

22 JANUARY 2021

# Thailand Banks

## การฟื้นตัวรออยู่ข้างหน้า

### คุณภาพสินทรัพย์และผลประกอบการ 4Q20 ดีเกินคาด

กำไรสุทธิ 4Q20 รวมของธนาคารทั้ง 7 ที่เราทำการศึกษาอยู่ที่ 28.05 พัน ลบ. (-20% y-y, +22% q-q) เรามองว่าผลการดำเนินงานรวมของกลุ่มฯ เป็นบวกเล็กน้อยจากคุณภาพสินทรัพย์ที่ดีเกินคาดและกลยุทธ์การบริหารความเสี่ยงเชิงรุกของธนาคารไทย เราเห็นแนวโน้มสำคัญ 3 ประการจากภาพผลประกอบการ 4Q20 รวม ประกอบด้วย: 1) ธนาคารทุกแห่งทำได้ดีในด้านการบริหารต้นทุนทางการเงิน; 2) ธนาคารส่วนมากสามารถควบคุมค่าใช้จ่ายในการดำเนินงานได้อย่างมีประสิทธิภาพ; และ 3) คุณภาพสินทรัพย์ในภาพรวมดีกว่าคาด โดยมากกว่า 80% ของลูกค้าที่ออกจากโครงการพักหนี้สามารถกลับมาจ่ายเงินงวดได้

### มาตรการเพิ่มเติมจากโครงการบรรเทาหนี้

มาตรการบรรเทาหนี้ส่วนมากสิ้นสุดลงในเดือน ต.ค. 20 ทำให้อัตราส่วนหนี้ที่ได้รับการพักชำระต่อสินเชื่อบริการรวมใน 4Q20 ลดลงอย่างมีนัยสำคัญจาก 3Q20 ลูกค้ายกเลิกการพักชำระหนี้จากโครงการดังกล่าวอยู่ในกลุ่มค่าปรับ ในขณะที่ลูกค้าบริษัท และ SME บางส่วน (ส่วนมากอยู่ในกลุ่มที่เกี่ยวข้องกับอุตสาหกรรมท่องเที่ยว) ยังต้องการความช่วยเหลือเพิ่มเติม จากข้อมูลของธนาคาร มากกว่า 80% ของลูกค้าที่ออกจากโครงการบรรเทาหนี้สามารถกลับมาชำระหนี้ได้เนื่องจากมีสภาพคล่องเพียงพอ ลูกค้ายกเลิกการพักชำระหนี้เพียงแต่ต้องรักษารักษาเงินสดในช่วงสถานการณ์เศรษฐกิจอ่อนแอ นอกจากนี้ ธนาคารยังได้ปรับปรุงกระบวนการเก็บชำระหนี้ ทำให้เราเชื่อว่าแม้การแพร่ระบาดจะกลับมาในปัจจุบัน ธนาคารไทยน่าจะยังสามารถบริหารคุณภาพสินทรัพย์ได้สำเร็จ

### คาดการณ์กำไรปี 2021 จะเพิ่ม 8% y-y

เราคาดว่ากำไรปี 2021 ของธนาคารที่เราทำการศึกษาจะเพิ่ม 8% y-y โดยได้แรงหนุนจากปัจจัย 3 ประการ ประการแรก เราคาดว่ากำไรสุทธิของธนาคารจะลดลงเล็กน้อยที่ 2% y-y จากสำรองส่วนเกินที่ธนาคารได้จัดสรรไว้ในปี 2020 ประการที่สอง เราคาดว่ารายได้ค่าธรรมเนียมสุทธิจะเพิ่มในระดับปานกลาง โดยคาดว่าค่าธรรมเนียมเกี่ยวกับ wealth management จะฟื้นตัว ประการสุดท้าย เราเชื่อว่าธนาคารจะเร่งกระบวนการนำเทคโนโลยีต่าง ๆ มาใช้ กระบวนการรวบรวมสาขา และลดจำนวนพนักงาน ซึ่งจะช่วยให้ค่าใช้จ่ายในการดำเนินงานเพิ่มขึ้นเพียงเล็กน้อย

### คงคำแนะนำมากกว่าตลาด เลือก SCB และ KKP เป็นหุ้นเด่น

เราเห็นว่าการแพร่ระบาด COVID-19 รอบใหม่มีแนวโน้มส่งผลกระทบต่อการทำงานของธนาคารไทย เราเชื่อว่าธนาคารสามารถปรับกลยุทธ์การเติบโตในสภาวะการฟื้นตัวที่อ่อนแอในประเทศไว้แล้ว ทำให้เราคงคำแนะนำมากกว่าตลาดสำหรับกลุ่มธนาคารไทย เราเลือก KKP และ SCB เป็นหุ้นเด่นแทน TISCO และ KBANK ตามลำดับ เราเชื่อว่า KKP อาจปรับตัวดีกว่าคู่แข่งจาก 1) ผลตอบแทนในรูปเงินปันผลปี 2020 ที่คาดว่าจะสูงที่สุดในกลุ่มฯ ที่ประมาณ 5%; และ 2) ผลการดำเนินงานหลักที่แข็งแกร่งในด้านการเติบโตของสินเชื่อและรายได้ค่าธรรมเนียม นอกจากนี้เราชอบ SCB ด้วยเนื่องจาก 1) ผลการดำเนินงานหลักที่ดีในแง่ของการปรับโครงสร้างต้นทุนและการเติบโตของรายได้ค่าธรรมเนียม; และ 2) การบริหารความเสี่ยงเชิงรุกอย่างรอบคอบ



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บทวิเคราะห์ฉบับนี้แปลมาจากบทวิเคราะห์ของ FSSIA ฉบับวันที่ 22 มกราคม 2021

## Stronger-than-expected asset quality and performance in 4Q20

The aggregate 4Q20 net profit of the seven banks under our coverage (BUC) totalled THB28.05b (-20% y-y, +22% q-q). We read the sector's overall operating performance as slightly positive due to the stronger-than-expected asset quality and banks' proactive risk management strategies. The 22% q-q increase came mainly from a decline in expected credit losses (ECL), as most of the BUCs had pre-emptively set aside extra provisions against potential future losses. The 20% y-y drop came from lower gains on investments from an abnormal level in 4Q19 and an increase in ECL y-y.

We see three key trends from the 4Q20 results across our coverage:

- 1) All of the banks performed well on cost of fund management, as liquidity remains ample. Thus, banks were able to draw deposits despite lower savings rates. Lower Financial Institute Development Fund (FIDF) contributions led banks to increase their current account savings accounts (CASA), replacing higher-interest time deposits and debentures;
- 2) Most banks were able to control their operating expenses effectively. COVID-19 forced their clients to migrate to digital platforms, leading to a faster network rationalization pace and freezing headcounts. Moreover, they tightened their spending, i.e., marketing and promotion expenses;
- 3) Most of the retail segment's forbearance programs ended in Oct-20, while some of corporate and SME segments still need further debt assistance. More than 80% of the clients who left debt moratoriums were able to service debt.

### Exhibit 1: Thai banks under coverage, 4Q20 earnings review

	BBG	4Q20				4Q20					
		Norm profit				Pre-provision profit			Expected credit loss		
		(THB m)	(y-y%)	(q-q%)	(% 20A)	(THB m)	(y-y%)	(q-q%)	(THB m)	(y-y%)	(q-q%)
Bangkok Bank	BBL TB	2,398	(70.0)	(40.3)	14.0	10,485	(62.2)	4.9	7,203	(55.9)	27.1
Kasikornbank	KBANK TB	13,258	50.6	98.5	45.0	18,639	(9.3)	(8.2)	669	(92.4)	(93.8)
Kiatnakin Bank	KKP TB	1,108	(34.0)	(17.7)	21.6	3,433	50.7	28.0	2,077	898.1	104.2
Krung Thai Bank	KTB TB	3,452	(53.7)	12.9	20.6	15,620	4.1	(5.7)	9,254	91.8	(25.5)
Siam Commercial Bank	SCB TB	4,966	(9.8)	7.0	18.2	20,313	22.7	8.4	14,234	48.1	9.9
Tisco Financial	TISCO TB	1,636	(12.2)	1.5	27.0	2,814	(8.0)	7.4	771	4.4	27.4
TMB Bank	TMB TB	1,235	(23.8)	(23.7)	12.2	9,398	83.3	7.0	8,237	164.5	20.0
<b>Coverage</b>		<b>28,054</b>	<b>(19.7)</b>	<b>22.1</b>	<b>25.1</b>	<b>80,702</b>	<b>(10.6)</b>	<b>1.3</b>	<b>42,445</b>	<b>(2.8)</b>	<b>(15.7)</b>

Source: FSSIA estimates

KBANK, followed by SCB, beat our expectations in 4Q20. KBANK beat our estimate by 117% due to its significantly lower-than-expected provisioning setup. SCB's 30% beat was largely due to its higher fee income and lower OPEX. BBL posted the most disappointing performance at 57% below our forecast due to its higher-than-expected OPEX and ECL.

The 2020 aggregate net profit for the BUCs fell significantly by 32% to THB111.9b due to a notable increase in ECL y-y and plummeting Non-NII. BBL was the worst performing bank, with a net profit decline of 52% y-y. While KKP delivered the best performance, with a net profit drop of 14% y-y. Note that this is excluding TMB, whose net profit increased 40% y-y owing to the consolidation of Thanachart Bank (TBANK, not listed).

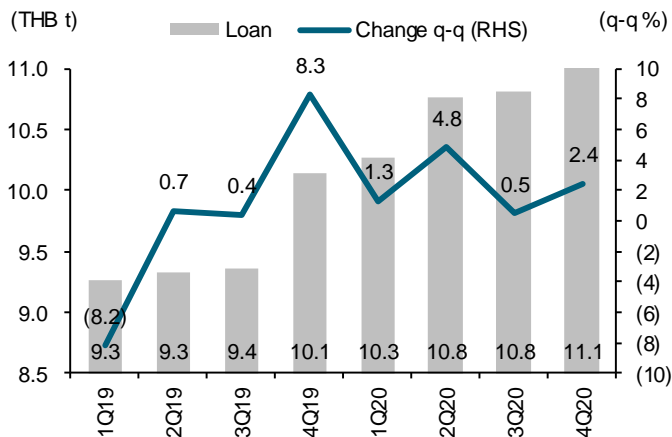
## 4Q20 key highlights

### 1) Corporate segment drove loan growth

The overall loan portfolio was up 2.4% q-q, 9.3% y-y. The growth was predominantly driven by higher demand from the corporate segment for seasonal working capital and long-term loans for M&A deals. We also saw higher demand for consumer loans across the board, for both secured and unsecured loans, due to the improving economic activities starting from 3Q20.

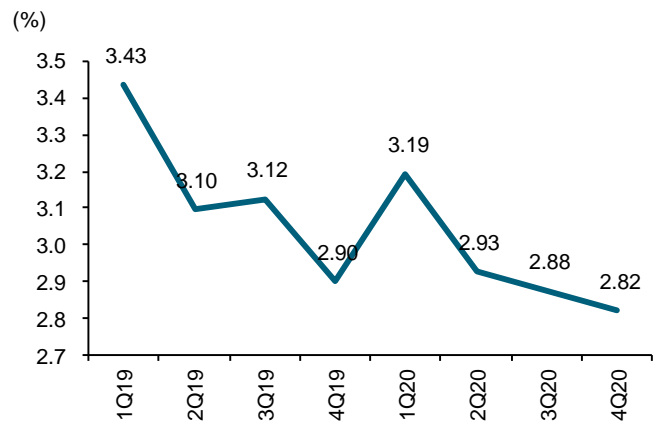
KKP and SCB posted the strongest loan growth at 4.5% q-q and 3.9% q-q, respectively, driven by their corporate clients. BBL posted the weakest figure with a 0.2% q-q decline.

Exhibit 2: Sector's quarterly loan growth



Sources: Company data; FSSIA estimates

Exhibit 3: Sector's quarterly NIM



Sources: Company data; FSSIA estimates

### 2) Slight NIM decline due to effective cost of fund management

Although banks were fully impacted by four lending rate cuts, together with a lower effective interest rate (EIR) calculated under the customer relief programs for those affected by COVID-19, the banking sector's NIM only slightly dropped to 2.82% from 2.88% in 3Q20, as Thai banks implemented savings rate cuts and benefited from a reduction in the FIDF fee.

KKP and TISCO had the most efficient cost of fund management in 4Q20.

### 3) Seasonal demand and wealth-related activities lift net fee incomes

4Q20 saw a net fee income improvement, led by seasonal demand for asset management products. Moreover, there was a rising trend for wealth-related commission fee incomes. Fee income was largely driven by improving commissions from mutual fund and bancassurance sales. Brokerage fees generally increased following the higher market trading volume.

SCB had the strongest fee income growth at 36% y-y, 33% q-q, backed up by an increase in its bancassurance and wealth management fees.

Exhibit 4: Yearly net fee income growth

	1Q20	2Q20	3Q20	4Q20
<b>Sector</b>	<b>7.6</b>	<b>(6.7)</b>	<b>(4.7)</b>	<b>(2.0)</b>
BBL	(7.1)	(15.0)	(7.0)	(22.3)
KBANK	1.4	(12.0)	(17.5)	(11.7)
KTB	(12.1)	(6.7)	(15.5)	(12.0)
SCB	33.7	6.9	15.9	35.5
TMB	63.4	13.1	34.0	18.7
KKP	12.8	(12.9)	(15.2)	(7.9)
TISCO	(0.1)	(25.0)	(14.2)	(25.2)

Exhibit 5: Quarterly net fee income growth

	1Q20	2Q20	3Q20	4Q20
<b>Sector</b>	<b>0.7</b>	<b>(18.3)</b>	<b>(5.3)</b>	<b>19.9</b>
BBL	(22.4)	(11.5)	13.5	(0.4)
KBANK	(5.9)	(9.1)	(3.0)	6.4
KTB	(17.5)	6.4	(4.6)	5.1
SCB	5.8	(13.8)	11.6	33.3
TMB	12.5	(23.3)	22.0	12.8
KKP	2.0	(30.6)	15.8	12.4
TISCO	(24.3)	(22.3)	17.8	8.0

Sources: Company data; FSSIA's compilation

Sources: Company data; FSSIA's compilation

#### 4) Cost controlling is another key to victory

Most banks were able to control their operating expenses effectively. COVID-19 forced their clients to use digital platforms, leading to a faster network rationalization pace and freezing headcounts. Banks also tightened their spending, i.e., marketing and promotion expenses.

#### 5) More relief from debt relief programs

Non-performing loans (NPLs) increased immaterially by 2.6% q-q, which accounted for an NPL ratio of 4.22% – the same level as in 3Q20. The low NPL rate was because the debt holiday programs had just ended and most banks provided further debt assistance programs to their clients. Consequently, we think that the contained asset quality in this quarter has not yet reflected the reality.

However, there were two pieces of good news amid the uncertainty, in our view. First, the relief programs to total loans in 4Q20 for commercial banks declined significantly from 3Q20. Moreover, according to the banks, more than 80% of the customers who left relief programs were able to service debt due to having sufficient liquidity. They only needed to preserve their cash during the bleak economic situation. Second, most Thai banks had prepared themselves by proactively setting aside extra provisions since 2Q20, giving them all strong NPL cushions. Hence, we believe that even with the current resurgence of the pandemic, Thai banks should still be able to manage their asset quality.

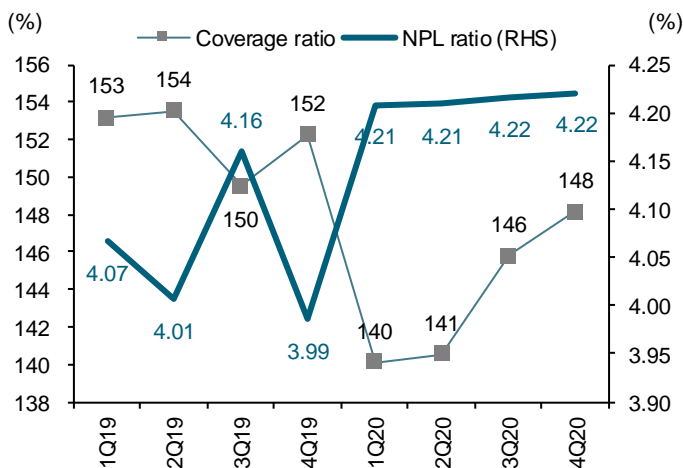
#### Exhibit 6: Forbearance programs of banks under coverage

	4Q20 loans				3Q20 loans			2Q20 loans		
	Amount	% resumed	--- Under relief programs --		Amount	--- Under relief programs --		Amount	--- Under relief programs --	
	outstanding (THB b)	debt payments* (%)	Absolute (THB b)	% of portfolio (%)	outstanding (THB b)	Absolute (THB b)	% of portfolio (%)	outstanding (THB b)	Absolute (THB b)	% of portfolio (%)
BBL	2,363	n/a	n/a	n/a	2,367	n/a	n/a	2,354	n/a	n/a
KBANK	2,245	>90	428	19	2,157	861	43	2,127	828	40
KKP	267	>80	29	11	255	85	36	248	100	40
KTB	2,332	n/a	n/a	n/a	2,281	411	18	2,286	411	18
SCB	2,255	> 70	402	18	2,171	636	29	2,144	840	39
TISCO	225	>90	4	2	225	58	24	228	58	24
TMB	1,393	>70	209	15	1,363	292	20	1,382	553	40

\*% of clients who left the program able to resume paying their debts

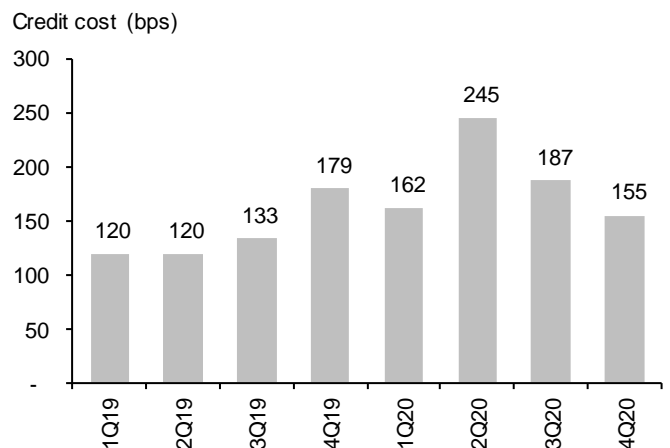
Sources: Company data; FSSIA's compilation

#### Exhibit 7: NPL ratio vs coverage ratio



Sources: Company data; FSSIA's compilation

#### Exhibit 8: Sector's quarterly credit cost



Sources: Company data; FSSIA's compilation

## Recommendation

The new wave of COVID-19 is likely to have a limited impact on Thai banks' operations, in our opinion. We believe that banks have already strategized for operating under a weak domestic recovery. We, thus, reiterate our Overweight call on Thai banks. We believe the earnings recovery that we project in 2021 and their strong capital positions will outweigh the concerns over the resurgence of the pandemic. We replace TISCO with KKP and KBANK with SCB as our top picks. We believe KKP could outperform its peers, driven by 1) its 2020E highest dividend yield in the sector at c5%; and 2) its strong core performance, both in loan growth and fee income. We also prefer SCB due to 1) its strong core performance in terms of cost rationalization and fee income growth; and 2) its prudent and proactive risk management.

### Exhibit 9: Summary of 4Q20 results of Thai banks under coverage

4Q20	BBL	KBANK	KKP	KTB	SCB	TISCO	TMB	Coverage
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)
<b>Net Interest Income</b>	<b>19,265</b>	<b>26,603</b>	<b>3,999</b>	<b>21,306</b>	<b>23,618</b>	<b>3,259</b>	<b>13,187</b>	<b>111,237</b>
Change (y-y %)	12.1	4.0	28.2	2.9	2.9	(6.1)	63.2	10.0
Change (q-q %)	(3.0)	(2.4)	13.3	(1.4)	(0.4)	0.0	(0.3)	(1.1)
<b>Non-interest Income</b>	<b>11,364</b>	<b>12,308</b>	<b>1,979</b>	<b>8,250</b>	<b>12,745</b>	<b>1,675</b>	<b>4,297</b>	<b>52,618</b>
Change (y-y %)	(57.2)	(23.8)	4.6	(24.1)	5.6	(14.7)	17.9	(28.0)
Change (q-q %)	18.8	29.6	54.2	(4.9)	18.4	16.0	44.0	19.0
<b>Net fee income</b>	<b>6,356</b>	<b>8,302</b>	<b>1,152</b>	<b>5,283</b>	<b>11,422</b>	<b>1,382</b>	<b>2,970</b>	<b>36,866</b>
Change (y-y %)	(22.3)	(11.7)	(7.9)	(12.0)	35.5	(25.2)	18.7	(2.0)
Change (q-q %)	(0.4)	6.4	12.4	5.1	33.3	8.0	12.8	12.7
<b>Operating income</b>	<b>30,629</b>	<b>38,911</b>	<b>5,978</b>	<b>29,556</b>	<b>36,363</b>	<b>4,934</b>	<b>17,484</b>	<b>163,855</b>
Change (y-y %)	(29.9)	(6.7)	19.3	(6.4)	3.8	(9.2)	49.2	(6.0)
Change (q-q %)	4.1	5.9	24.2	(2.4)	5.4	4.9	7.8	4.6
<b>Operating expenses</b>	<b>20,144</b>	<b>20,272</b>	<b>2,545</b>	<b>13,936</b>	<b>16,050</b>	<b>2,120</b>	<b>8,086</b>	<b>83,153</b>
Change (y-y %)	26.0	(4.3)	(6.9)	(15.9)	(13.2)	(10.9)	22.6	(0.9)
Change (q-q %)	3.7	23.3	19.4	1.7	1.9	1.8	8.8	8.0
<b>Pre-provision profit</b>	<b>10,485</b>	<b>18,639</b>	<b>3,433</b>	<b>15,620</b>	<b>20,313</b>	<b>2,814</b>	<b>9,398</b>	<b>80,702</b>
Change (y-y %)	(62.2)	(9.3)	50.7	4.1	22.7	(8.0)	83.3	(10.6)
Change (q-q %)	4.9	(8.2)	28.0	(5.7)	8.4	7.4	7.0	1.3
<b>Expected credit loss</b>	<b>7,203</b>	<b>669</b>	<b>2,077</b>	<b>9,254</b>	<b>14,234</b>	<b>771</b>	<b>8,237</b>	<b>42,445</b>
Change (y-y %)	(55.9)	(92.4)	898.1	91.8	48.1	4.4	164.5	(2.8)
Change (q-q %)	27.1	(93.8)	104.2	(25.5)	9.9	27.4	20.0	(15.7)
Income tax	799	3,358	235	1,257	1,164	406	258	7,477
<b>Normalised profit</b>	<b>2,398</b>	<b>13,258</b>	<b>1,108</b>	<b>3,452</b>	<b>4,966</b>	<b>1,636</b>	<b>1,235</b>	<b>28,054</b>
Change (y-y %)	(70.0)	50.6	(34.0)	(53.7)	(9.8)	(12.2)	(23.8)	(19.7)
Change (q-q %)	(40.3)	98.5	(17.7)	12.9	7.0	1.5	(23.7)	22.1
% of 2020A	14.0	45.0	21.6	20.6	18.2	27.0	12.2	25.1
<b>Net profit</b>	<b>2,398</b>	<b>13,258</b>	<b>1,108</b>	<b>3,452</b>	<b>4,966</b>	<b>1,636</b>	<b>1,235</b>	<b>28,054</b>
Change (y-y %)	(70.0)	50.6	(34.0)	(53.7)	(9.8)	(12.2)	(23.8)	(19.7)
Change (q-q %)	(40.3)	98.5	(17.7)	12.9	7.0	1.5	(23.7)	22.1
% of 2020A	14.0	45.0	21.6	20.6	18.2	27.0	12.2	25.1
Loan (q-q %)	(0.2)	4.1	4.5	2.2	3.9	(0.0)	2.2	2.4
<b>Loan (y-y %)</b>	<b>14.7</b>	<b>12.1</b>	<b>12.4</b>	<b>11.6</b>	<b>6.7</b>	<b>(7.4)</b>	<b>0.1</b>	<b>9.3</b>
Deposit (q-q %)	(0.4)	3.1	3.9	6.5	0.6	(0.6)	(2.3)	1.7
Deposit (y-y %)	18.6	13.2	46.1	14.3	12.1	(5.8)	(1.8)	12.6
Loan/Deposits (LDR %)	84.1	95.7	106.0	94.7	93.2	110.5	101.4	93.4
Loan/Deposits & Borrowing (%)	80.2	93.0	95.2	91.5	90.7	103.9	95.3	89.7
<b>Key ratios</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>
<b>Net interest margin</b>	<b>2.08</b>	<b>3.08</b>	<b>4.85</b>	<b>2.73</b>	<b>3.02</b>	<b>4.72</b>	<b>2.99</b>	<b>2.82</b>
Credit cost (bp/total loans)	1.22	0.12	3.19	1.60	2.57	1.37	2.39	1.55
Cost to income	65.77	52.10	42.57	47.15	44.14	42.97	46.25	50.75
Loan-loss-coverage	182	133	139	140	140	210	134	148
<b>Absolute NPL (THB m)</b>	<b>104,405</b>	<b>101,007</b>	<b>8,456</b>	<b>107,138</b>	<b>101,462</b>	<b>5,618</b>	<b>39,594</b>	<b>467,680</b>
Change (y-y %)	31.9	20.2	(11.5)	4.4	19.1	(3.7)	4.9	15.7
Change (q-q %)	(3.1)	4.4	1.6	(3.2)	12.8	(5.1)	7.7	2.6
NPL ratio	4.42	4.50	3.17	4.59	4.50	2.50	2.84	4.22
<b>Reported NPL ratio</b>	<b>3.90</b>	<b>3.93</b>	<b>2.92</b>	<b>3.81</b>	<b>3.68</b>	<b>2.50</b>	<b>2.50</b>	

Sources: Company data; FSSIA's compilation

**Exhibit 10: Summary of 2020 results of Thai banks under coverage**

2020A	BBL	KBANK	KKP	KTB	SCB	TISCO	TMB	Coverage
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)
<b>Net Interest Income</b>	77,046	109,022	14,679	88,343	96,899	<b>13,098</b>	53,805	<b>452,892</b>
<i>Change (y-y %)</i>	8.4	6.2	19.2	0.0	(2.5)	2.4	100.3	9.5
<b>Non-interest Income</b>	<b>41,682</b>	<b>45,869</b>	<b>6,554</b>	<b>33,905</b>	<b>47,869</b>	<b>5,806</b>	<b>14,986</b>	<b>196,671</b>
<i>Change (y-y %)</i>	(33.5)	(20.6)	(4.3)	(9.2)	12.2	(12.6)	15.7	(13.3)
<b>Net fee income</b>	<b>24,711</b>	<b>33,004</b>	<b>4,336</b>	<b>20,528</b>	<b>36,586</b>	<b>5,146</b>	<b>10,575</b>	<b>134,887</b>
<i>Change (y-y %)</i>	(13.3)	(10.2)	(5.8)	(11.7)	23.3	(16.8)	30.6	(1.6)
<b>Operating income</b>	<b>118,728</b>	<b>154,891</b>	<b>21,233</b>	<b>122,247</b>	<b>144,768</b>	<b>18,904</b>	<b>68,791</b>	<b>649,563</b>
<i>Change (y-y %)</i>	(11.2)	(3.5)	10.8	(2.7)	1.9	(2.7)	72.8	1.4
<b>Operating expenses</b>	<b>65,974</b>	<b>69,997</b>	<b>10,652</b>	<b>53,465</b>	<b>64,330</b>	<b>8,012</b>	<b>31,623</b>	<b>304,052</b>
<i>Change (y-y %)</i>	20.0	(3.8)	4.5	(14.4)	(8.8)	(13.6)	53.0	1.1
<b>Pre-provision profit</b>	<b>52,754</b>	<b>84,895</b>	<b>10,581</b>	<b>68,783</b>	<b>80,437</b>	<b>10,892</b>	<b>37,169</b>	<b>345,511</b>
<i>Change (y-y %)</i>	(33.0)	(3.3)	17.9	8.9	12.4	7.2	94.1	1.8
<b>Expected credit loss</b>	<b>31,196</b>	<b>43,548</b>	<b>4,095</b>	<b>44,903</b>	<b>46,649</b>	<b>3,331</b>	<b>24,831</b>	<b>198,553</b>
<i>Change (y-y %)</i>	(3.6)	28.0	144.2	88.6	72.1	200.3	140.2	52.3
Income tax	4,014	7,656	1,344	4,441	6,794	1,498	2,223	27,969
<b>Normalised profit</b>	<b>17,181</b>	<b>29,487</b>	<b>5,123</b>	<b>16,732</b>	<b>27,218</b>	<b>6,063</b>	<b>10,112</b>	<b>111,916</b>
<i>Change (y-y %)</i>	(52.0)	(23.9)	(14.4)	(42.9)	(24.5)	(16.6)	40.0	(30.2)
<b>Net profit</b>	<b>17,181</b>	<b>29,487</b>	<b>5,123</b>	<b>16,732</b>	<b>27,218</b>	<b>6,063</b>	<b>10,112</b>	<b>111,916</b>
<i>Change (y-y %)</i>	(52.0)	(23.9)	(14.4)	(42.9)	(32.7)	(16.6)	40.0	(32.1)
<b>Key ratios (%)</b>								
<b>Net interest margin</b>	<b>2.26</b>	<b>3.27</b>	<b>4.72</b>	<b>2.91</b>	<b>3.23</b>	4.56	<b>3.04</b>	2.99
Credit cost	1.41	2.05	1.63	2.03	2.14	1.42	1.78	1.87
Cost to income	55.6	45.2	50.2	43.7	44.4	42.4	46.0	46.8
Loan-loss-coverage	182	133	139	140	140	210	134	148

Sources: Company data; FSSIA's compilation

## Corporate Governance report of Thai listed companies 2019

EXCELLENT LEVEL										
AAV	ADVANC	AIRA	AKP	AKR	AMA	AMATA	AMATAV	ANAN	AOT	AP
ARROW	BAFS	BANPU	BAY	BCP	BCPG	BOL	BRR	BTS	BTW	BWG
CFRESH	CHEWA	CHO	CK	CKP	CM	CNT	COL	COMAN	CPALL	CPF
CPI	CPN	CSS	DELTA	DEMCO	DRT	DTAC	DTC	EA	EASTW	ECF
EGCO	GBX	GC	GCAP	GEL	GGP	GGC	GOLD	GPSC	GRAMMY	GUNKUL
HANA	HARN	HMPRO	ICC	ICHI	III	ILINK	INTUCH	IRPC	IVL	JKN
JSP	K	KBANK	KCE	KKP	KSL	KTB	KTC	KTIS	LH	LHFG
LIT	LPN	MAKRO	MALEE	MBK	MBKET	MC	MCOT	MFEC	MINT	MONO*
MTC	NCH	NCL	NKI	NSI	NVD	NYT	OISHI	OTO	PAP	PCSGH
PDJ	PG	PHOL	PJW	PLANB	PLANET	PORT	PPS	PR9	PREB	PRG
PRM	PSH	PSL	PTG	PTT	PTTEP	PTTGC	PYLON	Q-CON	QH	QTC
RATCH	ROBINS**	RS	S	S & J	SABINA	SAMART	SAMTEL	SAT	SC	SCB
SCC	SCCC	SCN	SDC	SEAFCO	SEAOIL	SE-ED	SELIC	SENA	SIS	SITHAI
SNC	SORKON	SPALI	SPI	SPRC	SSSC	STA	STEC	SVI	SYNTEC	TASCO
TCAP	THAI	THANA	THANI	THCOM	THIP	THREL	TIP	TISCO	TK	TKT
TMB	TMILL	TNDT	TOA	TOP	TRC	TRU	TRUE	TSC	TSR	TSTH
TTA	TTCL	TTW	TU	TVD	TVO	U	UAC	UV	VGI	VIH
WACOAL	WAVE	WHA	WHAUP	WICE	WINNER					
VERY GOOD LEVEL										
2S	ABM	ADB	AF	AGE	AH	AHC	AIT	ALLA	ALT	AMANA
AMARIN	APCO	APCS	AQUA	ARIP	ASAP	ASIA	ASIAN	ASIMAR	ASK	ASN
ASP	ATP30	AUCT	AYUD	B	BA	BBL	BDMS	BEC	BEM	BFIT
BGC	BGRIM	BIZ	BJC	BJCHI	BLA	BPP	BROOK	CBG	CEN	CENDEL
CGH	CHG	CHOTI	CHOW	CI	CIMBT	CNS	COLOR	COM7	COTTO	CRD
CSC	CSP	DCC	DCON	DDD	DOD	EASON	ECL	EE	EPG	ERW
ESTAR	ETE	FLOYD	FN	FNS	FORTH	FPI	FPT	FSMART	FSS	FVC
GENCO	GJS	GL	GLOBAL	GLOW**	GULF	HPT	HTC	HYDRO	ICN	IFS
INET	INSURE	IRC	IRCP	IT	ITD***	ITEL	J	JAS*	JCK	JCKH
JMART	JMT	JWD	KBS	KCAR	KBS	KIAT	KOOL	KWC	KWM	L&E
LALIN	LANNA	LDC	LHK	LOXLEY	LRH	LST	M	MACO	MAJOR	MBAX
MEGA	METCO	MFC	MK	MODERN	MOONG	MPG	MSC	MTI	NEP	NETBAY
NEX	NINE	NOBLE	NOK	NTV	NWR	OCC	OGC	ORI	OSP	PATO
PB	PDG	PDI	PL	PLAT	PM	PPP	PRECHA	PRIN	PRINC	PSTC
PT	QLT	RCL	RICHY	RML	RWI	S11	SAAM	SALEE	SAMCO	SANKO
SAPPE	SAWAD	SCG	SCI	SCP	SE	SFP	SIAM	SINGER	SIRI	SKE
SKR	SKY	SMIT	SMK	SMP	SMT	SNP	SONIC	SPA	SPC	SPCG
SPVI	SR	SRICHA	SSC	SSF	SST	STANLY	STPI	SUC	SUN	SUSCO
SUTHA	SWC	SYMC	SYNEX	T	TACC	TAE	TAKUNI	TBSP	TCC	TCMC
TEAM	TEAMG	TFG	TFMAMA	THG	THRE	TIPCO	TITLE	TIW	TKN	TKS
TM	TMC	TMD	TMI	TMT	TNITY	TNL	TNP	TNR	TOG	TPA
TPAC	TPBI	TPCORP	TPOLY	TRITN	TRT	TSE	TSTE	TVI	TVT	TWP
TWPC	UBIS	UEC	UMI	UOBKH	UP	UPF	UPOIC	UT	UWC	VNT
WIIK	XO	YUASA	ZEN	ZMICO						
GOOD LEVEL										
A	ABICO	ACAP***	AEC	AEONTS	AJ	ALUCON	AMC	APURE	AS	ASEFA
AU	B52	BCH	BEAUTY	BGT	BH	BIG	BLAND	BM	BR	BROCK
BSBM	BSM	BTNC	CCET	CCP	CGD	CHARAN	CHAYO	CITY	CMAN	CMC
CMO	CMR	CPL	CPT	CSR	CTW	CWT	D	DIMET	EKH	EMC
EPCO	ESSO	FE	FTE	GIFT	GLAND	GLOCON	GPI	GREEN	GTB	GYT
HTECH	HUMAN	IHL	INGRS	INOX	JTS	JUBILE	KASET	KCM	KKC	KWG
KYE	LEE	LPH	MATCH	MATI	M-CHAI	MCS	MDX	META	MGT	MJD
MM	MVP	NC	NDR	NER	NNCL	NPK	NUSA	OCEAN	PAF	PF
PICO	PIMO	PK	PLE	PMTA	POST	PPM	PROUD	PTL	RCI	RJH
ROJNA	RPC	RPH	SF	SGF	SGP	SKN	SLP	SMART	SOLAR	SPG
SQ	SSP	STI	SUPER	SVOA	TCCC	THE	THMUI	TIC	TIGER	TNH
TOPP	TPCH	TPIPP	TPLAS	TQM	TTI	TYCN	UTP	VCOM	VIBHA	VPO
WIN	WORK	WP	WPH	ZIGA						
Score Range	Number of Logo					Description				
90-100						Excellent				
80-89						Very Good				
70-79						Good				
60-69						Satisfactory				
50-59						Pass				
Less than 50	No logo given					-				

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The disclosure of the survey results of the Thai Institute of Directors Association ("IOD") regarding corporate governance is made pursuant to the policy of the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of a company listed on the Stock Exchange of Thailand and the Market for Alternative Investment disclosed to the public and able to be accessed by a general public investor. The result, therefore, is from the perspective of a third party. It is not an evaluation of operation and is not based on inside information.

The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey results may be changed after that date. FSS International Investment Advisory Company Limited does not confirm nor certify the accuracy of such survey results.

\* CGR scoring should be considered with news regarding wrong doing of the company or director or executive of the company such unfair practice on securities trading, fraud, and corruption SEC imposed a civil sanction against insider trading of director and executive; \*\* delisted

Source: Thai Institute of Directors Association (IOD); FSSIA's compilation

## Anti-corruption Progress Indicator

CERTIFIED										
ADVANC	AIE	AKP	AMANAHA	AP	APCS	AQUA	ARROW	ASK	ASP	AYUD
BAFS	BANPU	BAY	BBL	BCH	BCP	BCPG	BGRIM	BJCHI	BKI	BLA
BROOK	BRR	BSBM	BTS	BWG	CEN	CENTEL	CFRESH	CGH	CHEWA	CIG
CIMBT	CM	COM7	CPALL	CPF	CPI	CPN	CSC	DCC	DEMCO	DIMET
DRT	DTAC	DTC	EASTW	ECL	EGCO	FE	FNS	FSS	GBX	GC
GCAP	GEL	GFPT	GGC	GJS	GOLD	GPSC	GSTEEL	GUNKUL	HANA	HARN
HMPRO	HTC	ICC	IFS	INET	INSURE	INTUCH	IRPC	IVL	K	KASET
KBANK	KBS	KCAR	KCE	KGI	KKP	KSL	KTB	KTC	KWC	L&E
LANNA	LHK	LPN	LRH	M	MAKRO	MALEE	MBAX	MBK	MBKET	MC
MCOT	MFC	MINT	MONO	MOONG	MSC	MTI	NBC	NINE	NKI	NMG
NNCL	NSI	OCC	OCEAN	OGC	PAP	PATO	PB	PCSGH	PDG	PDI
PDJ	PE	PG	PHOL	PL	PLANB	PLANET	PLAT	PM	PPP	PPS
PREB	PRG	PRINC	PSH	PSTC	PT	PTG	PTT	PTTEP	PTTGC	PYLON
Q-CON	QH	QLT	QTC	RATCH	RML	S & J	SABINA	SAT	SC	SCB
SCC	SCCC	SCG	SCN	SE-ED	SELIC	SENA	SGP	SIRI	SIS	SITHAI
SMIT	SMK	SMPC	SNC	SNP	SORKON	SPACK	SPC	SPI	SPRC	SRICHA
SSF	SSI	SSSC	SST	STA	SUSCO	SVI	SYNTEC	TASCO	TCAP	TFG
TFI	TFMAMA	THANI	THCOM	THIP	THRE	THREL	TIP	TIPCO	TISCO	TKT
TMB	TMD	TMILL	TMT	TNITY	TNL	TNP	TNR	TOG	TOP	TPA
TPCORP	TRU	TRUE	TSC	TSTH	TTCL	TU	TVD	TVI	TWPC	U
UBIS	UEC	UKEM	UOBKH	VGI	VIH	VNT	WACOAL	WHA	WICE	WIIK
DECLARED										
2S	ABICO	AF	AI	AIRA	ALT	AMA	AMARIN	AMATA	ANAN	B
BM	BPP	BUI	CHG	CHO	CHOTI	CHOW	CI	CMC	COL	DDD
DELTA	EFORL	EPCO	ESTAR	ETE	FPI	FTE	ICHI	INOX	IRC	ITEL
JAS	JSP	JTS	KWG	LDC	LIT	META	MFEC	MPG	NEP	NOK
NWR	ORI	PRM	PSL	ROJNA	RWI	SAAM	SAPPE	SCI	SEOIL	SHANG
SKR	SPALI	STANLY	SYNEX	TAE	TAKUNI	TMC	TOPP	TPP	TRITN	TVO
UV	UWC	WHAUP	XO	YUASA	ZEN					

Level	
Certified	This level indicates practical participation with thoroughly examination in relation to the recommended procedures from the audit committee or the SEC's certified auditor, being a certified member of Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) or already passed examination to ensure independence from external parties.
Declared	This level indicates determination to participate in the Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC)

### Disclaimer:

The disclosure of the Anti-Corruption Progress Indicators of a listed company on the Stock Exchange of Thailand, which is assessed by ThaiPat Institute, is made in order to comply with the policy and sustainable development plan for the listed companies of the Office of the Securities and Exchange Commission. ThaiPat Institute made this assessment based on the information received from the listed company, as stipulated in the form for the assessment of Anti-corruption which refers to the Annual Registration Statement (Form 56-1), Annual Report (Form 56-2), or other relevant documents or reports of such listed company. The assessment result is therefore made from the perspective of ThaiPat Institute that is a third party. It is not an assessment of operation and is not based on any inside information. Since this assessment is only the assessment result as of the date appearing in the assessment result, it may be changed after that date or when there is any change to the relevant information. Nevertheless, FSS International Investment Advisory Company Limited does not confirm, verify, or certify the accuracy and completeness of the assessment results.

Note: Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of June 24, 2019) are categorised into: 1) companies that have declared their intention to join CAC, and; 2) companies certified by CAC.

Source: The Securities and Exchange Commission, Thailand; \* FSSIA's compilation



## GENERAL DISCLAIMER

### ANALYST(S) CERTIFICATION

#### Yuvanart Suwanumphai FSS International Investment Advisory Securities Co., Ltd

The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s) was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed herein.

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Company	Ticker	Price	Rating	Valuation & Risks
Bangkok Bank	BBL TB	THB 122.00	BUY	Downside risks to our GGM-based TP are 1) prolonged economic sluggishness and a second wave of the COVID-19 pandemic affecting loan growth and asset quality; and 2) the impact of further interest rate cuts on NIM and potential new regulations from the Bank of Thailand on debt-servicing programs.
Kasikornbank	KBANK TB	THB 129.00	BUY	Downside risks to our GGM-based TP are 1) prolonged economic sluggishness and a second wave of the COVID-19 pandemic affecting loan growth and asset quality; and 2) the impact of further interest rate cuts on NIM and potential new regulations from the Bank of Thailand on debt-servicing programs.
Kiatnakin Bank	KKP TB	THB 56.50	BUY	Downside risks to our GGM-based target price include weakening asset quality and lower fee income.
Krung Thai Bank	KTB TB	THB 12.20	HOLD	Downside risks to our GGM-based TP are 1) prolonged economic sluggishness and a second wave of the COVID-19 pandemic affecting loan growth and asset quality; and 2) the impact of further interest rate cuts on NIM and potential new regulations from the Bank of Thailand on debt-servicing programs. The upside risk is the better-than-expected ability to control cost of funds.
Siam Commercial Bank	SCB TB	THB 94.50	BUY	Downside risks to our GGM-based TP are 1) prolonged economic sluggishness and a second wave of the COVID-19 pandemic affecting loan growth and asset quality; and 2) the impact of further interest rate cuts on its NIM.
Tisco Financial	TISCO TB	THB 96.25	BUY	Downside risks to our GGM-based TP are 1) prolonged economic sluggishness and a second wave of the COVID-19 pandemic affecting to loan growth and asset quality; 2) the impact of new regulations from the Bank of Thailand on debt-servicing programs; and 3) the slow expansion of its high yield auto cash portfolio.
TMB Bank	TMB TB	THB 1.16	HOLD	Upside risks to our GGM-based target price are M&A completions and long-term synergy to be earned. The downside risk is the impact from a prolonged weak macro outlook on loan growth and asset quality.

Source: FSSIA estimates

#### Additional Disclosures

Target price history, stock price charts, valuation and risk details, and equity rating histories applicable to each company rated in this report is available in our most recently published reports. You can contact the analyst named on the front of this note or your representative at Finansia Syrus Securities Public Company Limited

FSSIA may incorporate the recommendations and target prices of companies currently covered by FSS Research into equity research reports, denoted by an 'FSS' before the recommendation. FSS Research is part of Finansia Syrus Securities Public Company Limited, which is the parent company of FSSIA.

All share prices are as at market close on 22-Jan-2021 unless otherwise stated.

## RECOMMENDATION STRUCTURE

### Stock ratings

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

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

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

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

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

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

### Industry Recommendations

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

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

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

### Country (Strategy) Recommendations

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

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

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