

## Pursuing returns

Despite our 6% average earnings cut for 2024-26F, TISCO remains a BUY, with its strong dividend yield story intact. We also expect the bank to continue expanding its loan outlets while carefully managing asset growth to maintain its high ROE. With an 8% dividend yield and a robust 16% ROE, TISCO's valuation appears attractive to us.

**SARACHADA SORNSONG**

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### More cautious lending

Loan growth was only 0.6% YTD in 2Q24, reflecting TISCO's more prudent underwriting practices. The main drag came from auto hire purchase (HP) loans, impacted by the contraction in new car sales. While Somwang's auto cash loans still grew, the pace was slower compared to last year despite opening 84 new branches in the first half of this year. TISCO remains cautious, focusing on balancing loan volume growth with quality. As a result, we have revised our loan growth estimate to -3.7% for this year, with a rebound to 3% in 2025F and 3.6% in 2026F.

### Last leg of rising cost of funds

As a small bank with a limited CASA portion, TISCO faces challenges in the rising interest rate environment, which has negatively impacted its net spread and NIM. The bank's average funding cost increased from its 2022 low of 1.1% to 1.89% in 2023. However, as the repricing of fixed deposits slows, we expect funding cost pressure to ease starting from 3Q24F. We project TISCO's average cost of funds to rise from 2% in 1H24 to 2.35% in 2024F before declining to 2.2% in 2025F and 2% in 2026F. This assumption is based on Thanachart Securities' expectation of a 50bps policy rate cut by 2025.

### Manageable NPLs and provisions

With its more aggressive expansion into higher-yield HP and auto cash segments, we expect TISCO's NPL ratio to increase from 2.2% in 2023 to 2.6-2.7% over 2024-26F. As the bank releases excess provisions, we anticipate its loan-loss coverage ratio will decline from 190% in 2023 but remain at a healthy level above 130% from 2025F onwards. We estimate it will take two to three years to reach a normalized credit cost level of 1%, and consequently, we project credit costs of 0.6-0.7% in 2024-25F.

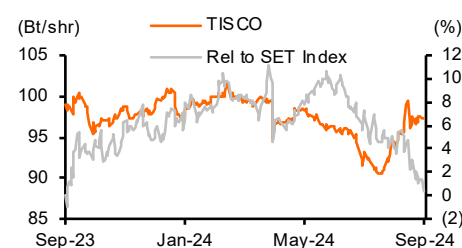
### Sustainable high DPS of Bt7.75; BUY

To reflect lower-than-expected loan and fee income growth, along with higher-than-anticipated credit costs, we lower TISCO's earnings by an average of 6% over 2024-26F. Consequently, we trim our new DDM-based 12-month TP (using 2025F as the base year) to Bt109 from Bt111. Despite these revisions, we see room for higher dividend payout ratios, given TISCO's strong capital position. As a result, an unprecedented dividend payment of Bt7.75/share appears to be the minimum sustainable level. This implies a very high dividend yield of 8% in 2024F. Meanwhile, TISCO's ROE is the sector's highest at over 16%. With 12% potential upside, we maintain our BUY rating on TISCO.

### COMPANY VALUATION

Y/E Dec (Bt m)	2023A	2024F	2025F	2026F
Pre Provision Profit	9,676	9,942	10,243	11,306
Net profit	7,301	6,935	7,016	7,343
Consensus NP	—	6,832	6,679	6,897
Diff frm cons (%)	—	1.5	5.0	6.5
Norm profit	7,301	6,935	7,016	7,343
Prev. Norm profit	—	7,247	7,431	7,924
Chg frm prev (%)	—	(4.3)	(5.6)	(7.3)
Norm EPS (Bt)	9.1	8.7	8.8	9.2
Norm EPS grw (%)	1.1	(5.0)	1.2	4.7
Norm PE (x)	10.7	11.2	11.1	10.6
P/BV (x)	1.8	1.8	1.8	1.7
Div yield (%)	8.0	8.0	8.0	8.0
ROE (%)	17.1	16.2	16.1	16.5
ROA (%)	2.6	2.4	2.3	2.3

### PRICE PERFORMANCE



### COMPANY INFORMATION

Price: as of 25-Sep-24 (Bt)	97.25
Market Cap (US\$ m)	2,382
Listed Shares (m shares)	800.6
Free Float (%)	81.3
Avg. Daily Turnover (US\$ m)	12.9
12M Price H/L (Bt)	101.50/90.50
Sector	BANK
Major Shareholder	CDIB & Partners Investment Holding 10%

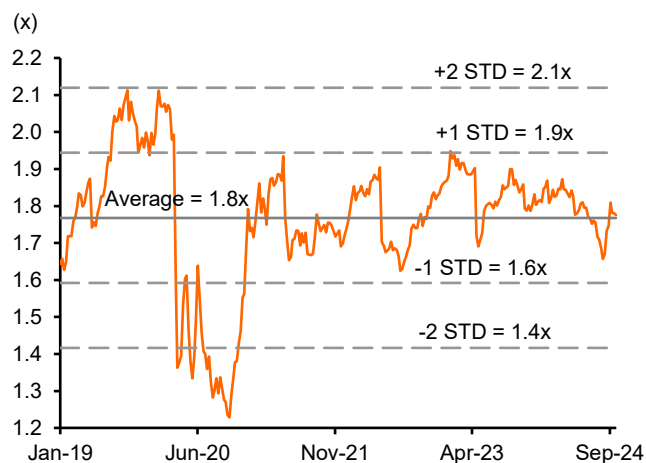
Sources: Bloomberg, Company data, Thanachart estimates

**ESG Summary Report ..... P75**

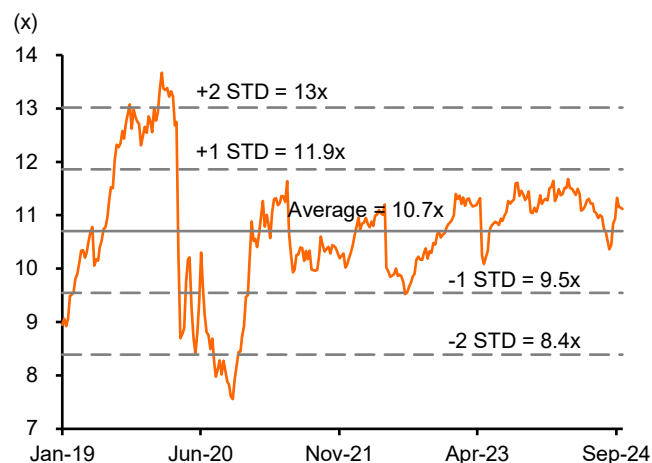
**Ex 1: Earnings Revision**

	2019	2020	2021	2022	2023	2024F	2025F	2026F
<b>Net profits (Bt bn)</b>								
- New	7.27	6.06	6.78	7.22	7.30	6.93	7.02	7.34
- Old						7.25	7.43	7.92
- Change (%)						(4.31)	(5.59)	(7.33)
<b>Loans growth (%)</b>								
- New	0.90	(7.42)	(9.72)	7.91	7.22	(3.54)	2.99	3.60
- Old						4.65	4.90	4.30
- Change (ppt)						na	(1.91)	(0.71)
<b>NIM (%)</b>								
- New	3.89	4.28	4.58	4.78	4.63	4.36	4.43	4.63
- Old						4.43	4.64	4.89
- Change (ppt)						(0.06)	(0.21)	(0.26)
<b>Provisioning expenses (Bt bn)</b>								
- New	1.11	3.33	2.06	0.72	0.62	1.31	1.52	2.17
- Old						1.23	2.06	2.69
- Change (%)						6.92	(26.47)	(19.11)
<b>Net fee income (Bt bn)</b>								
- New	6.19	5.15	5.62	5.05	4.87	4.85	4.82	4.96
- Old						5.14	5.38	5.64
- Change (%)						(5.64)	(10.45)	(11.90)
<b>Non-interest income (Bt bn)</b>								
- New	6.63	5.81	6.37	5.52	5.19	5.48	5.23	5.38
- Old						5.56	5.89	6.16
- Change (%)						(1.46)	(11.08)	(12.74)
<b>OPEX (Bt bn)</b>								
- New	9.27	8.01	8.28	8.59	9.34	9.46	9.36	9.59
- Old						9.65	10.08	10.54
- Change (%)						(1.98)	(7.18)	(9.01)

Sources: Company data, Thanachart estimates

**Ex 2: STD P/BV**

Sources: Bloomberg, Thanachart estimates

**Ex 3: STD PE**

Sources: Bloomberg; Thanachart estimates

**Ex 4: DDM-based 12-month TP Calculation Using A Base Year Of 2025F**

(Bt m)	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	Terminal Value
Dividend of common shares	6,205	6,205	6,565	7,170	7,698	8,290	8,935	9,659	11,197	11,197
Dividend payment	6,205	6,205	6,565	7,170	7,698	8,290	8,935	9,659	11,197	120,218
PV of dividend	6,205	5,036	4,800	4,722	4,567	4,431	4,169	4,041	4,201	45,106
Risk-free rate (%)	3.0									
Market risk premium (%)	8.0									
Beta	1.0									
WACC (%)	11.0									
Cost of equity	11.0									
Terminal growth (%)	2.0									
Equity value	87,278									
No. of shares (m)	801									
<b>Equity value / share (Bt)</b>	<b>109.00</b>									

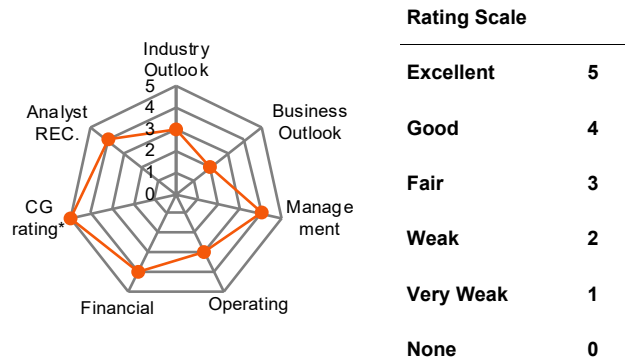
Sources: Company data, Thanachart estimates

## COMPANY DESCRIPTION

TISCO Financial Group PI (TISCO) was established by TISCO Group, a well-established Thai financial institution. Under the new shareholding restructure, TISCO has become the parent of TISCO Group. Its subsidiaries comprise TISCO Bank Plc, TISCO Asset Management, TISCO Securities, Hi-Way, TISCO Information Technology, and TISCO Tokyo Leasing Co Ltd.

Source: Thanachart

## COMPANY RATING



Source: Thanachart; \*CG Rating

## THANACHART'S SWOT ANALYSIS

### S — Strength

- Strong management execution.
- Low operating cost advantage.
- Agility and flexibility.

### O — Opportunity

- Rising penetration of auto cash loans.
- Wealth management and financial advisory services.

### W — Weakness

- As a retail-oriented bank, TISCO's business is more geared to the economic cycle than peers.
- Relatively low CASA portion.

### T — Threat

- Global economic recession.
- New accounting standards and regulations.

## CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	98.91	109.00	10%
Net profit 24F (Bt m)	6,832	6,935	2%
Net profit 25F (Bt m)	6,679	7,016	5%
Consensus REC	<b>BUY: 4</b>	<b>HOLD: 19</b>	<b>SELL: 2</b>

## HOW ARE WE DIFFERENT FROM THE STREET?

- We are slightly more bullish than the Bloomberg consensus on TISCO's 2024-25F earnings, which we attribute to us factoring in lower provisions.
- Our DDM-based TP is, therefore, higher.

Sources: Bloomberg consensus, Thanachart estimates

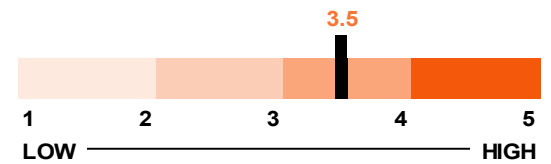
## RISKS TO OUR INVESTMENT CASE

- Weakening asset quality represents the key downside risk to our expectation for a declining provisioning trend.
- A secondary downside risk to our earnings would come from lower-than-expected loan growth
- A lower-than-expected dividend payout ratio would present another downside risk to the achievement of our TP.

Source: Thanachart

TISCO Group is dedicated to providing competitive and innovative financial solutions that ensure customer satisfaction. This commitment applies to TISCO and its subsidiaries, directors, management, and subsidiaries' employees. However, with unclear targets to improve its environmental impact, we assign an ESG score of 3.54.

Thanachart ESG Rating



	SET ESG Index	SET ESG (BBB-AAA)	DJSI Index	MSCI (CCC-AAA)	ESG Book (0-100)	Refinitiv (0-100)	S&P Global (0-100)	Moody's (0-100)	CG Rating (0-5)
TISCO	YES	YES	-	-	65.71	63.28	26.00	-	5.0

Sources: SETTRADE, SET ESG Index, SET ESG Rating, The Dow Jones Industrial Average (DJSI), MSCI ESG Research LLC, ESG Book, Refinitiv ESG Information, S&P Global Market Intelligence, Moody's ESG Solutions, Thai IOD (CG rating)

Note: Please see third party on "terms of use" toward the back of this report.

**Factors Our Comments**

**ENVIRONMENT**

- Environmental Policies & Guidelines
- Energy Management
- Carbon Management
- Water Management
- Waste Management

- TISCO provides financing and advisory services to businesses and projects that benefit the environment and society. It supports electric vehicle (EV) financing through prominent and market-pioneer partners in Thailand, with financing amounting to as much as 25% of the sales of popular EV models. TISCO also supports large business loans for environmentally friendly projects, reaching 20.99% of total corporate loans.
- In addition, the bank has integrated environmental impact management into its operations by raising awareness among employees of using resources efficiently and disseminating environmental conservation knowledge to communities in its operating areas to promote joint environmental management and continually support environmental conservation activities with external agencies, such as "Care the Whale" (invisible garbage), "Care the Bear" (eco event) and the "Won Project" (send plastic home).

**SOCIAL**

- Human Rights
- Staff Management
- Health & Safety
- Product Safety & Quality
- Social Responsibility

- TISCO has set out a policy of an "Organization of Happiness" with agility and employee engagement to grow together. Emphasis is placed on supervising and enhancing employees' potential to be ready for new challenges. This includes skills development for new tools and technology to increase the quality of work.
- TISCO Group emphasizes "promotion from within" for available job positions. Employees are assessed at all stages, from the selection of new candidates to promotion, career development, and succession planning.
- For the social aspect, TISCO focuses on economic foundations. The bank has supported affected customers through sustainable debt restructuring, such as returning cars and ending debt, thereby helping more than 8,600 customers completely resolve their debt problems without affecting their financial records. It has also expanded opportunities to access financial services in remote areas by increasing "Somwang Ngern Sang Dai" branches, focusing on the responsible lending principle.

**GOVERNANCE & SUSTAINABILITY**

- Board
- Ethics & Transparency
- Business Sustainability
- Risk Management
- Innovation

- The board structure comprises a board of directors and five subcommittees. Risk management and internal control are monitored and controlled by the board of directors, with delegation to the executive board of directors of the group.
- The board of directors has 12 members, including three women. Half of them are independent directors, and 17% are non-executives.
- To uphold the highest standards of good corporate governance, TISCO Group has established a "Business Code of Conduct" that demonstrates its determination to be a good corporate citizen in society. The group also annually holds a compulsory compliance and human resource policy test through the TISCO Intranet system.
- TISCO received an Excellent Corporate Governance Report from the Thai Institute of Directors (IOD) for the 16th year since 2007.

Sources: Company data, Thanachart

## INCOME STATEMENT

	FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
<i>Hit by higher expenses</i>						
Interest and Dividend Income		14,904	18,037	19,470	19,602	20,591
Interest Expenses		2,171	4,208	5,549	5,233	5,077
<b>Net Interest Income</b>		<b>12,734</b>	<b>13,829</b>	<b>13,920</b>	<b>14,369</b>	<b>15,514</b>
% of total income		69.8%	72.7%	71.7%	73.3%	74.3%
Gain on Investment		3	5	2	6	8
Fee Income		5,046	4,867	4,850	4,815	4,965
Gain on Exchange		86	(29)	300	100	100
Others		73	90	100	103	106
<b>Non-interest Income</b>		<b>5,516</b>	<b>5,188</b>	<b>5,482</b>	<b>5,234</b>	<b>5,379</b>
% of total income		30.2%	27.3%	28.3%	26.7%	25.7%
<b>Total Income</b>		<b>18,249</b>	<b>19,017</b>	<b>19,402</b>	<b>19,603</b>	<b>20,893</b>
Operating Expenses		8,591	9,340	9,460	9,361	9,587
<b>Pre-provisioning Profit</b>		<b>9,658</b>	<b>9,676</b>	<b>9,942</b>	<b>10,243</b>	<b>11,306</b>
Provisions		723	615	1,314	1,516	2,175
<b>Pre-tax Profit</b>		<b>8,936</b>	<b>9,061</b>	<b>8,629</b>	<b>8,726</b>	<b>9,131</b>
Income Tax		1,767	1,788	1,726	1,745	1,826
After Tax Profit		7,169	7,273	6,903	6,981	7,305
Equity Income		55	29	32	35	38
Minority Interest		(0)	(0)	(0)	(0)	(0)
Extraordinary Items		0	0	0	0	0
<b>NET PROFIT</b>		<b>7,224</b>	<b>7,301</b>	<b>6,935</b>	<b>7,016</b>	<b>7,343</b>
<b>Normalized Profit</b>		<b>7,224</b>	<b>7,301</b>	<b>6,935</b>	<b>7,016</b>	<b>7,343</b>
EPS (Bt)		9.0	9.1	8.7	8.8	9.2
Normalized EPS (Bt)		9.0	9.1	8.7	8.8	9.2

## BALANCE SHEET

	FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
<i>More cautious lending</i>						
<b>ASSETS:</b>						
<b>Liquid Items</b>		<b>41,277</b>	<b>49,408</b>	<b>60,000</b>	<b>65,950</b>	<b>70,600</b>
cash & cash equivalents		1,005	918	1,000	950	900
interbank & money market		40,272	48,490	59,000	65,000	69,700
Securities under resale agreeme		0	0	0	0	0
Investments		4,863	4,205	4,541	4,546	4,551
<b>Net loans</b>		<b>208,881</b>	<b>226,828</b>	<b>219,662</b>	<b>226,777</b>	<b>234,795</b>
Gross and accrued interest		220,726	236,744	228,400	235,165	243,546
Provisions for doubtful		11,845	9,916	8,738	8,388	8,751
Fixed assets - net		2,793	3,205	3,257	3,322	3,403
Other assets		7,600	7,079	7,000	7,050	7,100
<b>Total assets</b>		<b>265,414</b>	<b>290,724</b>	<b>294,460</b>	<b>307,645</b>	<b>320,450</b>
<b>LIABILITIES:</b>						
<b>Liquid Items</b>		<b>194,718</b>	<b>217,388</b>	<b>228,727</b>	<b>239,511</b>	<b>250,817</b>
Deposit		188,266	208,645	218,467	228,761	239,552
Interbank & money market		6,195	8,506	10,000	10,500	11,025
Liability payable on demand		257	237	260	250	240
Borrowings		15,757	17,286	7,955	8,541	7,899
Other liabilities		12,149	13,602	14,602	15,602	16,602
<b>Total liabilities</b>		<b>222,624</b>	<b>248,276</b>	<b>251,283</b>	<b>263,654</b>	<b>275,318</b>
Minority interest		3	3	4	4	5
<b>Shareholders' equity</b>		<b>42,787</b>	<b>42,445</b>	<b>43,173</b>	<b>43,987</b>	<b>45,127</b>
Preferred capital		-	-	-	-	-
Paid-in capital		8,007	8,007	8,006	8,006	8,006
Share premium		1,018	1,018	1,018	1,018	1,018
Surplus/ Others		1,831	2,021	2,021	2,021	2,021
Retained earnings		31,931	31,399	32,132	32,945	34,085
<b>Liabilities &amp; equity</b>		<b>265,414</b>	<b>290,724</b>	<b>294,460</b>	<b>307,645</b>	<b>320,450</b>

Sources: Company data, Thanachart estimates

**VALUATION**

FY ending Dec	2022A	2023A	2024F	2025F	2026F
Normalized PE (x)	10.8	10.7	11.2	11.1	10.6
Normalized PE - at target price (x)	12.1	12.0	12.6	12.4	11.9
PE (x)	10.8	10.7	11.2	11.1	10.6
PE - at target price (x)	12.1	12.0	12.6	12.4	11.9
P/PPP (x)	8.1	8.0	7.8	7.6	6.9
P/PPP - at target price (x)	9.0	9.0	8.8	8.5	7.7
P/BV (x)	1.8	1.8	1.8	1.8	1.7
P/BV - at target price (x)	2.0	2.1	2.0	2.0	1.9
Dividend yield (%)	8.0	8.0	8.0	8.0	8.0
Market cap / net loans (x)	0.4	0.3	0.4	0.3	0.3
Market cap / deposit (x)	0.4	0.4	0.4	0.3	0.3
<b>(Bt)</b>					
Normalized EPS	9.0	9.1	8.7	8.8	9.2
EPS	9.0	9.1	8.7	8.8	9.2
DPS	7.8	7.8	7.8	7.8	7.7
PPP/Share	12.1	12.1	12.4	12.8	14.1
BV/Share	53.4	53.0	53.9	55.0	56.4

High yield looks set to stay

**FINANCIAL RATIOS**

FY ending Dec	2022A	2023A	2024F	2025F	2026F
<b>Growth Rate (%)</b>					
Net interest income (NII)	2.2	8.6	0.7	3.2	8.0
Non-interest income (Non-II)	(13.4)	(5.9)	5.7	(4.5)	2.8
Operating expenses	3.8	8.7	1.3	(1.0)	2.4
Pre-provisioning profit (PPP)	(8.4)	0.2	2.7	3.0	10.4
Net profit	6.5	1.1	(5.0)	1.2	4.7
Normalized profit growth	6.5	1.1	(5.0)	1.2	4.7
EPS	6.5	1.1	(5.0)	1.2	4.7
Normalized EPS	6.5	1.1	(5.0)	1.2	4.7
Dividend payout ratio	85.9	85.0	89.4	88.4	84.5
Loan - gross	7.9	7.2	(3.5)	3.0	3.6
Loan - net	8.3	8.6	(3.2)	3.2	3.5
Deposit	13.0	10.8	4.7	4.7	4.7
NPLs	(7.7)	14.1	14.9	5.0	5.0
Total assets	8.9	9.5	1.3	4.5	4.2
Total equity	3.9	(0.8)	1.7	1.9	2.6
<b>Operating Ratios (%)</b>					
Net interest margin (NIM)	5.0	5.0	4.8	4.8	4.9
Net interest spread	6.1	6.1	5.9	6.2	6.5
Yield on earnings assets	5.9	6.5	6.7	6.6	6.6
Avg cost of fund	1.1	1.9	2.4	2.2	2.0
NII / operating income	69.8	72.7	71.7	73.3	74.3
Non-II / operating income	30.2	27.3	28.3	26.7	25.7
Fee income / operating income	27.6	25.6	25.0	24.6	23.8
Normalized net margin	39.6	38.4	35.7	35.8	35.1
Cost-to-income	47.1	49.1	48.8	47.8	45.9
Credit cost - provision exp / loans	0.3	0.3	0.6	0.7	0.9
PPP / total assets	3.8	3.5	3.4	3.4	3.6
PPP / total equity	23.0	22.7	23.2	23.5	25.4
ROA	2.8	2.6	2.4	2.3	2.3
ROE	17.2	17.1	16.2	16.1	16.5

Funding costs set to peak by end-2024F

Sources: Company data, Thanachart estimates

## FINANCIAL RATIOS

FY ending Dec	2022A	2023A	2024F	2025F	2026F
<b>Liquidity and Quality Ratio (%)</b>					
Loan-to-deposit	116.3	112.5	103.7	102.0	100.9
Loan-to-deposit & S-T borrowing	116.3	112.5	103.6	101.6	100.8
Net loan / assets	78.7	78.0	74.6	73.7	73.3
Net loan / equity	488.2	534.4	508.8	515.6	520.3
Investment / assets	1.8	1.4	1.5	1.5	1.4
Deposit / liabilities	84.6	84.0	86.9	86.8	87.0
Liabilities / equity	520.3	584.9	582.0	599.4	610.1
Net interbank lender (Bt m)	34,077	39,983	49,000	54,500	58,675
Tier 1 CAR	17.2	16.3	16.1	15.8	15.7
Tier 2 CAR	3.5	3.2	3.1	3.0	2.9
Total CAR	20.6	19.5	19.2	18.8	18.5
NPLs (Bt m)	4,577	5,223	6,000	6,300	6,615
NPLs / Total loans (NPL Ratio)	2.1	2.2	2.6	2.7	2.7
Loan-Loss-Coverage	258.8	189.9	145.6	133.1	132.3

*Rising but manageable  
NPLs*

Sources: Company data, Thanachart estimates

**BUY** (Unchanged)**TP: Bt 2.30** (From: Bt 2.05)**26 SEPTEMBER 2024**

Change in Numbers

Upside : 17.3%

# TMBThanachart Bank (TTB TB)

## Conquering setbacks

Having been cautious in lending, cleaning up legacy NPLs, and building up provisioning buffers, TTB is riding the structurally weak retail lending backdrop unharmed. This, along with above-expectation interim dividends, leads us to lift our earnings and TP to Bt2.3.

**SARACHADA SORNSONG**

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### Strong earnings capacity

While high household debt, slow housing sales, declining used car prices, and weakening debt-servicing capabilities among mass retail borrowers pose challenges to TTB's plan to expand its high-yield consumer loans and boost cross-selling fees, the bank is well equipped with several buffers. 1) Remaining tax benefits of Bt12bn, equivalent to 65% of its 2023 net profit of Bt14.6bn. 2) Additional management overlay provisions of Bt6.6bn, representing 4% of Stage 2 loans and NPLs as of 2Q24. Its loan-loss-coverage ratio remains robust at 152%, with total provisions to loans at 4.7% in 2Q24. 3) Operational cost savings, driven by efficiency improvements and increased digital adoption.

### Slow asset but not profit growth

TTB's loan growth has fallen short of expectations, with loans contracting by 2.4% YTD. Consequently, we lower our loan growth projection for 2024F to -3.9%, with a slower recovery than initially expected, of 1% p.a. for 2025-26F. This has also led to a downward revision of our non-interest income assumptions by an average of 7% over 2024-26F. However, with strong provisioning cushions, tax benefits, and improved efficiency, we raise our earnings estimates by 1.6% for the next three years. We expect strong earnings growth for TTB of 14% p.a. in 2024-25F and 15% in 2026F.

### Higher payouts, still our top BUY with Bt2.3 TP

TTB declared higher-than-expected interim dividends of Bt0.065 per share, implying a 59% payout ratio vs. 55% in 2023. This increase reflects the bank's commitment to its capital management plan aimed at enhancing ROE. The earnings upgrade, increased dividend payouts, and the rollover of our base year to 2025F prompts us to raise our DDM-based TP from Bt2.05 to Bt2.3, using a cost of equity of 10.2%. TTB remains our top sector pick, offering 17% potential upside. TTB's flexibility in managing internal dynamics positions it well to navigate headwinds in the Thai banking sector, outperforming peers with higher earnings growth and dividend yields.

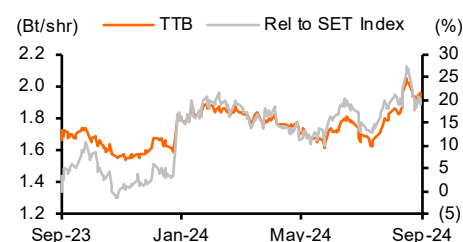
### Does the bank urgently need M&As?

We don't believe so. Based on our estimates, the existing buffers should support the bank in achieving its goal of above-industry earnings growth and ROE of above 10% by 2026F. This gives the bank the flexibility to take its time to explore and selectively pursue investments that enhance its competitive edge and align with its strategic growth direction. Most importantly, any M&As must be earnings-accretive and represent a more efficient use of capital than simply increasing dividend payouts.

### COMPANY VALUATION

Y/E Dec (Bt m)	2023A	2024F	2025F	2026F
Pre Provision Profit	39,398	38,925	39,441	42,207
Net profit	18,462	21,046	24,001	27,620
Consensus NP	—	20,295	21,595	22,819
Diff frm cons (%)	—	3.7	11.1	21.0
Norm profit	18,462	21,046	24,001	27,620
Prev. Norm profit	—	20,920	23,718	26,834
Chg frm prev (%)	—	0.6	1.2	2.9
Norm EPS (Bt)	0.2	0.2	0.2	0.3
Norm EPS grw (%)	30.1	14.0	14.0	15.1
Norm PE (x)	10.3	9.0	7.9	6.9
P/BV (x)	0.8	0.8	0.8	0.7
Div yield (%)	5.4	6.7	7.6	8.8
ROE (%)	8.2	9.0	9.8	10.8
ROA (%)	1.0	1.2	1.3	1.5

### PRICE PERFORMANCE



### COMPANY INFORMATION

Price: as of 25-Sep-24 (Bt)	1.96
Market Cap (US\$ m)	5,834
Listed Shares (m shares)	97,297.3
Free Float (%)	30.1
Avg. Daily Turnover (US\$ m)	15.3
12M Price H/L (Bt)	2.04/1.54
Sector	BANK
Major Shareholder	TCAP 24.35%

Sources: Bloomberg, Company data, Thanachart estimates

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Note: Thanachart Capital Public Company Limited (TCAP), TMBThanachart Bank Public Company Limited (TTB), are related companies to Thanachart Securities Public Company Limited (TNS). Thanachart Securities Pcl is a subsidiary of Thanachart Capital Pcl (TCAP) which holds 24.35% of the shareholding in TMBThanachart Bank Pcl.

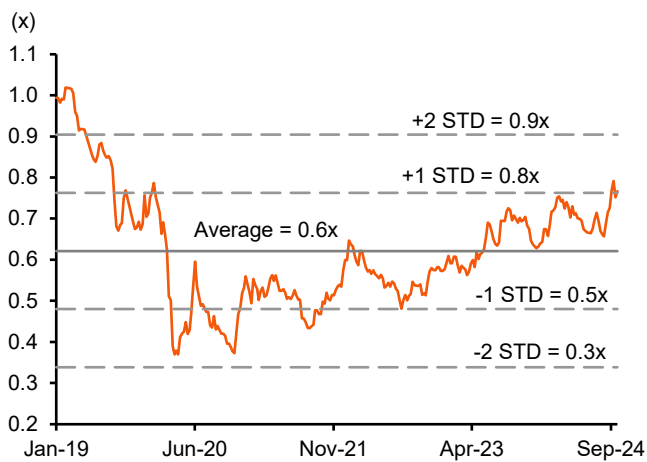
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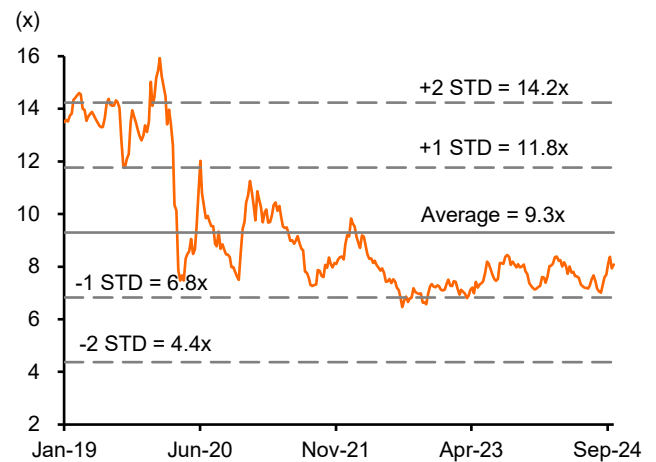
**Ex 1: Earnings Revisions**

	2019	2020	2021	2022	2023	2024F	2025F	2026F
<b>Net profits (Bt bn)</b>								
- New	7.22	10.11	10.47	14.20	18.46	21.05	24.00	27.62
- Old						20.92	23.72	26.83
- Change (%)						0.61	1.20	2.93
<b>Loan growth (%)</b>								
- New	103.03	0.05	(1.55)	0.35	(3.50)	(3.87)	1.05	1.14
- Old						0.36	1.98	2.11
- Change (ppt)						(4.23)	(0.93)	(0.97)
<b>NIM (%)</b>								
- New	1.95	2.93	2.86	2.88	3.13	3.12	3.13	3.21
- Old						3.14	3.20	3.30
- Change (ppt)						(0.03)	(0.07)	(0.09)
<b>Provisioning expenses (Bt bn)</b>								
- New	10.34	24.83	21.51	18.35	17.31	19.13	15.70	14.57
- Old						18.53	17.45	17.51
- Change (%)						3.23	(10.04)	(16.77)
<b>Net fee income (Bt bn)</b>								
- New	8.10	11.35	11.25	10.39	10.36	9.60	10.06	10.56
- Old						10.68	11.10	11.66
- Change (%)						(10.08)	(9.38)	(9.38)
<b>Non-interest income (Bt bn)</b>								
- New	12.63	15.18	14.19	13.97	13.47	12.92	13.38	14.04
- Old						13.84	14.42	15.13
- Change (%)						(6.69)	(7.23)	(7.23)
<b>OPEX (Bt bn)</b>								
- New	20.67	32.18	31.22	29.95	31.28	30.32	30.40	30.81
- Old						32.16	32.76	33.39
- Change (%)						(5.72)	(7.22)	(7.74)

Sources: Company data, Thanachart estimates

**Ex 2: STD P/BV**

Sources: Bloomberg, Thanachart estimates

**Ex 3: STD PE**

Sources: Bloomberg; Thanachart estimates

**Ex 4: 12-month DDM-based TP Calculation, Using A Base Year Of 2025F**

(Bt m)	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F	Terminal Value
Dividend of common shares	13,514	15,486	17,301	18,434	18,817	19,305	20,095	20,950	22,138	26,161	26,161
Dividend payment	13,514	15,486	17,301	18,434	18,817	19,305	20,095	20,950	22,138	26,161	306,719
PV of dividend	13,514	12,752	12,928	12,496	11,575	10,776	9,861	9,285	8,863	9,461	110,923
Risk-free rate (%)	3.0										
Market risk premium (%)	8.0										
Beta	1.1										
WACC (%)	10.2										
Cost of equity (%)	10.2										
Terminal growth (%)	2.0										
Equity value	222,435										
No. of shares (m)	96,623										
<b>Equity value / share (Bt)</b>	<b>2.30</b>										

Sources: Company data, Thanachart estimates

## COMPANY DESCRIPTION

Founded in 1957, TMB Bank Public Company Limited (TMB) was one of Thailand's leading mid-sized commercial banks. In 2019, TMB merged with Thanachart Bank (TBANK) and became the sixth-largest bank in Thailand. The merged bank, TMBThanachart Bank (TTB), was launched after the completion of the Entire Business Transfer in 2020. As planned, TTB successfully completed its integration mission on 5 July last year. TTB became one of Thailand's Domestically Systemically Important Banks (D-SIBs) in 2021.

Source: Thanachart

## COMPANY RATING



### Rating Scale

<b>Excellent</b>	<b>5</b>
<b>Good</b>	<b>4</b>
<b>Fair</b>	<b>3</b>
<b>Weak</b>	<b>2</b>
<b>Very Weak</b>	<b>1</b>
<b>None</b>	<b>0</b>

Source: Thanachart; \*CG Rating

## THANACHART'S SWOT ANALYSIS

### S — Strength

- Mid-sized bank with a fully equipped platform.
- Product innovation.
- Know-how from its foreign partner ING.

### O — Opportunity

- Increasing loan product holdings.
- Ability to cross-sell and upsell income.
- Room to increase recurring fee income.

### W — Weakness

- With its largest exposure to auto-HP, loan growth heavily relies on domestic car sales, demand/supply dynamics, and the automotive industry.

### T — Threat

- Global economic recession.
- New accounting standards and regulations.

## CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
<b>Target price (Bt)</b>	2.07	2.30	11%
<b>Net profit 24F (Bt m)</b>	20,295	21,046	4%
<b>Net profit 25F (Bt m)</b>	21,595	24,001	11%
<b>Consensus REC</b>	<b>BUY: 18</b>	<b>HOLD: 9</b>	<b>SELL: 1</b>

## HOW ARE WE DIFFERENT FROM THE STREET?

- Our earnings forecasts and TP are higher than the Bloomberg consensus numbers, which we attribute to our expectation that TTB will lower provisions and record higher tax-saving benefits.

Sources: Bloomberg consensus, Thanachart estimates

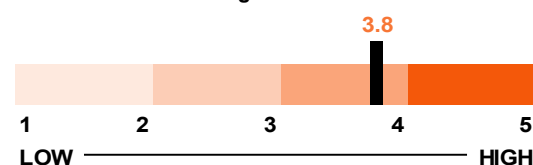
## RISKS TO OUR INVESTMENT CASE

- If TTB fails to execute its plans to extract more post-merger revenue synergies in three ecosystem models and is unable to manage asset quality well as we presently expect, this would lead to potential downside risk to our earnings and TP.

Source: Thanachart

TTB strives to integrate sustainability aspects into its business, aiming to avoid and minimize the negative impacts of operations, products, and services and to identify business opportunities to create positive impacts. We assign TTB an ESG score of 3.82.

Thanachart ESG Rating



	SET ESG Index	SET ESG (BBB-AAA)	DJSI Index	MSCI (CCC-AAA)	ESG Book (0-100)	Refinitiv (0-100)	S&P Global (0-100)	Moody's (0-100)	CG Rating (0-5)
TTB	YES	YES	-	BBB	62.17	59.58	68.00	39.0	5.0

Sources: SETTRADE, SET ESG Index, SET ESG Rating, The Dow Jones Industrial Average (DJSI), MSCI ESG Research LLC, ESG Book, Refinitiv ESG Information, S&P Global Market Intelligence, Moody's ESG Solutions, Thai IOD (CG rating)  
 Note: Please see third party on "terms of use" toward the back of this report.

**Factors Our Comments**

**ENVIRONMENT**

- Environmental Policies & Guidelines
- Energy Management
- Carbon Management
- Water Management
- Waste Management

- TTB has set a target to reduce the bank's electricity consumption by 15% and its water consumption by 10% by 2026, compared to the 2019 baseline.
- Shifting toward a net-zero economy requires moving away from carbon-intensive economic activities. TTB's policy is to reduce the financing of business activities that contribute the most to worsening climate change. Since 2020, the bank has stopped financing activities related to new coal-fired power plant projects and coal mining and exploration, while existing financing is planned to be run down to zero by 2028.
- In 2022, the bank issued a total of Bt13.1bn in green loans. It also signed a Bt2bn sustainability-linked loan agreement with Thai Union Group.
- The bank is the first and only Thai commercial bank to issue green and blue bonds.

**SOCIAL**

- Human Rights
- Staff Management
- Health & Safety
- Product Safety & Quality
- Social Responsibility

- The bank's human rights policy entails a commitment to respecting the human rights of all stakeholders related to its business activities, in line with the Universal Declaration of Human Rights, the UN Guiding Principles for Business and Human Rights, the UN Global Compact Principles, and the International Labour Organization.
- TTB has committed to having a diverse, inclusive workforce and aims to create a level playing field where all staff, both male and female, have equal employment opportunities. The bank's target is to have at least 40% of management positions held by women.
- The bank established the TTB Stock Retention Program (TSRP) in 2021, as approved by the board of directors. Some 305,000,000 shares at a par value of 0.95 baht are to be offered to TSRP-eligible employees with a vesting schedule of three years (2021-23).

**GOVERNANCE & SUSTAINABILITY**

- Board
- Ethics & Transparency
- Business Sustainability
- Risk Management
- Innovation

- The 14-member board of directors consists of eight non-executive directors, one executive director, and five independent directors.
- The board of directors, in conjunction with six of the bank's sub-committees: the Nomination, Remuneration and Corporate Governance Committee, Credit Committee, Risk Oversight Committee, IT Oversight Committee, Audit Committee, and Board of Executive Directors Committee, serves as a crucial overseer for the sustainable growth of the bank.
- Through its whistleblowing channel, 45 incidents were investigated, and all employees involved were penalized. In 2022, there was one inappropriate incident of behavior at the workplace, six of dishonest conduct, 18 of non-compliance with procedures and regulations, and 20 cases of fraudulent acts.
- All employees have completed online risk-awareness training courses covering topics such as cybersecurity risk awareness and non-financial risk management. All members of the board of directors have participated in risk-related training on topics such as Security Awareness Training, Cybersecurity, and Cyber Resilience.

Sources: Company data, Thanachart

## INCOME STATEMENT

*Bolstered by cost reductions*

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
Interest and Dividend Income	65,627	79,134	83,548	81,346	82,624
Interest Expenses	14,010	21,926	27,224	24,884	23,646
<b>Net Interest Income</b>	<b>51,617</b>	<b>57,207</b>	<b>56,325</b>	<b>56,462</b>	<b>58,978</b>
% of total income	78.7%	80.9%	81.3%	80.8%	80.8%
Gain on Investment	7	52	200	50	50
Fee Income	10,391	10,362	9,600	10,061	10,564
Gain on Exchange	1,693	1,666	1,716	1,768	1,821
Others	1,884	1,390	1,400	1,500	1,600
<b>Non-interest Income</b>	<b>13,974</b>	<b>13,470</b>	<b>12,916</b>	<b>13,379</b>	<b>14,035</b>
% of total income	21.3%	19.1%	18.7%	19.2%	19.2%
<b>Total Income</b>	<b>65,591</b>	<b>70,678</b>	<b>69,241</b>	<b>69,841</b>	<b>73,013</b>
Operating Expenses	29,952	31,280	30,316	30,400	30,806
<b>Pre-provisioning Profit</b>	<b>35,639</b>	<b>39,398</b>	<b>38,925</b>	<b>39,441</b>	<b>42,207</b>
Provisions	18,353	17,311	19,129	15,700	14,571
<b>Pre-tax Profit</b>	<b>17,286</b>	<b>17,198</b>	<b>19,797</b>	<b>23,741</b>	<b>27,637</b>
Income Tax	3,352	(980)	(990)	0	276
After Tax Profit	13,934	18,178	20,786	23,741	27,360
Equity Income	261	284	260	260	260
Minority Interest	(0)	(0)	0	0	0
Extraordinary Items	0	0	0	0	0
<b>NET PROFIT</b>	<b>14,195</b>	<b>18,462</b>	<b>21,046</b>	<b>24,001</b>	<b>27,620</b>
<b>Normalized Profit</b>	<b>14,195</b>	<b>18,462</b>	<b>21,046</b>	<b>24,001</b>	<b>27,620</b>
EPS (Bt)	0.1	0.2	0.2	0.2	0.3
Normalized EPS (Bt)	0.1	0.2	0.2	0.2	0.3

## BALANCE SHEET

*Very cautious policy*

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
<b>ASSETS:</b>					
<b>Liquid Items</b>	<b>203,069</b>	<b>282,974</b>	<b>305,387</b>	<b>323,287</b>	<b>342,187</b>
cash & cash equivalents	15,506	15,487	15,387	15,287	15,187
interbank & money market	187,563	267,486	290,000	308,000	327,000
Securities under resale agreeme	0	0	0	0	0
Investments	211,432	179,088	179,088	179,088	179,088
<b>Net loans</b>	<b>1,326,505</b>	<b>1,273,136</b>	<b>1,216,858</b>	<b>1,228,829</b>	<b>1,242,085</b>
Gross and accrued interest	1,383,895	1,336,638	1,285,191	1,298,671	1,313,451
Provisions for doubtful	57,390	63,502	68,333	69,842	71,366
Fixed assets - net	31,941	33,171	30,603	28,091	25,634
Other assets	53,333	56,066	59,066	62,066	65,066
<b>Total assets</b>	<b>1,826,279</b>	<b>1,824,434</b>	<b>1,791,002</b>	<b>1,821,360</b>	<b>1,854,060</b>
<b>LIABILITIES:</b>					
<b>Liquid Items</b>	<b>1,489,603</b>	<b>1,480,436</b>	<b>1,453,600</b>	<b>1,473,300</b>	<b>1,493,384</b>
Deposit	1,399,247	1,386,581	1,360,000	1,377,400	1,395,148
Interbank & money market	84,770	87,794	90,000	91,800	93,636
Liability payable on demand	5,586	6,061	3,600	4,100	4,600
Borrowings	59,644	59,531	45,850	45,491	45,437
Other liabilities	58,024	55,119	53,000	53,530	54,065
<b>Total liabilities</b>	<b>1,607,271</b>	<b>1,595,087</b>	<b>1,552,450</b>	<b>1,572,321</b>	<b>1,592,887</b>
Minority interest	1	0	0	0	0
<b>Shareholders' equity</b>	<b>219,006</b>	<b>229,347</b>	<b>238,552</b>	<b>249,039</b>	<b>261,173</b>
Preferred capital	-	-	-	-	-
Paid-in capital	91,937	92,246	91,792	91,792	91,792
Share premium	43,360	43,374	43,374	43,374	43,374
Surplus/ Others	4,456	5,735	5,735	5,735	5,735
Retained earnings	79,253	87,991	97,651	108,138	120,272
<b>Liabilities &amp; equity</b>	<b>1,826,279</b>	<b>1,824,434</b>	<b>1,791,002</b>	<b>1,821,360</b>	<b>1,854,060</b>

Sources: Company data, Thanachart estimates

**VALUATION**

<b>FY ending Dec</b>	<b>2022A</b>	<b>2023A</b>	<b>2024F</b>	<b>2025F</b>	<b>2026F</b>
Normalized PE (x)	13.3	10.3	9.0	7.9	6.9
Normalized PE - at target price (x)	15.7	12.0	10.6	9.3	8.0
PE (x)	13.3	10.3	9.0	7.9	6.9
PE - at target price (x)	15.7	12.0	10.6	9.3	8.0
P/PPP (x)	5.3	4.8	4.9	4.8	4.5
P/PPP - at target price (x)	6.2	5.6	5.7	5.6	5.3
P/BV (x)	0.9	0.8	0.8	0.8	0.7
P/BV - at target price (x)	1.0	1.0	0.9	0.9	0.9
Dividend yield (%)	3.7	5.4	6.7	7.6	8.8
Market cap / net loans (x)	0.1	0.1	0.2	0.2	0.2
Market cap / deposit (x)	0.1	0.1	0.1	0.1	0.1
<b>(Bt)</b>					
Normalized EPS	0.1	0.2	0.2	0.2	0.3
EPS	0.1	0.2	0.2	0.2	0.3
DPS	0.1	0.1	0.1	0.1	0.2
PPP/Share	0.4	0.4	0.4	0.4	0.4
BV/Share	2.3	2.4	2.5	2.6	2.7

*Expecting double-digit  
EPS and DPS growth*

**FINANCIAL RATIOS**

<b>FY ending Dec</b>	<b>2022A</b>	<b>2023A</b>	<b>2024F</b>	<b>2025F</b>	<b>2026F</b>
<b>Growth Rate (%)</b>					
Net interest income (NII)	1.2	10.8	(1.5)	0.2	4.5
Non-interest income (Non-II)	(1.5)	(3.6)	(4.1)	3.6	4.9
Operating expenses	(4.1)	4.4	(3.1)	0.3	1.3
Pre-provisioning profit (PPP)	4.9	10.5	(1.2)	1.3	7.0
Net profit	35.5	30.1	14.0	14.0	15.1
Normalized profit growth	35.5	30.1	14.0	14.0	15.1
EPS	35.5	30.1	14.0	14.0	15.1
Normalized EPS	35.5	30.1	14.0	14.0	15.1
Dividend payout ratio	49.7	55.0	60.0	60.0	60.0
Loan - gross	0.4	(3.5)	(3.9)	1.0	1.1
Loan - net	0.2	(4.0)	(4.4)	1.0	1.1
Deposit	4.5	(0.9)	(1.9)	1.3	1.3
NPLs	(1.0)	(1.7)	(0.0)	1.0	2.0
Total assets	3.9	(0.1)	(1.8)	1.7	1.8
Total equity	3.9	4.7	4.0	4.4	4.9
<b>Operating Ratios (%)</b>					
Net interest margin (NIM)	2.9	3.1	3.1	3.1	3.2
Net interest spread	4.0	4.5	4.4	4.5	4.6
Yield on earnings assets	3.7	4.4	4.7	4.6	4.6
Avg cost of fund	0.9	1.4	1.8	1.6	1.5
NII / operating income	78.7	80.9	81.3	80.8	80.8
Non-II / operating income	21.3	19.1	18.7	19.2	19.2
Fee income / operating income	15.8	14.7	13.9	14.4	14.5
Normalized net margin	21.6	26.1	30.4	34.4	37.8
Cost-to-income	45.7	44.3	43.8	43.5	42.2
Credit cost - provision exp / loans	1.3	1.3	1.5	1.2	1.1
PPP / total assets	2.0	2.2	2.2	2.2	2.3
PPP / total equity	16.6	17.6	16.6	16.2	16.5
ROA	0.8	1.0	1.2	1.3	1.5
ROE	6.6	8.2	9.0	9.8	10.8

Sources: Company data, Thanachart estimates

**FINANCIAL RATIOS**

<b>FY ending Dec</b>	<b>2022A</b>	<b>2023A</b>	<b>2024F</b>	<b>2025F</b>	<b>2026F</b>
<b>Liquidity and Quality Ratio (%)</b>					
Loan-to-deposit	98.3	95.8	93.9	93.7	93.5
Loan-to-deposit & S-T borrowing	98.3	95.8	93.8	93.6	93.5
Net loan / assets	72.6	69.8	67.9	67.5	67.0
Net loan / equity	605.7	555.1	510.1	493.4	475.6
Investment / assets	11.6	9.8	10.0	9.8	9.7
Deposit / liabilities	87.1	86.9	87.6	87.6	87.6
Liabilities / equity	733.9	695.5	650.8	631.4	609.9
Net interbank lender (Bt m)	102,793	179,692	200,000	216,200	233,364
Tier 1 CAR	16.3	17.0	17.0	17.3	17.7
Tier 2 CAR	3.7	3.7	3.6	3.5	3.4
Total CAR	20.0	20.7	20.6	20.8	21.1
<b>Solid balance sheet</b>					
NPLs (Bt m)	41,707	41,006	41,000	41,410	42,238
NPLs / Total loans (NPL Ratio)	3.0	3.1	3.2	3.2	3.2
Loan-Loss-Coverage	137.6	154.9	166.7	168.7	169.0

Sources: Company data, Thanachart estimates

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ESG risk combines the concepts of management and exposure to arrive at an absolute assessment of ESG risk. We identify five categories of ESG risk severity that could impact a company's enterprise value

### Moody's ESG Solutions

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90-100	▲▲▲▲▲	Excellent
80-89	▲▲▲▲	Very Good
70-79	▲▲▲	Good
60-69	▲▲	Satisfactory
50-59	▲	Pass
Below		N/A

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