

5 APRIL 2021

Thailand Banks

ปลายอุโมงค์อยู่ไม่ไกล

1Q21 อาจเป็นไตรมาสสุดท้ายที่กำไรของธนาคารจะลดลง y-y

เราคาดว่ากำไรสุทธิของธนาคารทั้ง 7 ที่เราทำการศึกษายังคงอ่อนแอใน 1Q21 โดยเราคาดว่ากำไรสุทธิรวมจะอยู่ที่ 27.7 พัน ลบ. (-27% y-y, -1% q-q) เราคาดว่ากำไรสุทธิที่อ่อนแอจะเป็นผลจากรายได้ของธนาคารที่ลดลงทั้งในด้านรายได้ดอกเบี้ยสุทธิ และรายได้ที่ไม่ใช่ดอกเบี้ยสุทธิ เราคาดว่าส่วนต่างดอกเบี้ยของธนาคารจะลดลง y-y และ q-q สาเหตุหลักจากการปรับโครงสร้างสินเชื่อให้กับลูกค้าเพื่อป้องกันการกลายเป็น NPL นอกจากนี้ เรายังคาดว่ารายจ่ายค่าธรรมเนียมจะลดลง y-y จากกิจกรรมทางธุรกิจที่ชะลอตัวเมื่อเทียบกับในช่วง 1Q20 อย่างไรก็ตาม เราคาดว่าธนาคารส่วนมากจะรายงานค่าใช้จ่ายดำเนินงานเพิ่มเพียงเล็กน้อย y-y (ยกเว้น BBL จากการควบรวม Permata Bank และ TMB จากการโอนธุรกิจของ TBANK) เนื่องจาก COVID บังคับให้ลูกค้าของธนาคารย้ายไปใช้ระบบดิจิทัลแทน นอกจากนี้ เรายังคาดว่าด้วยว่าผลขาดทุนด้านเครดิตที่คาดว่าจะเกิดขึ้น (ECL) ของธนาคารส่วนมากจะลดลง q-q จากการจัดสรรสำรองเชิงรุกในปี 2020 TISCO อาจเป็นเพียงธนาคารเดียวที่รายงานกำไรสุทธิโต y-y ในขณะที่เราคาดว่ากำไรของ KKP และ KBANK จะลดลงเล็กน้อย y-y

จุดเปลี่ยนควรเกิดขึ้นในช่วง 2Q21

เราคาดว่ากำไรสุทธิรวมใน 2Q21 ของธนาคารที่เราทำการศึกษายังคงเพิ่ม y-y เป็นครั้งแรกในรอบ 5 ไตรมาสโดยได้แรงหนุนจาก 1) ECL ที่ลดลงอย่างเห็นได้ชัด; 2) รายได้ค่าธรรมเนียมสุทธิที่สูงขึ้น; และ 3) การควบคุมต้นทุนที่ดี เราคาดว่า KBANK จะรายงานผลประกอบการที่โดดเด่นที่สุดใน 2Q21 ตามด้วย BBL และ KTB ใน 2H21 เราคาดว่ากำไรสุทธิรวมของธนาคารที่เราทำการศึกษายังคงเพิ่มต่อเนื่อง y-y เราคาดว่า TMB จะรายงานอัตรากำไรเติบโตที่สูงที่สุดจากค่าใช้จ่ายในการดำเนินงานที่ลดลงหลังการโอนธุรกิจกับ TBANK เสร็จสิ้นลงและการเริ่มมีประโยชน์จากการควบรวมที่มากขึ้น

ช่วงการกลับมาสะสมอาจเริ่มอีกครั้งหลังผลประกอบการ 1Q21

หุ้นธนาคารไทย side way ในช่วงเดือน มี.ค. 21 หลังปรับขึ้นมากถึง 67% จากเดือน ต.ค. 20 ถึง ก.พ. 21 เราเชื่อว่านักลงทุนส่วนมากโดยเฉพาะนักลงทุนต่างชาติกำลังรอดูผลประกอบการ 1Q21 หลังจากนั้นเราเชื่อว่านักลงทุนจะกลับมาสะสมหุ้นธนาคารไทยอีกครั้ง สัดส่วนการถือหุ้นของนักลงทุนต่างชาติในปัจจุบันอยู่ที่ 41.3% ตัวเลขดังกล่าวอาจเพิ่มกลับสู่ระดับก่อน COVID ที่ 43.2% หรือค่าเฉลี่ยย้อนหลัง 3 ปีในช่วงปี 2017-19 ที่ 47.8% โดยได้แรงหนุนจากกำไรที่คาดว่าจะฟื้นตัวในระดับสูงตั้งแต่ช่วง 2Q21 ประกอบกับระดับเงินทุนและกันชนสำรองของธนาคารฯ ที่อยู่ในระดับสูงเพื่อรองรับหนี้ไม่ก่อให้เกิดรายได้ที่กำลังจะเกิดขึ้น

คงให้น้ำหนักมากกว่าตลาด มีโอกาสที่ราคาหุ้นธนาคารจะถูกปรับ

แม้ว่าราคาหุ้นจะปรับตัวขึ้นมาอย่างมากมาตั้งแต่เดือน ต.ค. 20 หุ้นธนาคารไทยยังมีการซื้อขายโดยมีส่วนลดอยู่ที่ 0.7x ของค่า 2021 P/BV (เทียบกับค่าเฉลี่ยย้อนหลัง 3 ปีที่ 0.8x) เราคิดว่าปัจจัยพื้นฐานของหุ้นธนาคารจะดีขึ้นในปี 2021 ทั้งในด้านของการควบคุมต้นทุน การสร้างรายได้ และคุณภาพสินทรัพย์ในระดับที่ดีกว่าที่ตลาดคาด เราเชื่อว่ายังมีโอกาสที่ราคาหุ้นธนาคารจะถูกปรับหลังการประกาศผลประกอบการที่คาดว่าจะอ่อนแอใน 1Q21 เราคงให้น้ำหนักที่มากกว่าตลาดสำหรับกลุ่มธนาคารและคงเลือก KBANK SCB และ KKP เป็นหุ้นเด่น นอกจากนี้เรามองว่า TMB จะกลับมาน่าสนใจจากการเติบโตที่คาดว่าจะโดดเด่นในช่วง 2H21-2022 พร้อมระดับการประเมินมูลค่าที่ต่ำเพียง 0.5x ของค่า 2021 P/BV



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บทวิเคราะห์ฉบับนี้แปลมาจากบทวิเคราะห์ของ FSSIA ฉบับวันที่ 5 เมษายน 2021

1Q21 could be the last quarter in which banks' earnings drop y-y

We expect that the NP of the BUC will remain soft in 1Q21, with an aggregate NP of THB27.7b (-27% y-y, -1% q-q). The sector's weak NP would be a result of the decline in banks' top lines, both for NII and Non-NII, in our view. We expect banks' NIMs to decline y-y and q-q, owing mainly to the pre-emptively restructured loans offered to their clients. Furthermore, we forecast fee incomes to drop y-y, especially in the areas of loan-related fees and bancassurance fees, due to the slow business activities compared to 1Q20 during which the COVID outbreak started in late Mar-20. We also expect fee incomes to decline q-q due to seasonality.

However, we see positive signs on the cost side. We forecast most banks to report only slight increases y-y in their OPEX (except BBL due to the consolidation of Permata Bank and TMB due to the EBT with Thanachart Bank (TBANK, not listed)). COVID forced banks' clients onto digital platforms, leading to a faster network rationalisation pace and frozen headcounts. Moreover, we forecast most banks' expected credit losses (ECL) to decline q-q (except KBANK due to the abnormally low provisions in 4Q20) thanks to the proactive setting aside of provisions in 2020.

Exhibit 1: Summary of 1Q21E earnings preview

| BBG | ----- Net profit ----- | | | ----- 1Q21E ----- | | Expected | FSSIA's view |
|-----------------|------------------------|---------------|---------------|-------------------|------------|-------------|---|
| | 1Q20 | 4Q20 | 1Q21E | ---- Change ---- | | results | |
| | (THB m) | (THB m) | (THB m) | (y-y %) | (q-q %) | date | |
| BBL | 7,671 | 2,398 | 5,470 | (29) | 128 | 20-21 April | A drop y-y from a NIM contraction due to the impact of rate cuts and debt relief packages. A significant rise q-q from 1) a noticeable decline in provisions due to proactively setting aside provisions in 4Q20; and 2) a substantial drop in seasonal OPEX. |
| KBANK | 7,375 | 13,258 | 7,200 | (2) | (46) | 20 April | A slight drop y-y from a NIM contraction due to the impact of rate cuts and debt relief packages. A significant contraction q-q from an increase in ECL due to the abnormally low 12 bps in 4Q20. |
| KKP | 1,484 | 1,108 | 1,440 | (3) | 30 | 19-20 April | A drop y-y from an ECL increase and a loss from reprocessed cars. A surge q-q from a drop in ECL due to proactively setting aside provisions in 4Q20. |
| KTB | 6,467 | 3,452 | 3,800 | (41) | 10 | 20-21 April | A drop y-y from a NIM decline due to a substantially higher proportion of low-yield government loans. A rise q-q thanks to lower ECL. |
| SCB | 9,251 | 4,966 | 6,400 | (31) | 29 | 21 April | A drop y-y from 1) higher ECL, as SCB did not provide a special provision in 1Q20; and 2) a NIM contraction due to the impact of rate cuts and debt relief packages. A significant increase q-q from lower ECL due to proactively setting aside provisions in 4Q20. |
| TISCO | 1,486 | 1,636 | 1,600 | 8 | (2) | 19 April | A rise y-y from a drop in ECL due to 1) lower ECL, as TISCO set aside extra provisions in 1Q20; and 2) an increase in mutual fund fee incomes. |
| TMB | 4,164 | 1,235 | 1,800 | (57) | 46 | 20 April | A drop y-y from 1) higher ECL, as TMB did not provide a special provision in 1Q20; and 2) a surge in OPEX from EBT. A rise q-q from lower ECL due to a proactively setting aside provisions in 4Q20. |
| Coverage | 37,898 | 28,054 | 27,710 | (27) | (1) | | |

Sources :Company data; FSSIA estimates

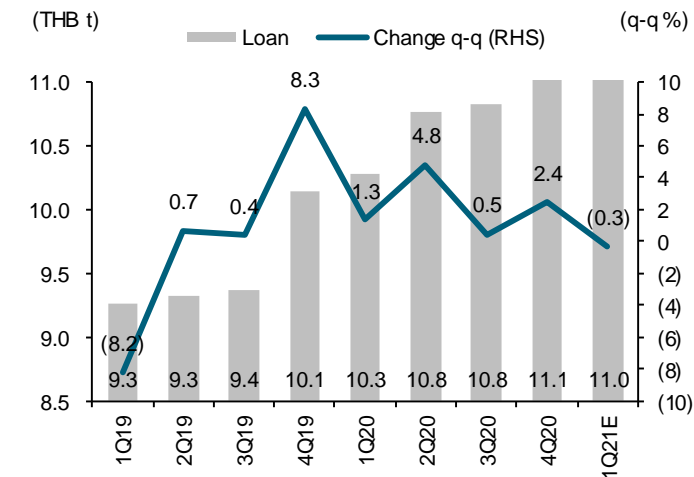
TISCO could be the only bank to deliver NP growth y-y, while we project KKP's and KBANK's earnings to fall slightly y-y. Meanwhile, we expect the rest of the banks' (BBL, KTB, SCB, TMB) earnings to significantly decline y-y this quarter in the range of 29-57%, with TMB potentially delivering the worst performance.

1Q21E key highlights

1) Seasonally lower loan demand

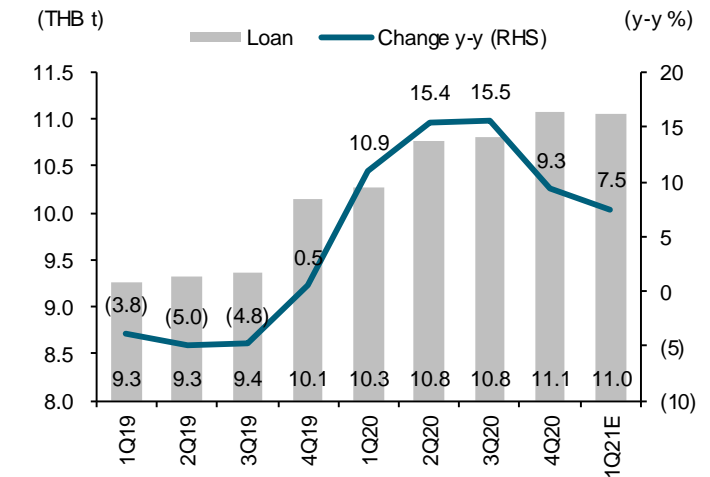
We expect banks' overall loan portfolio to slightly decline by 0.3% q-q. The projected contraction would predominantly be a result of a drop in retail loans, especially unsecured loans, due to seasonality and the end of the forbearance programs, leading to higher loan repayment volumes.

Exhibit 2: Sector's quarterly loan growth (q-q basis)



Sources: Company data; FSSIA estimates

Exhibit 3: Sector's quarterly loan growth (y-y basis)

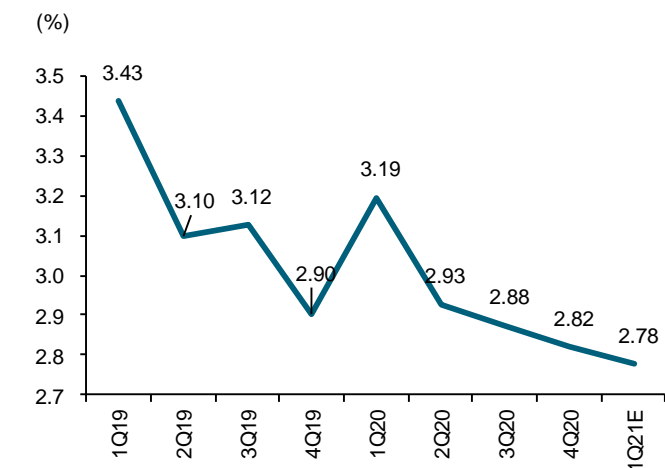


Sources: Company data; FSSIA estimates

2) NIM decline due to relief programs

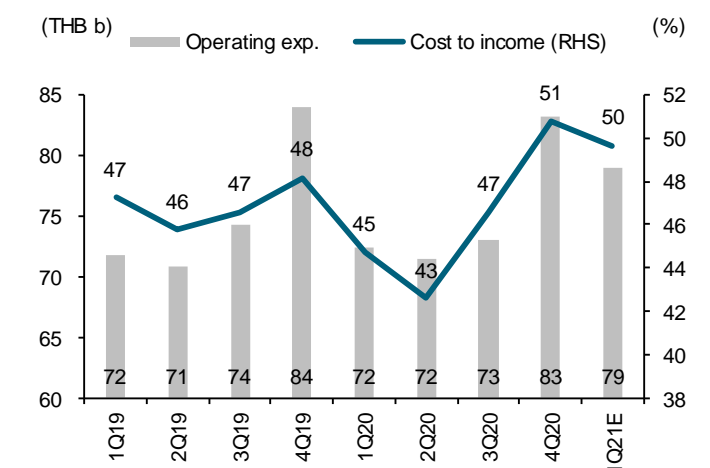
We expect that the banking sector's NIM will continue to drop to 2.78% from 2.82% in 4Q20, as banks were fully impacted by four lending rate cuts together with a lower effective interest rate (EIR) calculated under the customer relief programs for those affected by COVID-19. However, these negative impacts could be partly offset by the implementation of savings rate cuts and a reduction in the FIDF fee.

Exhibit 4: Sector's quarterly NIM



Sources: Company data; FSSIA estimates

Exhibit 5: Sector's OPEX and cost to income



Sources: Company data; FSSIA estimates

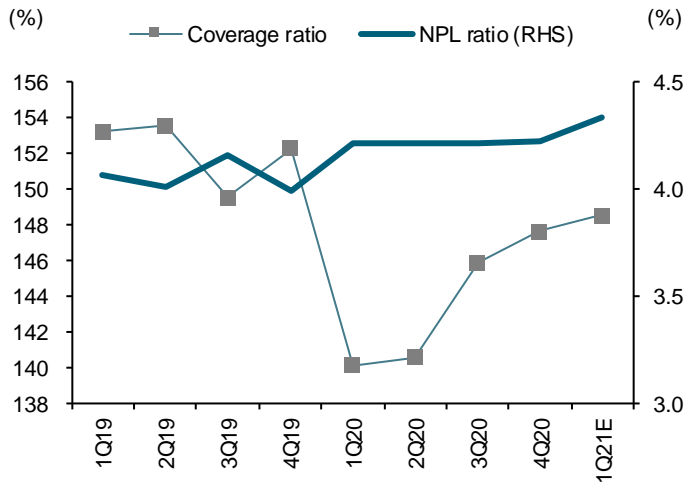
3) Cost controlling is another key to victory

Most banks have controlled their operating expenses effectively, in our view. COVID-19 forced their clients to use digital platforms, leading to a faster network rationalisation pace and frozen headcounts. Banks also tightened their spending, i.e., marketing and promotion expenses. Only BBL and TMB will likely post significant increases in OPEX. BBL's OPEX should rise substantially due to the consolidation of Permata Bank. TMB will likely see a surge in its staff and marketing expenses in preparation for the EBT with TBANK. The EBT is expected to be completed within 1H21, according to TMB's management.

4) More relief from debt relief programs

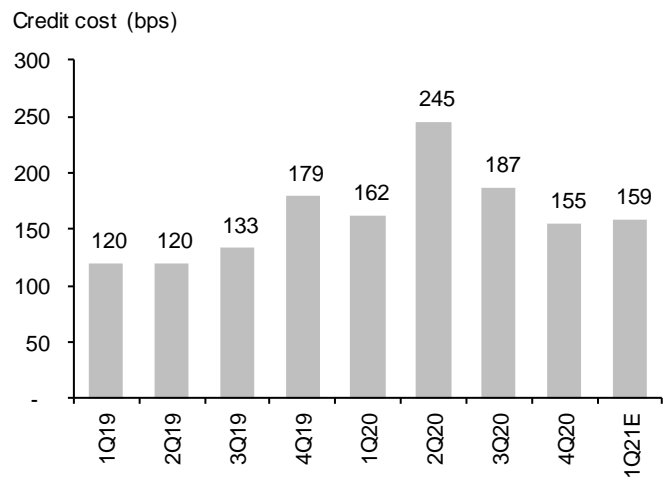
We expect that non-performing loans (NPLs) will increase immaterially by 2.3% q-q in 1Q21, accounting for an NPL ratio of 4.33% – relatively the same level as in 4Q20. The low NPL rate is because the Bank of Thailand (BoT) has extended its debt relief programs to end in Jun-21 to minimise the second-wave impact. Moreover, according to the banks, more than 80% of the customers who left relief programs were able to service their debt due to having sufficient liquidity. They only needed to preserve their cash during the bleak economic situation.

Exhibit 6: NPL ratio vs coverage ratio



Sources: Company data; FSSIA's compilation

Exhibit 7: Sector's quarterly credit cost

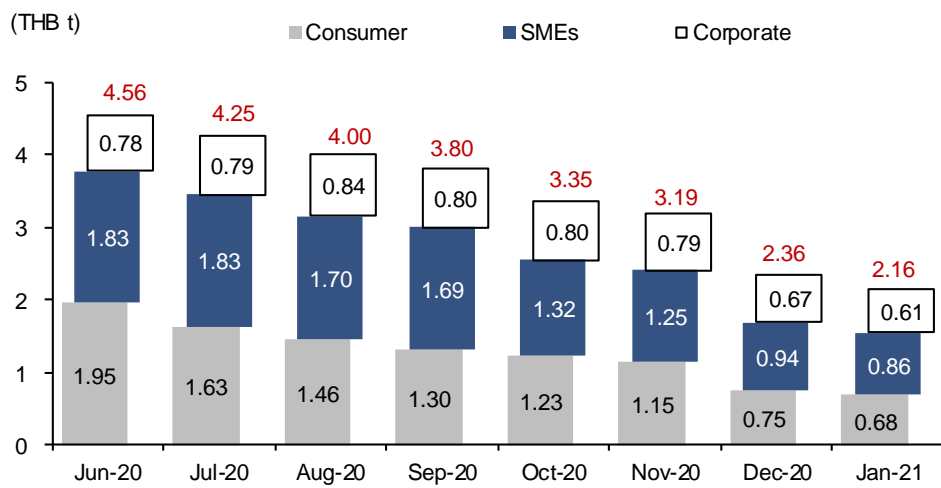


Sources: Company data; FSSIA's compilation

According to the BoT, there was THB2.2t in commercial banks' forbearance programs as of Jan-21 – 13% of total loans. This level was significantly lower than the peak in Jun-20, accounting for 28% of total loans.

Due to the forbearance program's downward trend and that most Thai banks had prepared themselves by proactively setting aside extra provisions in 2020, most banks have built up strong NPL cushions. Hence, we believe that even with the current resurgence of the pandemic, Thai banks should be able to manage their asset quality, leading to an ECL decline.

Exhibit 8: Commercial banks' forbearance programs by the BoT



Sources: Bank of Thailand; FSSIA's compilation

Exhibit 9: Details of 1Q21E earnings preview

| 1Q21E | BBL | KBANK | KKP | KTB | SCB | TISCO | TMB | Coverage |
|--|----------------|----------------|--------------|----------------|---------------|--------------|---------------|----------------|
| | (THB m) | (THB m) | (THB m) | (THB m) | (THB m) | (THB m) | (THB m) | (THB m) |
| Net Interest Income | 19,241 | 26,916 | 3,909 | 20,417 | 23,997 | 3,259 | 13,326 | 111,065 |
| Change (y-y %) | (2.9) | (4.2) | 10.5 | (11.1) | (6.9) | (6.0) | (4.9) | (5.6) |
| Change (q-q %) | (0.1) | 1.2 | (2.3) | (4.2) | 1.6 | (0.0) | 1.1 | (0.2) |
| Non-interest Income | 9,316 | 10,808 | 1,767 | 8,171 | 12,188 | 1,485 | 4,264 | 48,001 |
| Change (y-y %) | 41.7 | 8.4 | (14.0) | 2.1 | 2.7 | 2.1 | 2.0 | 8.8 |
| Change (q-q %) | (18.0) | (12.2) | (10.7) | (1.0) | (4.4) | (11.3) | (0.8) | (8.8) |
| Net fee income | 6,229 | 8,385 | 1,261 | 5,283 | 9,582 | 1,313 | 2,821 | 34,874 |
| Change (y-y %) | (2.0) | (5.3) | (1.2) | 6.7 | 7.5 | (6.1) | 0.2 | 0.9 |
| Change (q-q %) | (2.0) | 1.0 | 9.5 | 0.0 | (16.1) | (5.0) | (5.0) | (5.4) |
| Operating income | 28,558 | 37,724 | 5,676 | 28,588 | 36,185 | 4,744 | 17,590 | 159,066 |
| Change (y-y %) | 8.2 | (0.9) | 1.5 | (7.7) | (3.9) | (3.6) | (3.3) | (1.7) |
| Change (q-q %) | (6.8) | (3.1) | (5.0) | (3.3) | (0.5) | (3.8) | 0.6 | (2.9) |
| Operating expenses | 15,447 | 18,308 | 2,912 | 13,965 | 17,095 | 2,060 | 9,177 | 78,962 |
| Change (y-y %) | 35.8 | 4.7 | (13.2) | 3.7 | 4.3 | 3.3 | 10.1 | 9.1 |
| Change (q-q %) | (23.3) | (9.7) | 14.4 | 0.2 | 6.5 | (2.8) | 13.5 | (5.0) |
| Pre-provision profit | 13,111 | 19,416 | 2,765 | 14,624 | 19,090 | 2,684 | 8,414 | 80,104 |
| Change (y-y %) | (12.7) | (5.6) | 23.5 | (16.4) | (10.2) | (8.2) | (14.7) | (10.4) |
| Change (q-q %) | 25.1 | 4.2 | (19.5) | (6.4) | (6.0) | (4.6) | (10.5) | (0.7) |
| Expected credit loss | 6,170 | 9,588 | 973 | 8,994 | 11,248 | 686 | 6,190 | 43,849 |
| Change (y-y %) | 21.3 | (19.2) | 279.7 | 5.5 | 15.6 | (36.1) | 30.1 | 6.2 |
| Change (q-q %) | (14.3) | 1,333.1 | (53.2) | (2.8) | (21.0) | (10.9) | (24.8) | 3.3 |
| Income tax | 1,388 | 1,893 | 340 | 1,079 | 1,504 | 398 | 423 | 7,025 |
| Normalised profit | 5,470 | 7,200 | 1,440 | 3,800 | 6,400 | 1,600 | 1,800 | 27,710 |
| Change (y-y %) | (28.7) | (2.4) | (3.0) | (41.2) | (30.8) | 7.7 | (56.8) | (26.9) |
| Change (q-q %) | 128.1 | (45.7) | 30.0 | 10.1 | 28.9 | (2.2) | 45.8 | (1.2) |
| % of 2021E | 21.6 | 22.2 | 23.9 | 19.8 | 22.2 | 25.1 | 15.8 | 21.4 |
| Net profit | 5,470 | 7,200 | 1,440 | 3,800 | 6,400 | 1,600 | 1,800 | 27,710 |
| Change (y-y %) | (28.7) | (2.4) | (3.0) | (41.2) | (30.8) | 7.7 | (56.8) | (26.9) |
| Change (q-q %) | 128.1 | (45.7) | 30.0 | 10.1 | 28.9 | (2.2) | 45.8 | (1.2) |
| % of 2021E | 21.6 | 22.2 | 23.9 | 19.8 | 22.2 | 25.1 | 15.8 | 21.4 |
| Bloomberg consensus 1Q21E | 4,250 | 8,022 | 1,407 | 3,910 | 6,638 | 1,668 | 2,362 | 28,256 |
| FSSIA's 1Q21E vs BBG's | (22.3) | 11.4 | (2.3) | 2.9 | 3.7 | 4.3 | 31.2 | 2.0 |
| Loan (q-q %) | (1.5) | 1.0 | 1.5 | 1.0 | (0.5) | (1.5) | (2.5) | (0.3) |
| Loan (y-y %) | 10.2 | 11.0 | 8.7 | 10.5 | 7.1 | (6.9) | (3.2) | 7.5 |
| Deposit (q-q %) | 0.3 | (1.0) | (1.0) | 0.0 | (2.0) | (1.8) | 1.5 | (0.4) |
| Deposit (y-y %) | 12.1 | 5.4 | 11.3 | 4.7 | 4.2 | (9.4) | (0.3) | 5.6 |
| Loan/Deposits (LDR %) | 82.7 | 97.7 | 107.9 | 95.6 | 94.6 | 110.8 | 97.4 | 93.5 |
| Loan/Deposits and Borrowing (%) | 78.9 | 94.9 | 97.0 | 92.4 | 92.0 | 104.3 | 91.5 | 89.8 |
| Key ratios | (%) | (%) | (%) | (%) | (%) | (%) | (%) | (%) |
| Net interest margin | 2.06 | 3.07 | 4.70 | 2.53 | 3.05 | 4.71 | 3.03 | 2.78 |
| Credit cost (bp/total loans) | 1.05 | 1.70 | 1.46 | 1.54 | 2.00 | 1.23 | 1.80 | 1.59 |
| Cost to income | 54.09 | 48.53 | 51.29 | 48.85 | 47.24 | 43.42 | 52.17 | 49.64 |
| Loan-loss-coverage | 176 | 132 | 154 | 138 | 152 | 206 | 132 | 149 |
| Absolute NPL (THB m) | 107,537 | 104,037 | 8,710 | 112,495 | 98,418 | 5,899 | 41,574 | 478,670 |
| Change (y-y %) | 26.2 | 14.2 | (11.4) | 0.1 | 17.7 | (3.0) | (5.9) | 10.7 |
| Change (q-q %) | 3.0 | 3.0 | 3.0 | 5.0 | (3.0) | 5.0 | 5.0 | 2.3 |
| NPL ratio | 4.61 | 4.59 | 3.24 | 4.78 | 4.39 | 2.66 | 3.06 | 4.33 |
| Reported NPL ratio | 4.14 | 4.04 | 3.18 | 3.96 | 3.59 | 2.66 | 2.65 | - |
| CET1 | 16.1 | 15.6 | 13.6 | 15.4 | 17.5 | 18.6 | 20.7 | 16.6 |
| CAR | 18.7 | 18.6 | 17.6 | 18.8 | 18.6 | 23.1 | 24.7 | 19.4 |

Source: FSSIA estimates

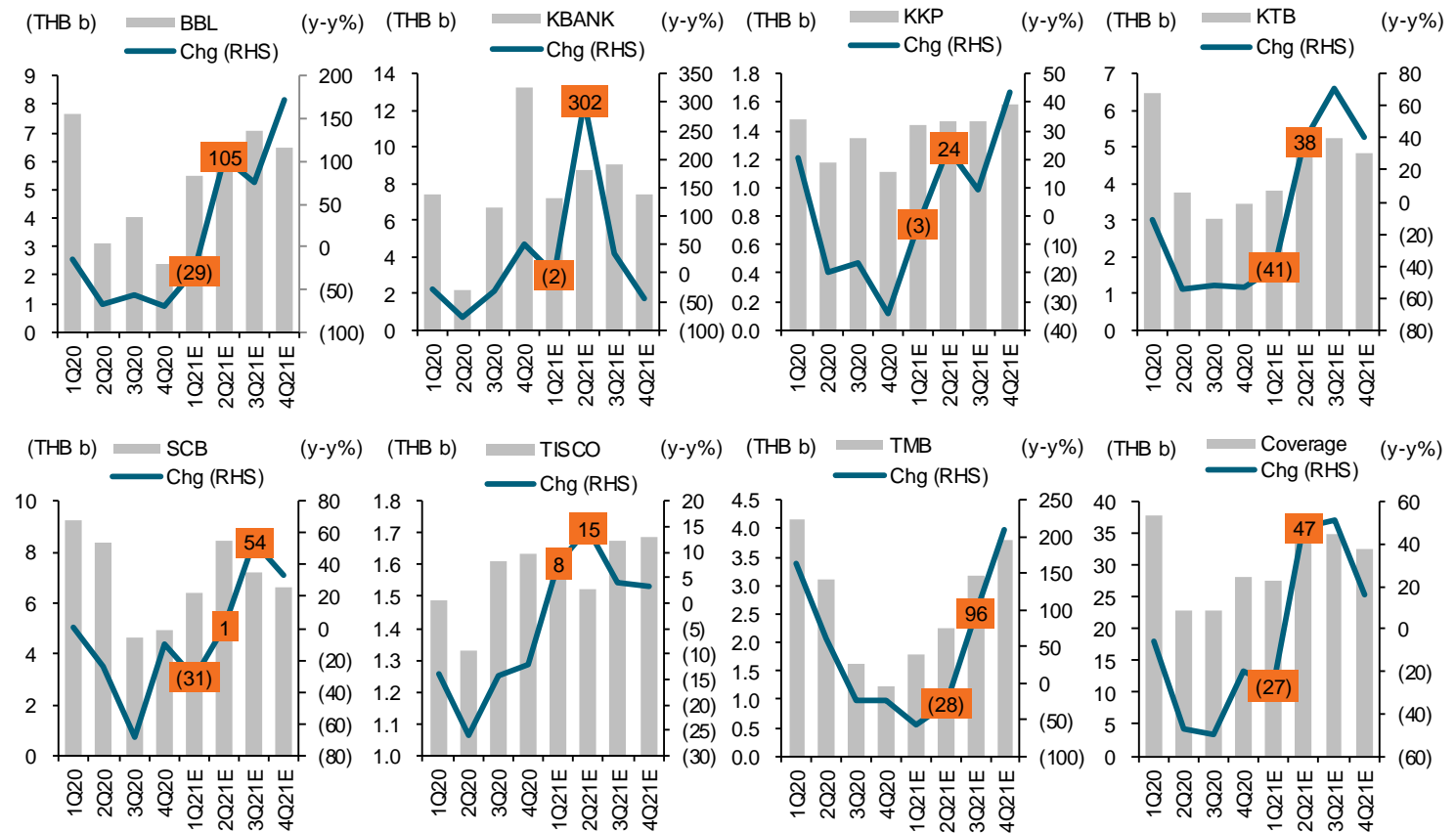
Turning point should occur in 2Q21

We project the 2Q21 aggregate NP of the BUC to increase y-y for the first time in five quarters, supported by three reasons. First, we forecast banks' provisioning setups to drastically decline due to the excess provisions that were set aside in 2020, along with the improving asset quality following the further relief programs, e.g., asset warehousing and the country's reopening. Second, we expect net fee incomes to increase significantly, with the expectation of a recovery in wealth-related commissions. Lastly, we believe banks will accelerate their integration of automated processes, implement branch consolidations and reduce head counts, leading to a slight OPEX increase.

We expect KBANK to deliver the most outstanding performance in 2Q21, followed by BBL and KTB. TMB will likely be the only bank to post a decline in its NP in 2Q21, dragged down mainly by an OPEX surge from its EBT.

In 2H21, we forecast the aggregate NP of the BUC to continue to increase y-y, supported by a provision contraction and an OPEX decline. We expect TMB to post the strongest growth in 2H21.

Exhibit 10: Quarterly earnings momentum – turning point from 2Q21E



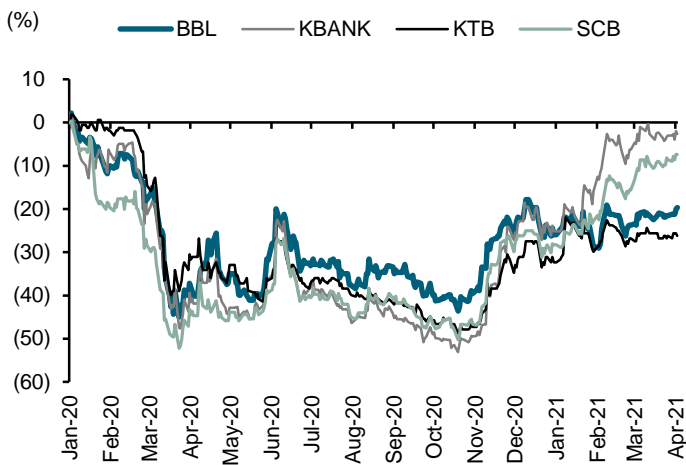
Source: FSSIA's estimates

The re-accumulation phase could start again after 1Q21 results

During Mar-21, Thai bank stocks traded in a horizontal range after their big share price rally by 67% from Oct-20 to Feb-21. We believe that most investors, especially foreign investors who mainly drove the recent rally in banks' share prices, are waiting to see the 1Q21 results. This is evidenced by the 41.3% proportion of foreign investors holding stakes in the banking sector at the end of Mar-21. This level was relatively the same as at the end of Feb-21 at 41.2%. During the big rally in banks' share prices, the proportion of foreign investors rose significantly from their lowest point at 38.5% in Oct-20.

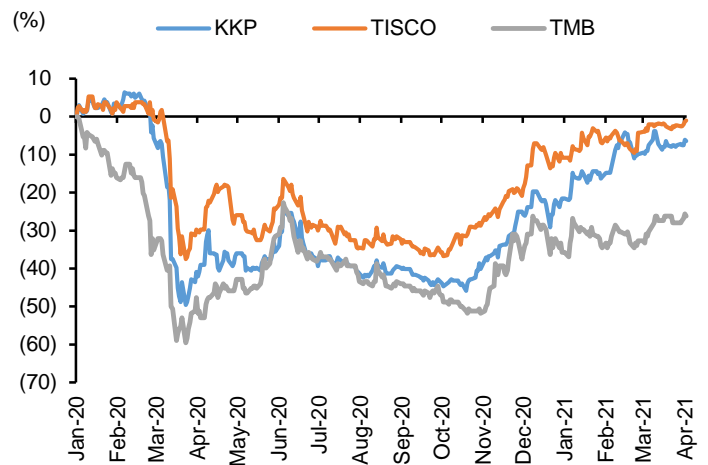
We believe that foreign investors will re-accumulate Thai bank stocks again. The proportion could possibly increase to the pre-COVID level at 43.2% or even to the three-year average from 2017-19 at 47.8%, supported by a strong earnings' recovery starting in 2Q21, along with banks' solid capital and provision cushion to conquer the upcoming NPLs.

Exhibit 11: Big banks' price performance since end-2019



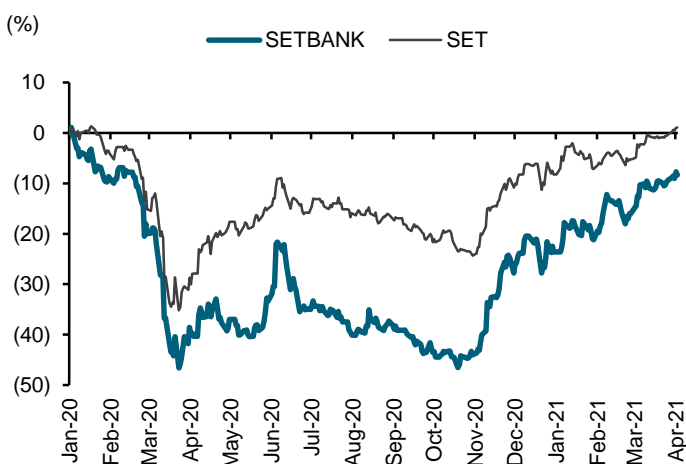
Sources: Bloomberg; FSSIA's compilation

Exhibit 12: Auto lenders' price performance since end-2019



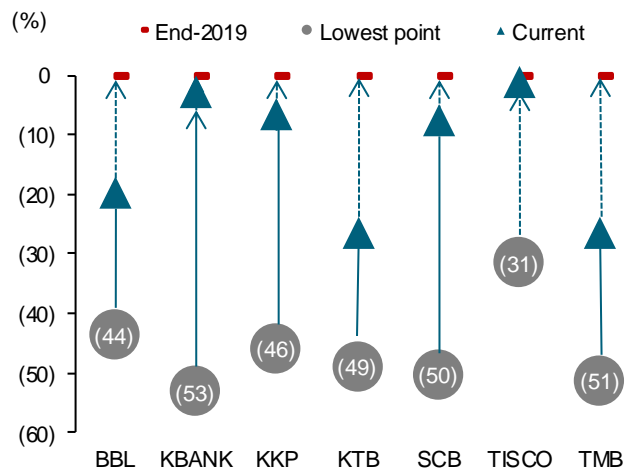
Sources: Bloomberg; FSSIA's compilation

Exhibit 13: Index performance since end-2019



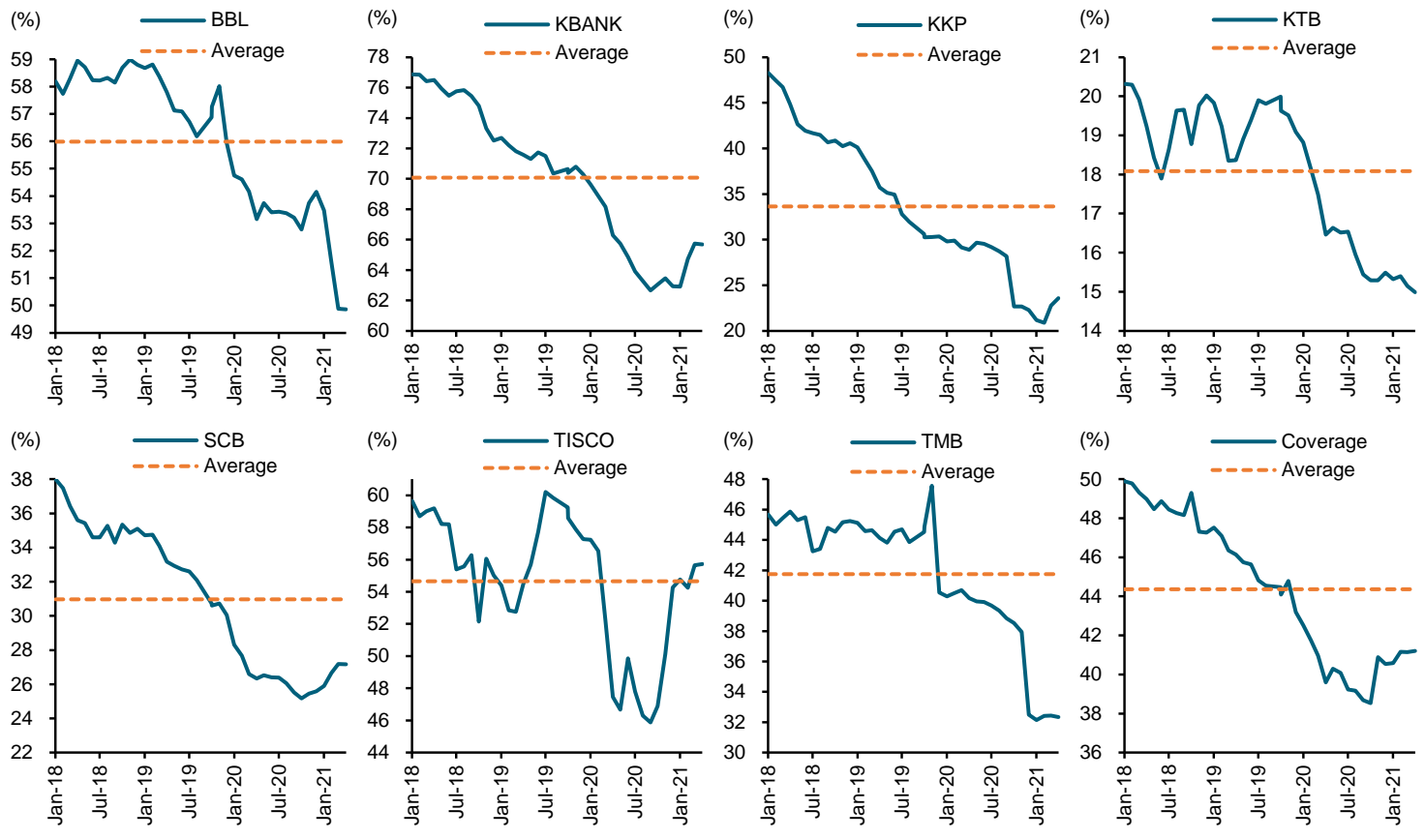
Sources: Bloomberg; FSSIA's compilation

Exhibit 14: Comparing the current and lowest share price performance point in Oct-20 vs the end of 2019 (before COVID-19)



Sources: Bloomberg; FSSIA's compilation

Exhibit 15: Foreign holdings of Thai banks under coverage



As of 2 Apr 2021
Sources: SET; FSSIA's compilation

Exhibit 16: Peers comparison

| | | Rec | --- Share price --- | | Up (down) side | Market Cap | - EPS growth - | | ---- PE ---- | | - DivYld - | | --- ROE --- | | --- PBV --- | |
|----------------------|----------|------|---------------------|--------------|----------------|---------------|----------------|-------------|--------------|------------|------------|------------|-------------|------------|-------------|------------|
| | | | Current (THB) | Target (THB) | | | 21E (%) | 22E (%) | 21E (x) | 22E (x) | 21E (%) | 22E (%) | 21E (%) | 22E (%) | 21E (x) | 22E (x) |
| Bangkok Bank | BBL TB | BUY | 127.00 | 162.00 | 28 | 7,720 | 19.4 | 13.7 | 9.6 | 8.4 | 3.1 | 3.9 | 5.6 | 6.1 | 0.5 | 0.5 |
| Kasikornbank | KBANK TB | BUY | 145.00 | 168.00 | 16 | 10,940 | 8.8 | 6.9 | 10.7 | 10.0 | 2.2 | 2.6 | 7.2 | 7.2 | 0.7 | 0.7 |
| Kiatnakin Bank | KKP TB | BUY | 61.25 | 68.00 | 11 | 1,652 | 17.8 | 12.8 | 8.6 | 7.6 | 6.1 | 6.9 | 12.6 | 13.5 | 1.1 | 1.0 |
| Krung Thai Bank | KTB TB | HOLD | 12.00 | 11.90 | (1) | 5,341 | 14.9 | 13.9 | 8.7 | 7.7 | 4.0 | 4.6 | 5.5 | 6.0 | 0.5 | 0.4 |
| Siam Commercial Bank | SCB TB | BUY | 111.50 | 114.00 | 2 | 12,057 | 5.8 | 18.3 | 13.1 | 11.1 | 2.9 | 3.6 | 6.9 | 7.8 | 0.9 | 0.8 |
| Tisco Financial | TISCO TB | BUY | 97.75 | 102.00 | 4 | 2,492 | 5.0 | 13.1 | 12.3 | 10.9 | 7.7 | 7.7 | 15.5 | 16.7 | 1.8 | 1.8 |
| TMB Bank | TMB TB | HOLD | 1.23 | 1.21 | (2) | 3,776 | 12.7 | 24.7 | 10.4 | 8.3 | 2.9 | 3.6 | 5.4 | 6.5 | 0.6 | 0.5 |
| Coverage | | | | | | 43,978 | 11.5 | 13.9 | 10.7 | 9.4 | 3.3 | 3.9 | 6.6 | 7.1 | 0.7 | 0.7 |

Share prices as of 5 Apr 2021
Sources: Company data; FSSIA estimates

Corporate Governance report of Thai listed companies 2020

| EXCELLENT LEVEL | | | | | | | | | | |
|-----------------|--------|--------|-------|-------|-------|--------|--------|--------|--------|-------|
| AAV | ADVANC | AF | AIRA | AKP | AKR | ALT | AMA | AMATA | AMATAV | ANAN |
| AOT | AP | ARIP | ARROW | ASP | BAFS | BANPU | BAY | BCP | BCPG | BDMS |
| BEC | BEM | BGRIM | BIZ | BKI | BLA | BOL | BPP | BRR | BTS | BWG |
| CENTEL | CFRESH | CHEWA | CHO | CIMBT | CK | CKP | CM | CNT | COL | COMAN |
| COTTO | CPALL | CPF | CPI | CPN | CSS | DELTA | DEMCO | DRT | DTAC | DTC |
| DV8 | EA | EASTW | ECF | ECL | EGCO | EPG | ETE | FNS | FPI | FPT |
| FSMART | GBX | GC | GCAP | GEL | GFPT | GGC | GPSC | GRAMMY | GUNKUL | HANA |
| HARN | HMPRO | ICC | ICI | III | ILINK | INTUCH | IRPC | IVL | JKN | JSP |
| JWD | K | KBANK | KCE | KKP | KSL | KTB | KTC | LANNA | LH | LHFG |
| LIT | LPN | MAKRO | MALEE | MBK | MBKET | MC | MCOT | METCO | MFEC | MINT |
| MONO | MOONG | MSC | MTC | NCH | NCL | NEP | NKI | NOBLE | NSI | NVD |
| NYT | OISHI | ORI | OTO | PAP | PAP | PCSGH | PDJ | PG | PHOL | PLANB |
| PLAT | PORT | PPS | PR9 | PREB | PRG | PRM | PSH | PSL | PTG | PTT |
| PTTEP | PTTGC | PYLON | Q-CON | QH | QTC | RATCH | RS | S | S & J | SAAM |
| SABINA | SAMART | SAMTEL | SAT | SC | SCB | SCC | SCCC | SCG | SCN | SDC |
| SEAFCO | SEAOIL | SE-ED | SELIC | SENA | SIRI | SIS | SITHAI | SMK | SMPC | SNC |
| SONIC | SORKON | SPALI | SPI | SPRC | SPVI | SSSC | SST | STA | SUSCO | SUTHA |
| SVI | SYMC | SYNTEC | TACC | TASCO | TCAP | TFMAMA | THANA | THANI | THCOM | THG |
| THIP | THRE | THREL | TIP | TIPCO | TISCO | TK | TKT | TMB | TMILL | TNDT |
| TNL | TOA | TOP | TPBI | TQM | TRC | TSC | TSR | TSTE | TSTH | TTA |
| TTCL | TTW | TU | TVD | TVI | TVO | TWPC | U | UAC | UBIS | UV |
| VGI | VIH | WACOAL | WAVE | WHA | WHAUP | WICE | WINNER | TRUE | | |

| VERY GOOD LEVEL | | | | | | | | | | |
|-----------------|---------|--------|-------|--------|-------|--------|--------|--------|--------|-------|
| 2S | ABM | ACE | ACG | ADB | AEC | AEONTS | AGE | AH | AHC | AIT |
| ALLA | AMANAHA | AMARIN | APCO | APCS | APURE | AQUA | ASAP | ASEFA | ASIA | ASIAN |
| ASIMAR | ASK | ASN | ATP30 | AUCT | AWC | AYUD | B | BA | BAM | BBL |
| BFIT | BGC | BJC | BJCHI | BROOK | BTW | CBG | CEN | CGH | CHARAN | CHAYO |
| CHG | CHOTI | CHOW | CI | CIG | CMC | COLOR | COM7 | CPL | CRC | CRD |
| CSC | CSP | CWT | DCC | DCON | DDD | DOD | DOHOME | EASON | EE | ERW |
| ESTAR | FE | FLOYD | FN | FORTH | FSS | FTE | FVC | GENCO | GJS | GL |
| GLAND | GLOBAL | GLOCON | GPI | GULF | GYT | HPT | HTC | ICN | IFS | ILM |
| IMH | INET | INSURE | IRC | IRCP | IT | ITD | ITEL | J | JAS | JCK |
| JCKH | JMART | JMT | KBS | KCAR | KGI | KIAT | KOOL | KTIS | KWC | KWM |
| L&E | LALIN | LDC | LHK | LOXLEY | LPH | LRH | LST | M | MACO | MAJOR |
| MBAX | MEGA | META | MFC | MGT | MILL | MITSIB | MK | MODERN | MTI | MVP |
| NETBAY | NEX | NINE | NTV | NWR | OCC | OGC | OSP | PATO | PB | PDG |
| PDI | PICO | PIMO | PJW | PL | PM | PPP | PRIN | PRINC | PSTC | PT |
| QLT | RCL | RICHY | RML | RPC | RWI | S11 | SALEE | SAMCO | SANKO | SAPPE |
| SAWAD | SCI | SCP | SE | SEG | SFP | SGF | SHR | SIAM | SINGER | SKE |
| SKR | SKY | SMIT | SMT | SNP | SPA | SPC | SPCG | SR | SRICHA | SSC |
| SSF | STANLY | STI | STPI | SUC | SUN | SYNEX | T | TAE | TAKUNI | TBSP |
| TCC | TCMC | TEAM | TEAMG | TFG | TIGER | TITLE | TKN | TKS | TM | TMC |
| TMD | TMI | TMT | TNITY | TNP | TNR | TOG | TPA | TPAC | TPCORP | TPOLY |
| TPS | TRITN | TRT | TRU | TSE | TVT | TWP | UEC | UMI | UOBKH | UP |
| UPF | UPOIC | UT | UTP | UWC | VL | VNT | VPO | WIJK | WP | XO |
| YUASA | ZEN | ZIGA | ZMICO | | | | | | | |

| GOOD LEVEL | | | | | | | | | | |
|------------|------|--------|--------|-------|--------|-------|-------|--------|--------|-------|
| 7UP | A | ABICO | AJ | ALL | ALUCON | AMC | APP | ARIN | AS | AU |
| B52 | BC | BCH | BEAUTY | BGT | BH | BIG | BKD | BLAND | BM | BR |
| BROCK | BSBM | BSM | BTNC | CAZ | CCP | CGD | CITY | CMAN | CMO | CMR |
| CPT | CPW | CRANE | CSR | D | EKH | EP | ESSO | FMT | GIFT | GREEN |
| GSC | GTB | HTECH | HUMAN | IHL | INOX | INSET | IP | JTS | JUBILE | KASET |
| KCM | KKC | KUMWEL | KUN | KWG | KYE | LEE | MATCH | MATI | M-CHAI | MCS |
| MDX | MJD | MM | MORE | NC | NDR | NER | NFC | NNCL | NPK | NUSA |
| OCEAN | PAF | PF | PK | PLE | PMTA | POST | PPM | PRAKIT | PRECHA | PRIME |
| PROUD | PTL | RBF | RCI | RJH | ROJNA | RP | RPH | RSP | SF | SFLEX |
| SGP | SISB | SKN | SLP | SMART | SOLAR | SPG | SQ | SSP | STARK | STC |
| SUPER | SVOA | TC | TCCC | THMUI | TIW | TNH | TOPP | TPCH | TIPIP | TPLAS |
| TTI | TYCN | UKEM | UMS | VCOM | VRANDA | WIN | WORK | WPH | | |

Description

Score Range

Excellent

90-100

Very Good

80-89

Good

70-79

Disclaimer:

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 2020

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

| DECLARED | | | | | | | | | | |
|----------|-------|-------|--------|--------|-------|--------|-------|-------|-------|--------|
| 7UP | ABICO | AF | ALT | AMARIN | AMATA | AMATAV | ANAN | APURE | B52 | BKD |
| BM | BROCK | BUI | CHO | CI | COTTO | DDD | EA | EFORL | EP | ERW |
| ESTAR | ETE | EVER | FSMART | GPI | ILINK | IRC | J | JKN | JMART | JMT |
| JSP | JTS | KWG | LDC | MAJOR | META | NCL | NOBLE | NOK | PK | PLE |
| ROJNA | SAAM | SAPPE | SCI | SE | SHANG | SINGER | SKR | SPALI | SSP | STANLY |
| SUPER | SYNEX | THAI | TKS | TOPP | TRITN | TTA | UPF | UV | WIN | ZIGA |

| 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

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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 127.00 | 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 145.00 | 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 61.25 | BUY | Downside risks to our GGM-based target price include weakening asset quality and lower fee income. |
| Krung Thai Bank | KTB TB | THB 12.00 | 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 111.50 | 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 97.75 | 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 1.23 | 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 05-Apr-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.