

21 APRIL 2021

THAILAND / BANKS

TMB BANK TMB TB

BUY

FROM HOLD

TARGET PRICE	THB1.80
CLOSE	THB1.20
UP/DOWNSIDE	+50.0%
PRIOR TP	THB1.21
CHANGE IN TP	+48.8%
TP vs CONSENSUS	+38.6%

ทำไมต้องซื้อ TMB ในตอนนี้

ได้เวลาสะสม TMB

แม้ว่ากำไร 1Q21 ของธนาคารฯ จะลดลง 33% y-y เราเชื่อว่า TMB จะรายงานผลประกอบการที่ดีนับตั้งแต่ 3Q21 เป็นต้นไปจากประโยชน์ที่ได้ออกการควบรวมกับ Thanachart Bank (TBANK, not listed) ในแง่ของรายได้ ต้นทุน และผลขาดทุนทางเครดิตที่คาดว่าจะเกิดขึ้น (ECL) ที่ลดลงหลังการสะสมสำรองอย่างรอบคอบในปี 2020 ซึ่งควรทำให้ ECL ลดลง นอกจากนี้ เรายังชอบนโยบายการบริหารคุณภาพสินทรัพย์ที่มีความโปร่งใสและรอบคอบของบริษัทฯ ปัจจัยดังกล่าวควรทำให้ TMB สามารถรายงานการเติบโตที่ยั่งยืนในระยะยาวหลัง Covid ในท้ายที่สุด TMB มีการซื้อขายในระดับการประเมินมูลค่าที่ต่ำ ทำให้เราเชื่อว่าเป็นเวลาที่จะเข้าสะสม TMB

ประโยชน์ที่โดดเด่นเริ่มออกผล

เราเห็นว่าประโยชน์ที่โดดเด่นจากการควบรวมกิจการกับ TBANK ควรเริ่มออกผลอย่างเห็นได้ชัดนับตั้งแต่ 2H21 เป็นต้นไป โดยประกอบด้วยประโยชน์ในด้านงบดุล รายได้ และต้นทุน ซึ่งทำให้เราคาดว่า TMB จะรายงานผลประกอบการที่ดีในช่วง 2H21 ถึง 2022 โดยเราคาดว่ากำไรสุทธิจะโตในระดับสูงกว่า 100% y-y ใน 2H21 และ 28% y-y ในปี 2022

การบริหารคุณภาพสินทรัพย์ที่โปร่งใสและรอบคอบ

เรามองว่า TMB เป็นธนาคารที่มีนโยบายการบริหารคุณภาพสินทรัพย์ที่โปร่งใสและรอบคอบมากที่สุดในช่วงที่มีโครงการบรรเทาหนี้และการผ่อนคลายมาตรฐานทางบัญชีและการจัดชั้นหนี้ โดยส่วนมากธนาคารฯ จะจัดชั้นของลูกค้ำตามความสามารถในการชำระหนี้ ซึ่งต่างจากธนาคารส่วนมากที่ใช้ประโยชน์จากการผ่อนคลายมาตรฐานทางบัญชีและการจัดชั้นหนี้เพื่อลดการเพิ่มของหนี้ต่อคุณภาพให้มากที่สุด ซึ่งจะทำให้ NPLs ของ TMB เพิ่มในอัตราที่สูงกว่าเพื่อนในอนาคต อย่างไรก็ตาม เรากังวลเกี่ยวกับปัจจัยดังกล่าวเนื่องจาก TMB ได้จัดสรรสำรองอย่างเพียงพอ โดยอยู่ที่ 100% ของมูลค่าสุทธิหลังหักหลักทรัพย์ค้ำประกันสำหรับหนี้เสีย นอกจากนี้ TMB ยังได้เปลี่ยนวิธีการรับรู้ดอกเบี้ยค้างรับให้เข้มงวดมากขึ้นใน 1Q21 โดยจะนำไปเทียบกับ ECL ก่อนออกมาเป็นตัวเลขสุทธิ ดังนั้น TMB จึงไม่น่าจะบันทึกรายได้ดอกเบี้ยและสินทรัพย์เกินสมควร ซึ่งจะกลายเป็นภาระให้แก่ตัวเองในอนาคต

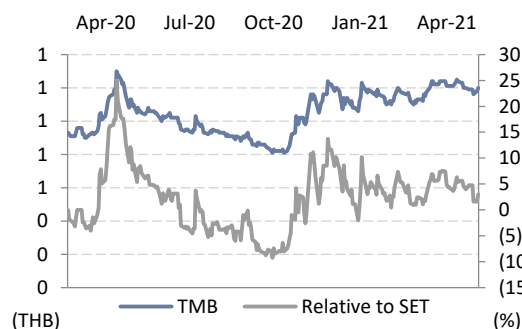
ปรับเพิ่มคำแนะนำเป็นซื้อจากการฟื้นตัวของผลตอบแทนต่อส่วนผู้ถือหุ้น

และการประเมินมูลค่าที่อยู่ในระดับต่ำ

เราปรับเพิ่มคำแนะนำเป็นซื้อจากถือโดยมีเหตุผลจากผลประกอบการที่ดีของบริษัทฯ ซึ่งเราคาดว่าจะเกิดขึ้นในช่วง 2H21 และปี 2022 หลังประโยชน์ที่โดดเด่นที่ได้จากการควบรวมกิจการเริ่มออกผลอย่างเห็นได้ชัด พร้อมกับประเมินมูลค่าที่อยู่ในระดับต่ำ เราเห็นว่าตลาดมีความกังวลเกี่ยวกับต้นทุนในการควบรวมกิจการมากเกินไปและประเมินประโยชน์ที่โดดเด่นที่ได้จากการควบรวมกิจการไว้ต่ำเกินไป เราปรับเพิ่มประมาณการกำไรสุทธิปี 2022-23 อีก 2.7%/9.7% และปรับราคาเป้าหมายไปในปี 2022 ที่ 1.8 บาท (GGM)

KEY STOCK DATA

YE Dec (THB m)	2020	2021E	2022E	2023E
Operating profit	11,975	13,423	17,373	19,804
Net profit	10,112	11,400	14,601	16,630
EPS (THB)	0.10	0.12	0.15	0.17
vs Consensus (%)	-	7.1	10.3	(0.6)
Core net profit	10,112	11,400	14,601	16,630
Core EPS (THB)	0.10	0.12	0.15	0.17
Chg. In EPS est. (%)	-	-	2.7	9.7
EPS growth (%)	(29.4)	12.7	28.1	13.9
Core P/E (x)	11.4	10.1	7.9	7.0
Dividend yield (%)	3.8	3.9	5.1	5.8
Price/book (x)	0.6	0.5	0.5	0.5
ROE (%)	5.1	5.5	6.7	7.3
ROA (%)	0.6	0.6	0.8	0.9



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(3.2)	4.3	27.7
Relative to country (%)	(4.2)	0.1	2.3
Mkt cap (USD m)	3,700		
3m avg. daily turnover (USD m)	20.3		
Free float (%)	39		
Major shareholder	ING Bank N.V. (23%)		
12m high/low (THB)	1.31/0.80		
Issued shares (m)	43,852		

Sources: Bloomberg consensus; FSSIA estimates



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PREPARED BY FSS INTERNATIONAL INVESTMENT ADVISORY SECURITIES CO LTD (FSSIA). ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES CAN BE FOUND AT THE END OF THIS REPORT

บทวิเคราะห์ฉบับนี้แปลมาจากบทวิเคราะห์ของ FSSIA ฉบับวันที่ 21 เมษายน 2021

Investment thesis

We think it is a good time to accumulate TMB as we believe that it will deliver superior performance starting from 3Q21 onward, driven by synergies from its consolidation with TBANK in terms of both revenue and cost and lower ECL, thanks to its prudent provision stockpiling in 2020 which should lead to an ECL decline. Additionally, we like its prudent and transparent asset quality management. This should allow TMB to deliver sustainable long-term growth post Covid. Moreover, TMB is well known as a digital lending bank that could benefit from the current digital banking trend. Lastly, TMB's share price is trading at an undemanding valuation.

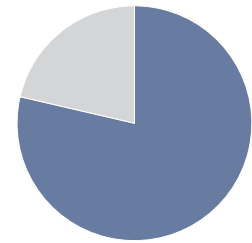
Company profile

TMB Bank Public Company Limited provides a full range of banking and financial services. The bank offers corporate and personal lending, retail and wholesale banking, international trade financing, and investment banking services to its customers throughout Thailand. It merged with TBANK at the end of 2019. At present, they are in the process of EBT (entire business transfer) which is expected to be done in 2021.

www.tmbbank.com

Principal activities (revenue, 2020)

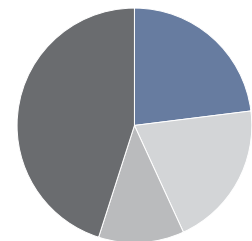
- Net interest income - 78.6 %
- Non-interest income - 21.4 %



Source: TMB Bank

Major shareholders

- ING Bank N.V. - 23.0 %
- TCAP - 20.1 %
- Ministry of finance - 11.8 %
- Others - 45.1 %



Source: TMB Bank

Catalysts

Potential share price catalysts for TMB include:

- Lower credit cost from better-than-expected new NPLs;
- Better operating cost control.

Risks to our call

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.

Event calendar

Date	Event
July 2021	2Q21 results announcement

Key assumptions

	2021E	2022E	2023E
	(%)	(%)	(%)
Net profit (THB m)	11,400	14,601	16,630
Net profit growth	12.7	28.1	13.9
NIM	3.06	2.97	3.01
Loan growth	0.0	4.0	4.0
Fee growth	12.1	10.6	10.0
Non-NII growth*	12.8	9.8	8.8
Credit cost (bp)	170	150	150
Cost to income*	47.0	45.8	44.0

*Including share of profits from associates

Source: FSSIA estimates

Earnings sensitivity

		2021E		
Loan growth	±2ppt	(2.0)	0.0	2.0
% change in net profit		(2.2)	-	2.2
NIM (%)	±5bp	3.01	3.06	3.11
% change in net profit		(6.0)	-	6.0
Credit cost (bp)	±10bp	160	170	180
% change in net profit		4.4	-	(4.4)

Source: FSSIA estimates

Synergies starting to bear fruit

We think synergies from the merger with TBANK should start to clearly bear fruit from 2H21 onward, including balance sheet synergies, revenue synergies and cost synergies.

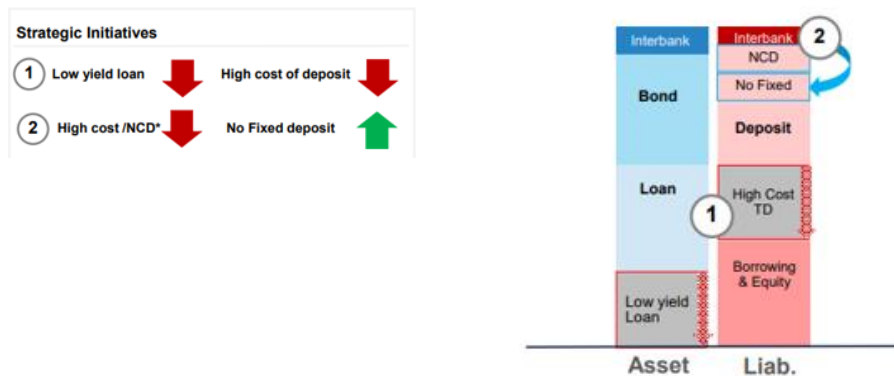
1) Balance sheet synergies

Balance sheet efficiency from an improving deposit mix

TMB is one of the leaders in the field of deposit products. This makes it possible for it to have a low cost of deposits, close to the big four banks: Bangkok Bank (BBL TB; BUY; TP THB162), Kasikornbank (KBANK TB; BUY; TP THB190), Krung Thai Bank (KTB TB; HOLD; TP THB11.9), and Siam Commercial Bank (SCB TB; BUY; TP THB114). Since merging with TBANK in late 2019 to present, TMB was able to replace THB270b worth from TBANK's expensive negotiable certificate of deposit (NCD) and time-deposit (TD) funds with a cheaper deposit product called "TMB No Fixed", by leveraging TMB's strong deposit franchise.

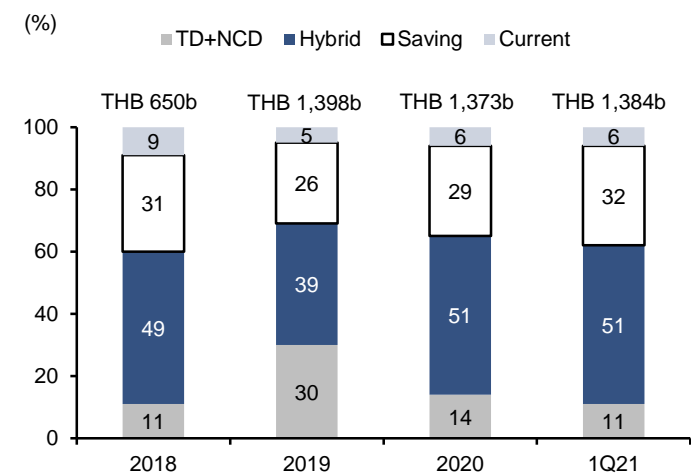
Therefore, the cost of funds of the merged bank is still low, on par with the big four banks. We expect the low cost of funds to continue.

Exhibit 1: Summary of balance sheet synergy



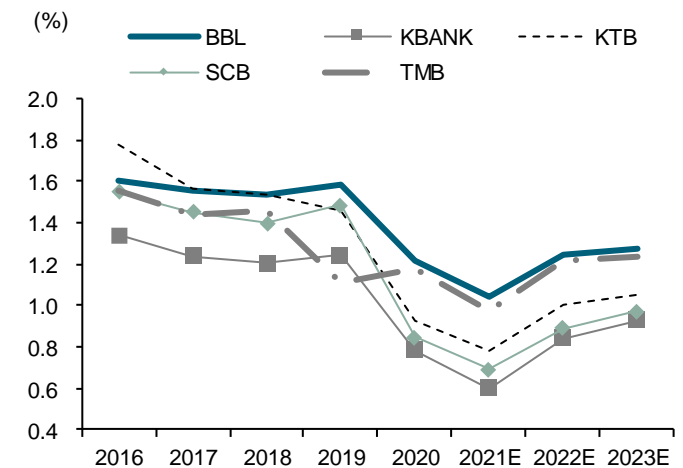
Sources: TMB; FSSIA's compilation

Exhibit 2: Replacing TBANK's high cost of deposit with low cost TMB flagship deposit



Sources: TMB; FSSIA's compilation

Exhibit 3: Comparing cost of funds of big banks under our coverage



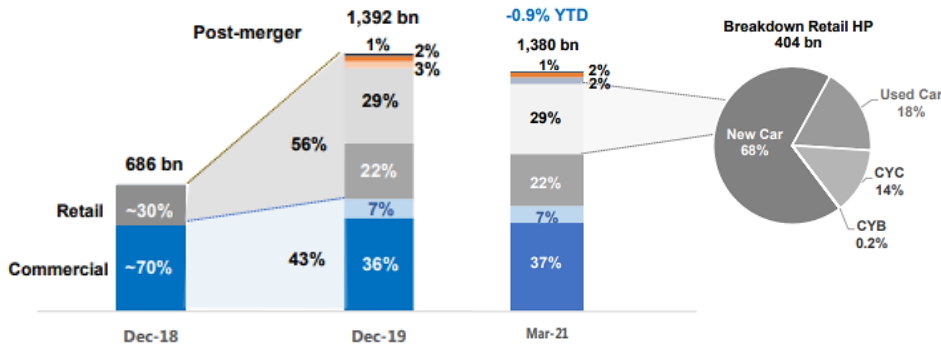
Sources: Company data; FSSIA's estimates

Pursuing selective growth and a rundown on low-yield loans

TMB’s strong deposit franchise was not always optimally utilised and was often placed in low-yield corporate loans. By leveraging TBANK’s expertise, as one of the leaders in automotive lending, we believe TMB can benefit from a higher lending yield. We expect TMB’s average lending yield to widen by 10bp in 2022 to 4.85% vs 4.75% in 2021, as we expect that the bank will focus its lending efforts on retail loans, especially auto hire-purchase loans.

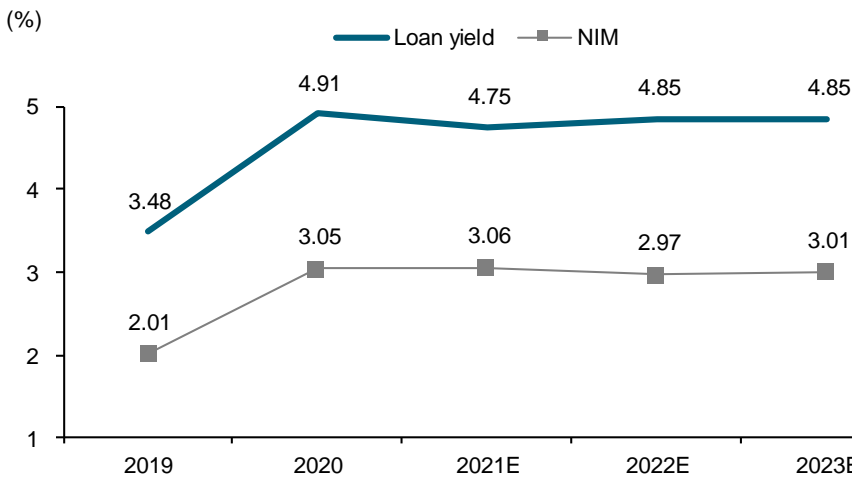
Note that we expect a decline in loan yield in 2021 to 4.75% from 4.91% in 2020 due mostly to the impact of the debt relief program and the effective interest rate (EIR) adjustment of housing loans.

Exhibit 4: Focusing more high-yield loans



Source: TMB

Exhibit 5: Expected stronger loan yield and NIM



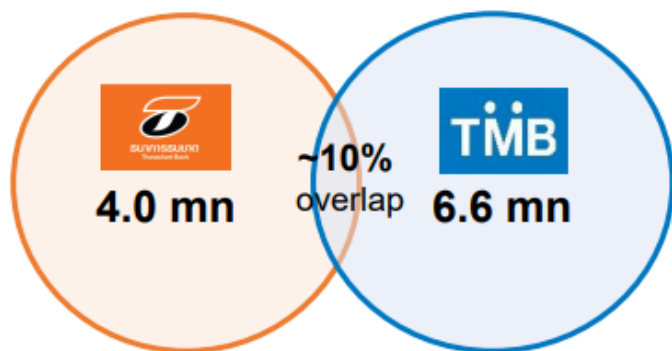
Sources: TMB; FSSIA estimates

2) Revenue synergies

Enlarging customer base and accelerating loan volume and fee income

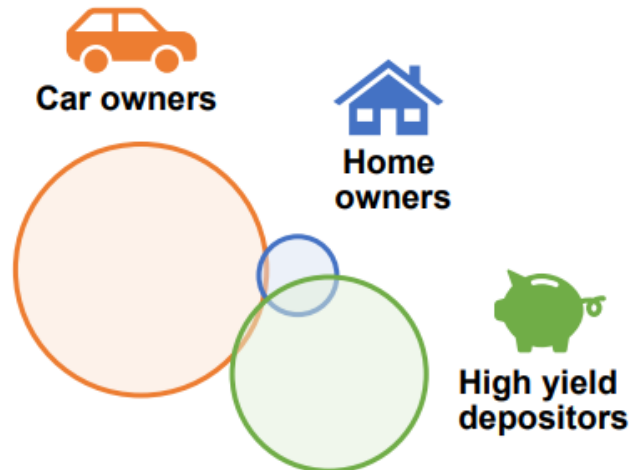
We think one of the main value propositions from this merger is a sizable increase in both banks’ scale of operations. According to TMB, TMB and TBANK will have approximately 10m customers combined. There is only a 10% overlap between TMB’s and TBANK’s customers. The bank could utilise the limited overlap in customer base to generate cross-selling and up-selling opportunities. For example, TBANK’s Cash-Your-Car (CYC) product could meet the needs of TMB’s retail customers, in our view.

Exhibit 6: Bank level: Marginal overlaps in customer base creates cross-selling opportunities



Source: TMB

Exhibit 7: Product level: limited cross-holding across core strategic products



Source: TMB

Currently, however, this enlarging customer base has not yet generated any benefit to the banks. We believe that this synergy will be captured starting from 2H21. We, therefore, expect TMB's fee income and loan portfolio to increase gradually in the next two to three years.

Exhibit 8: Example of revenue synergies

<p>TFUND launched 15 IPO funds (Bt 22 bn AUM) up from 4 IPO funds (Bt 4 bn AUM) in 2019.</p>	<p>TBANK's life insurance premiums up by 51%YoY</p>	<p>CYC referral program available at both bank channels</p>

Source: TMB

3) Cost synergies

Rationalisation of overlapping branch network and workforce

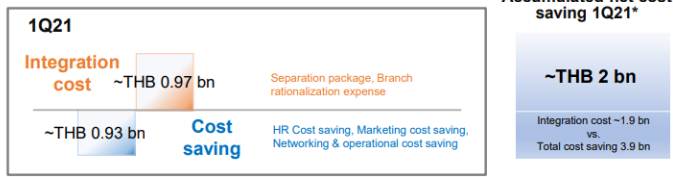
Some branch rationalisation and premise cost savings started to kick in in 4Q20. The merged bank currently has 681 branches (total branches reduced from merger date by 214 branches to 681 branches). Moreover, it has a target to close more than 100 branches this year. Regarding its workforce, as of 1Q21, TMB reduced its headcount by 3.7k to 15,742 personnel. We, therefore, believe that after the integration process in Jul-21, its staff and premise expenses should decline gradually.

Marketing and IT investment savings

We believe that post EBT, there would be value unlocked from not having to incur the fixed cost of operating two entities, i.e., the TConnect mobile banking application (and many systems on the TBANK side).

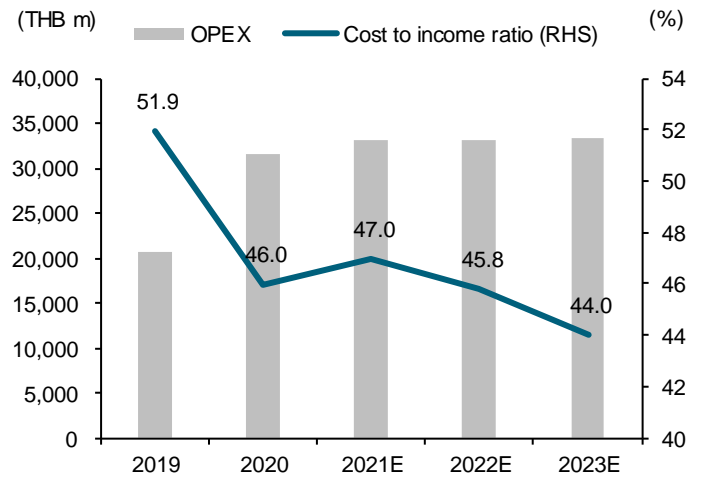
However, during this EBT period, integration expenses will likely accelerate. The total one-time acquisition cost would be THB3b, THB1b of which was booked in 1Q21. The remaining will be booked in 2Q-3Q21. Hence, we believe that the majority of cost savings should kick in starting from 4Q21.

Exhibit 9: Approaching the EBT: Integration expenses expected to accelerate but to be self-funded by core cost-saving initiatives



Source: TMB

Exhibit 10: TMB's OPEX and cost to income ratio

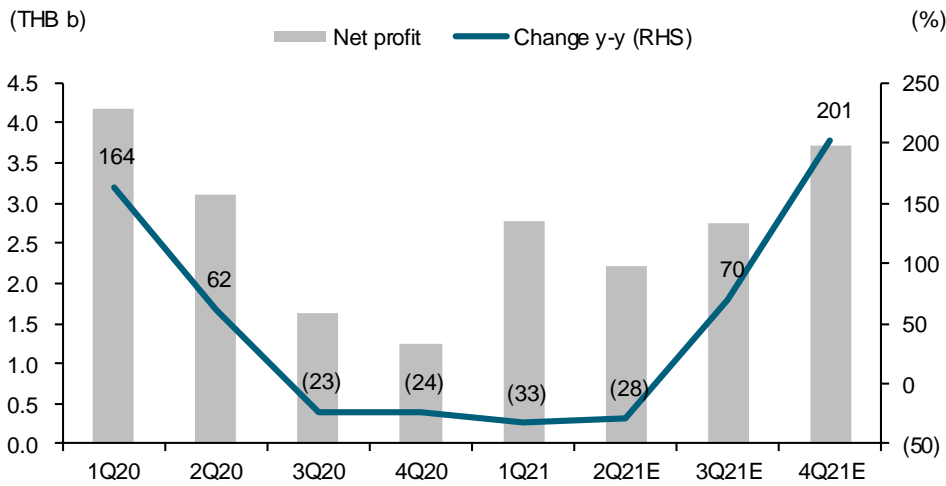


Sources: TMB; FSSIA's estimates

Robust performance set to start from 2H21

We expect TMB to deliver solid performance in 2H21 to 2022, with NP growth of more than 100% y-y in 2H21 and 28% y-y in 2022, supported by 1) a reduction in OPEX due to the completion of EBT and cost synergies; 2) an increase in fee income, especially wealth management fees; and 3) a decline in ECL.

Exhibit 11: TMB's earnings momentum



Sources: TMB; FSSIA estimates

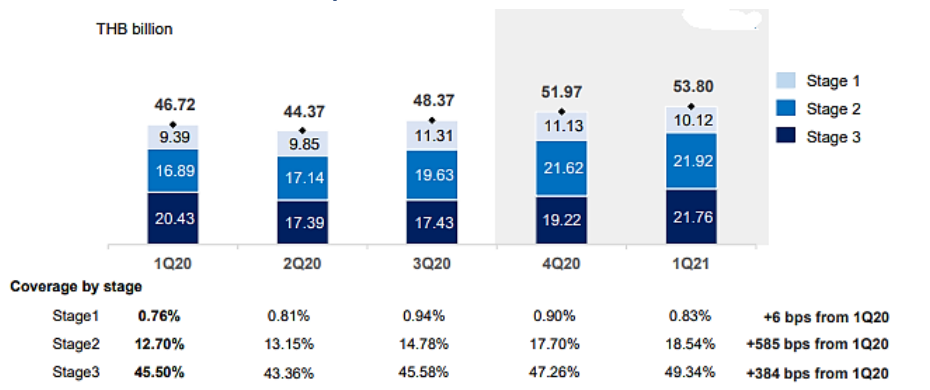
Prudent and transparent asset quality management

We think TMB is the bank with the most prudent and transparent asset quality management amid the debt forbearance program and the relaxation of loan classifications and accounting standards. The bank mostly classifies its clients loan status based on the real debt repayment ability of their customers, which differs from most banks that utilise the loan classification and accounting standard relaxation benefit to minimise the increase of NPLs. This means that TMB’s portfolio reflects real debt repayment ability.

Consequently, TMB’s NPLs should rise higher than its peers in the future. However, we have less concern on this point as TMB has set aside enough provisions (100% net discounted collateral value) for those bad debts.

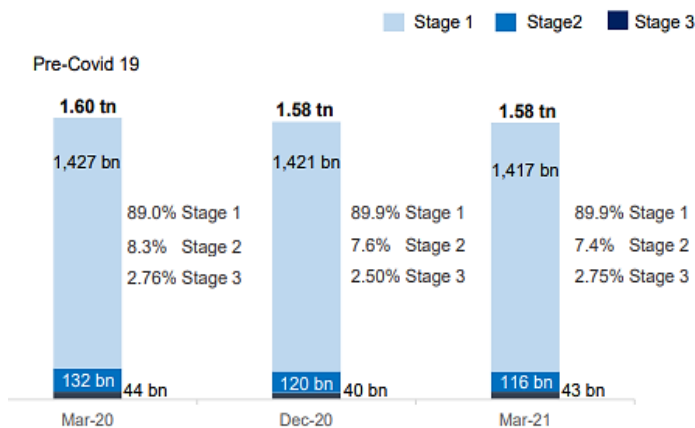
Moreover, in 1Q21, TMB changed its accrued interest realisation to be more conservative by net ECL. Therefore, TMB should not excessively book interest income and assets, which would be a burden in the future.

Exhibit 12: Distribution of risk provisions



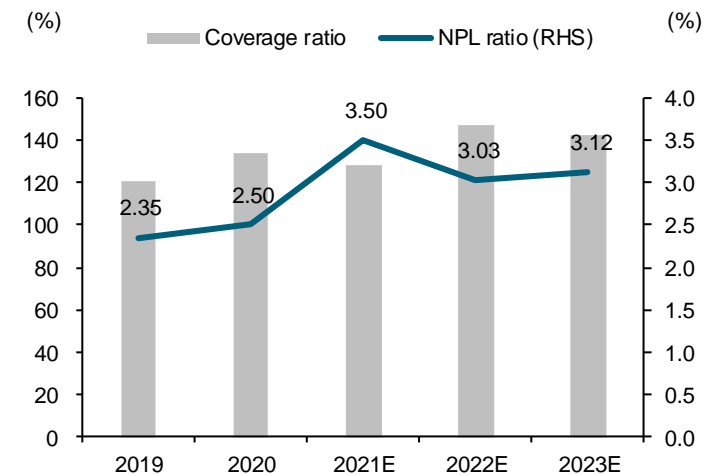
Source: TMB

Exhibit 13: Loan classification



Source: TMB

Exhibit 14: TMB’s NPL and coverage ratios

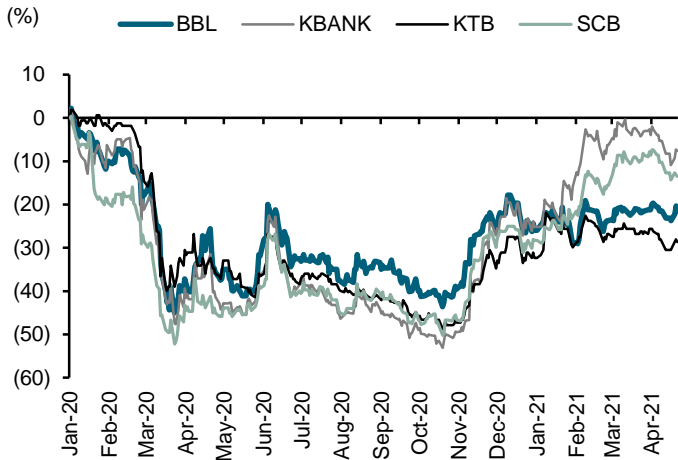


Sources: TMB; FSSIA’s estimates

Cheap valuation

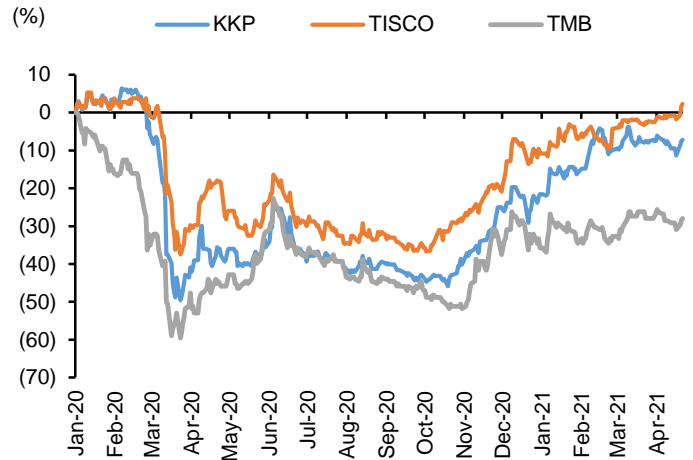
TMB's share price is underperforming its peers. We think the market is overly concerned on its integration cost and underestimates the power of synergy. Its share price could catch up to its peers due to the ROE recovery underway.

Exhibit 15: Big banks' price performance since end-2019



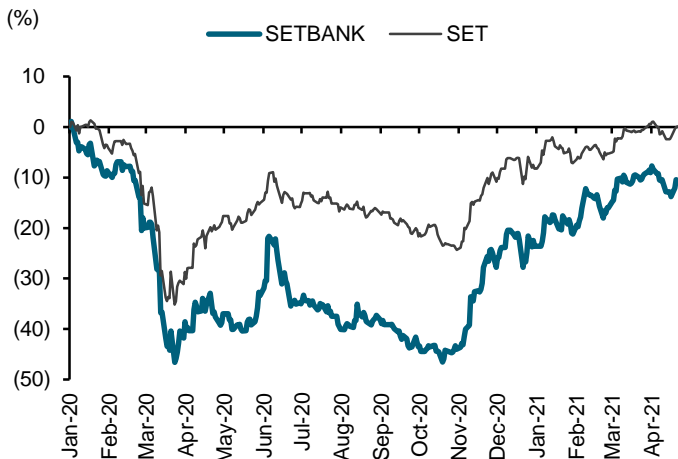
Sources: Bloomberg; FSSIA's compilation

Exhibit 16: Auto lenders' price performance since end-2019



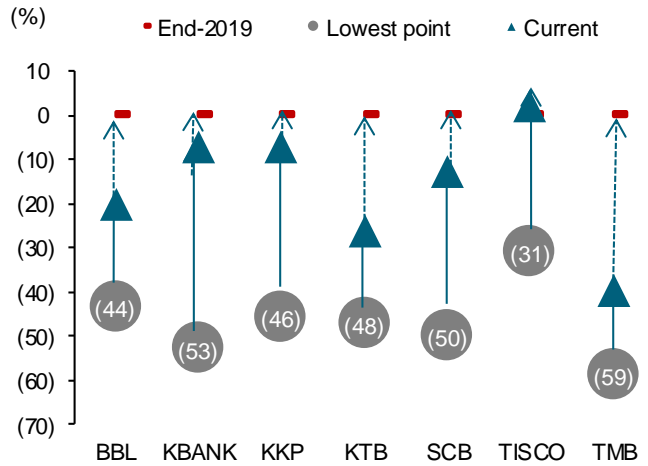
Sources: Bloomberg; FSSIA's compilation

Exhibit 17: Index performance since end-2019



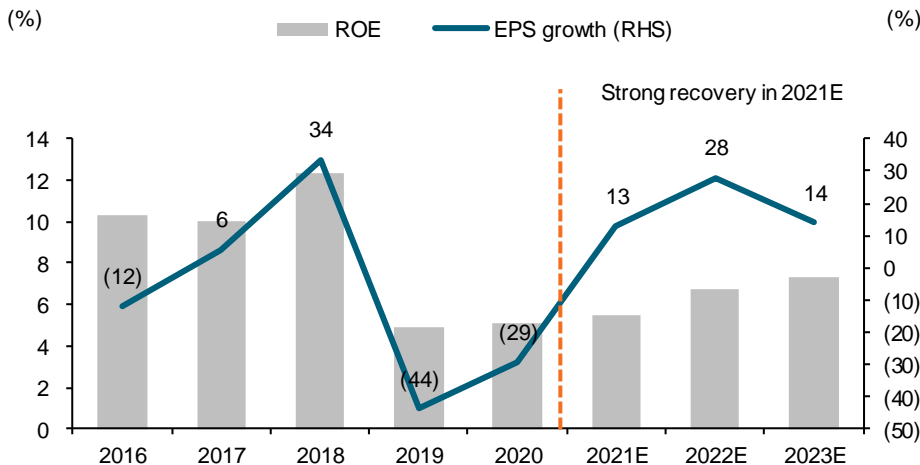
Sources: Bloomberg; FSSIA's compilation

Exhibit 18: 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 19: ROE and EPS growth



Sources: TMB; FSSIA estimates

Net profit and TP revisions

We revise up our net profit forecasts for 2022-23 by 2.7%/9.7% to reflect our lower OPEX and higher fee income assumptions due to the synergies from the merger. We also roll forward our GGM-based TP to 2022 and derive a new TP of THB1.8 (8.0% cost of equity, 4% LTG). Our target price implies a 0.8x 2022E P/BV.

Exhibit 20: Key changes in assumptions

	-----2021E-----				-----2022E-----			-----2023E-----		
	2020	Old	New	Change	Old	New	Change	Old	New	Change
	(THB m)	(THB m)	(THB m)	(%)	(THB m)	(THB m)	(%)	(THB m)	(THB m)	(%)
Net interest income	53,805	53,792	53,792	0.0	53,590	53,590	0.0	55,322	55,606	0.5
Non-interest income*	14,986	16,905	16,905	0.0	18,557	18,557	0.0	19,537	20,192	3.4
Operating income*	68,791	70,697	70,697	0.0	72,147	72,147	0.0	74,859	75,798	1.3
Operating expenses	31,623	33,195	33,195	0.0	33,492	33,023	(1.4)	34,201	33,347	(2.5)
PPOP before tax*	37,169	37,502	37,502	0.0	38,655	39,124	1.2	40,658	42,451	4.4
Expected credit loss (Reversal)	24,831	23,680	23,680	0.0	21,312	21,312	0.0	22,164	22,164	0.0
Tax expenses	2,223	2,419	2,419	0.0	3,122	3,206	2.7	3,329	3,652	9.7
Minority interest	3	3	3	0.0	4	4	2.7	5	5	9.7
Normalised profit	10,112	11,400	11,400	0.0	14,217	14,601	2.7	15,160	16,630	9.7
Extraordinary items	-	-	-		-	-		-	-	
Net profit	10,112	11,400	11,400	0.0	14,217	14,601	2.7	15,160	16,630	9.7
EPS (THB)	0.10	0.12	0.12	0.0	0.15	0.15	2.7	0.16	0.17	9.7
Key statistics and ratios										
Asset quality ratio										
Gross NPLs (THB m)	39,594	55,432	55,432	0.0	49,888	49,888	0.0	53,381	53,381	0.0
Gross NPLs / Loans (%)**	2.50	3.50	3.50		3.03	3.03		3.12	3.12	
Loan loss reserve/NPLs (%)	134	128	128		147	147		143	143	
Credit cost (bps)	178	170	170		150	150		150	150	
Profitability ratio (%)	(%)	(%)	(%)		(%)	(%)		(%)	(%)	
Cost to income ratio*	46.0	47.0	47.0		46.4	45.8		45.7	44.0	
Average yield	4.1	3.9	3.9		4.0	4.0		4.1	4.1	
Cost of funds	1.2	1.0	1.0		1.2	1.2		1.3	1.2	
Net interest margin (NIM)	3.05	3.06	3.06		2.97	2.97		2.99	3.01	
Loan growth (%)	(%)	(%)	(%)		(%)	(%)		(%)	(%)	
y-y	0.1	0.0	0.0		4.0	4.0		4.0	4.0	

*Including share of profits from associates; ** Reported ratio by the bank

Sources: TMB; FSSIA estimates

Exhibit 21: GGM-derived target price

Target price (THB)	THB 1.80 (from THB 1.21)
Recommendation	BUY (from Hold)
Risk-free rate (%)	3.0 (unchanged)
Market risk premium (%)	8.0 (unchanged)
Terminal growth (%)	4.1 (from 4.0)
ROE target (%)	6.8 (from 6.2)
Risk to TP	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.

Source: FSSIA estimates

Exhibit 22: TMB – rolling one-year forward P/BV band

Sources: Bloomberg; FSSIA estimates

1Q21 results beat expectations due to OPEX and ECL

TMB reported a 1Q21 NP of THB2,782m (-33% y-y, +125% q-q) – beating Bloomberg's consensus estimate and our expectation by 20% and 55%, respectively, due to a lower-than-expected provisioning setup and OPEX.

The positive factors are 1) an increase in fee income from mutual funds; and 2) efficient cost controlling amid the consolidation process with TBANK. However, its loan and NIM were still soft, putting pressure on its NII.

Regarding asset quality, its NPLs began to grow, with an NPL ratio of 2.75% in 1Q21 vs 2.5% in 4Q20 after the end of the debt forbearance program. Its coverage ratio, therefore, fell to 124% in 1Q21 vs 131% in 4Q20.

Exhibit 23: TMB – summary of 1Q21 results

Year-end Dec 31	1Q21	4Q20	1Q21			2021E	Change	1Q21 - Comments	
	(THB m)	(THB m)	(THB m)	(y-y %)	(q-q %)	% 21E	(y-y %)		
Net interest income	14,014	13,519	12,872	(8)	(5)	24	53,792	(0)	
Non-interest income	4,182	4,297	3,971	(5)	(8)	23	16,905	13	Fee income increased
Operating income*	18,195	17,816	16,844	(7)	(5)	24	70,697	3	
Operating expenses	8,331	8,086	7,928	(5)	(2)	24	33,195	5	
PPOP before tax	9,864	9,730	8,916	(10)	(8)	24	37,502	1	
Provision	4,760	8,237	5,480	15	(33)	23	23,680	(5)	
Income tax	940	258	653	(31)	153	27	2,419	9	
Minority interest	1	1	1			21	3		
Normalised profit	4,163	1,235	2,782	(33)	125	24	11,400	13	
Extraordinary items	0	0	0				0		
Net profit	4,163	1,235	2,782	(33)	125	24	11,400	13	Beat BBG consensus by 20%
EPS (THB)	0.04	0.01	0.03	(33)	125	24	0.12	13	
Asset quality ratio									
Gross NPLs (THB m)	44,183	39,594	43,400	(2)	10		55,432	40.0	
NPL ratio (%)	2.76	2.50	2.75				3.50		
LLR/NPLs (%)	106	131	124				128		
Credit cost (bp)	136	239	158				170		
Profitability ratio									
Cost to income ratio	45.8	45.4	47.1				47.0		
Average yield	4.34	3.91	3.74				3.9		
Cost of funds	1.39	0.96	0.91				1.0		
Net interest margin (NIM)	3.10	3.06	2.94				3.1		
Non-interest income / total income	23.0	24.1	23.6				23.9		
Liquidity ratio									
Loan to deposit ratio	100.4	101.4	99.7				100.2		
Capital adequacy ratio									
CAR	18.8	19.2	24.4				20.1		
CET 1 / risk assets	13.5	14.2	20.4				16.0		
Tier - 1 / risk assets	4.3	4.1	4.0				4.1		
Loan growth									
y-y	104.2	0.1	(1.7)				0.0		
q-q	0.8	2.2	(0.9)						

*Including share of profits from associates

Sources: TMB; FSSIA estimates

Financial Statements

TMB Bank

Profit and Loss (THB m) Year Ending Dec	2019	2020	2021E	2022E	2023E
Interest Income	39,837	72,321	68,810	72,581	75,259
Interest expense	(12,972)	(18,515)	(15,018)	(18,991)	(19,653)
Net interest income	26,865	53,805	53,792	53,590	55,606
Net fees & commission	8,098	10,575	11,851	13,108	14,419
Foreign exchange trading income	1,528	0	0	0	0
Securities trading income	1,956	2,404	2,846	3,020	3,102
Dividend income	0	0	0	0	0
Other income	1,050	1,644	1,809	1,990	2,189
Non interest income	12,632	14,623	16,506	18,118	19,709
Total income	39,497	68,429	70,298	71,708	75,315
Staff costs	(9,629)	(16,536)	(17,362)	(17,536)	(18,185)
Other operating costs	(11,046)	(15,087)	(15,833)	(15,487)	(15,162)
Operating costs	(20,674)	(31,623)	(33,195)	(33,023)	(33,347)
Pre provision operating profit	18,822	36,806	37,103	38,685	41,968
Provision for bad and doubtful debt	(10,337)	(24,831)	(23,680)	(21,312)	(22,164)
Other provisions	-	-	-	-	-
Operating profit	8,486	11,975	13,423	17,373	19,804
Recurring non operating income	324	363	399	439	483
Associates	324	363	399	439	483
Goodwill amortization	-	-	-	-	-
Non recurring items	0	0	0	0	0
Profit before tax	8,810	12,338	13,822	17,812	20,287
Tax	(1,588)	(2,223)	(2,419)	(3,206)	(3,652)
Profit after tax	7,222	10,115	11,403	14,606	16,635
Minority interests	0	(3)	(3)	(4)	(5)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	7,222	10,112	11,400	14,601	16,630
Non recurring items & goodwill (net)	-	-	0	0	0
Recurring net profit	7,222	10,112	11,400	14,601	16,630
Per share (THB)					
Recurring EPS *	0.15	0.10	0.12	0.15	0.17
Reported EPS	0.15	0.10	0.12	0.15	0.17
DPS	0.04	0.05	0.05	0.06	0.07
Growth					
Net interest income (%)	9.7	100.3	0.0	(0.4)	3.8
Non interest income (%)	8.4	15.8	12.9	9.8	8.8
Pre provision operating profit (%)	0.8	95.5	0.8	4.3	8.5
Operating profit (%)	(11.3)	41.1	12.1	29.4	14.0
Reported net profit (%)	(37.7)	40.0	12.7	28.1	13.9
Recurring EPS (%)	(15.8)	(29.4)	12.7	28.1	13.9
Reported EPS (%)	(43.9)	(29.4)	12.7	28.1	13.9
Income Breakdown					
Net interest income (%)	68.0	78.6	76.5	74.7	73.8
Net fees & commission (%)	20.5	15.5	16.9	18.3	19.1
Foreign exchange trading income (%)	3.9	-	-	-	-
Securities trading income (%)	5.0	3.5	4.0	4.2	4.1
Dividend income (%)	-	-	-	-	-
Other income (%)	2.7	2.4	2.6	2.8	2.9
Operating performance					
Gross interest yield (%)	2.99	4.09	3.91	4.02	4.07
Cost of funds (%)	1.10	1.18	0.97	1.21	1.24
Net interest spread (%)	1.89	2.91	2.94	2.81	2.83
Net interest margin (%)	2.0	3.0	3.1	3.0	3.0
Cost/income(%)	52.3	46.2	47.2	46.1	44.3
Cost/assets(%)	1.5	1.7	1.8	1.8	1.8
Effective tax rate (%)	18.0	18.0	17.5	18.0	18.0
Dividend payout on recurring profit (%)	26.5	42.9	40.0	40.0	40.0
ROE (%)	4.9	5.1	5.5	6.7	7.3
ROE - COE (%)	4.9	5.1	5.5	6.7	7.3
ROA (%)	0.5	0.6	0.6	0.8	0.9
RORWA (%)	0.8	0.8	1.0	1.2	1.3

* Pre-exceptional, pre-goodwill and fully diluted

Sources: TMB Bank; FSSIA estimates

Financial Statements

TMB Bank

Balance Sheet (THB m) Year Ending Dec	2019	2020	2021E	2022E	2023E
Gross customer loans	1,392,225	1,392,925	1,392,925	1,448,642	1,506,588
Total provisions	(45,477)	(52,978)	(71,086)	(73,565)	(76,144)
interest in suspense	1,883	3,879	3,900	4,056	4,218
Net customer loans	1,348,631	1,343,826	1,325,739	1,379,133	1,434,662
Bank loans	236,311	211,185	251,193	236,480	220,558
Government securities	-	-	-	-	-
Trading securities	-	-	-	-	-
Investment securities	166,265	138,139	141,687	145,328	149,066
Cash & equivalents	23,853	21,943	25,175	17,444	2,091
Other interesting assets	-	-	-	-	-
Tangible fixed assets	28,452	30,076	29,850	29,717	29,666
Associates	-	-	-	-	-
Goodwill	-	-	-	-	-
Other intangible assets	-	-	-	-	-
Other assets	54,679	58,510	59,306	60,458	61,393
Total assets	1,858,191	1,803,677	1,832,951	1,868,560	1,897,435
Customer deposits	1,398,112	1,373,408	1,390,684	1,411,544	1,425,659
Bank deposits	-	-	-	-	-
Other interest bearing liabilities	198,844	168,768	166,914	169,418	171,112
Non interest bearing liabilities	66,423	61,406	63,248	65,146	67,100
Hybrid Capital	-	-	-	-	-
Total liabilities	1,663,379	1,603,582	1,620,846	1,646,107	1,663,871
Share capital	91,541	91,589	91,589	91,589	91,589
Reserves	103,235	113,124	120,477	130,823	141,932
Total equity	194,777	204,713	212,066	222,412	233,521
Minority interests	35	37	38	40	42
Total liabilities & equity	1,858,190	1,808,332	1,832,951	1,868,560	1,897,435
Supplementary items					
Risk weighted assets (RWA)	1,216,836	1,188,683	1,188,683	1,236,230	1,285,680
Average interest earning assets	1,333,754	1,766,631	1,760,192	1,804,196	1,849,301
Average interest bearing liabilities	1,174,710	1,569,566	1,549,887	1,569,280	1,588,867
Tier 1 capital	165,793	171,724	190,235	198,675	208,451
Total capital	218,440	220,769	239,280	247,720	257,496
Gross non performing loans (NPL)	37,746	39,594	55,432	49,888	53,381
Per share (THB)					
Book value per share	4.01	2.12	2.20	2.31	2.42
Tangible book value per share	4.01	2.12	2.20	2.31	2.42
Growth					
Gross customer loans	103.0	0.1	-	4.0	4.0
Average interest earning assets	57.8	32.5	(0.4)	2.5	2.5
Total asset (%)	108.4	(2.9)	1.6	1.9	1.5
Risk weighted assets (%)	90.8	(2.3)	-	4.0	4.0
Customer deposits (%)	115.2	(1.8)	1.3	1.5	1.0
Leverage & capital measures					
Customer loan/deposits (%)	96.5	97.8	95.3	97.7	100.6
Equity/assets (%)	10.5	11.3	11.6	11.9	12.3
Tangible equity/assets (%)	10.5	11.3	11.6	11.9	12.3
RWA/assets (%)	65.5	65.9	64.9	66.2	67.8
Tier 1 CAR (%)	13.6	14.4	16.0	16.1	16.2
Total CAR (%)	18.0	18.6	20.1	20.0	20.0
Asset Quality					
Change in NPL (%)	73.8	4.9	40.0	(10.0)	7.0
NPL/gross loans (%)	2.7	2.8	4.0	3.4	3.5
Total provisions/gross loans (%)	3.3	3.8	5.1	4.9	5.1
Total provisions/NPL (%)	120.5	133.8	128.2	147.5	142.6
Valuation					
Recurring P/E (x) *	8.1	11.4	10.1	7.9	7.0
Recurring P/E @ target price (x) *	12.1	17.2	15.2	11.9	10.4
Reported P/E (x)	8.1	11.4	10.1	7.9	7.0
Dividend yield (%)	3.3	3.8	3.9	5.1	5.8
Price/book (x)	0.3	0.6	0.5	0.5	0.5
Price/tangible book (x)	0.3	0.6	0.5	0.5	0.5
Price/tangible book @ target price (x)	0.4	0.8	0.8	0.8	0.7

* Pre-exceptional, pre-goodwill and fully diluted

Sources: TMB Bank; FSSIA estimates

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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	ICHI	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	SEOIL	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	AMANAH	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

GENERAL DISCLAIMER

ANALYST(S) CERTIFICATION

Yuvanart Suwanumphai FSS International Investment Advisory Securities Co., Ltd

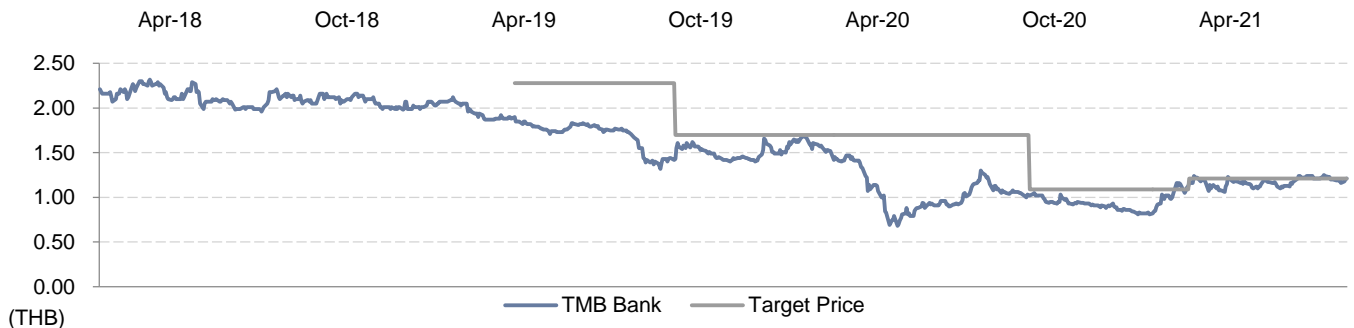
The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s)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

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This report may not be reproduced, distributed or published by any person in any manner for any purpose without permission of FSSIA. Investment in securities has risks. Investors are advised to consider carefully before making investment decisions.

History of change in investment rating and/or target price

TMB Bank (TMB TB)



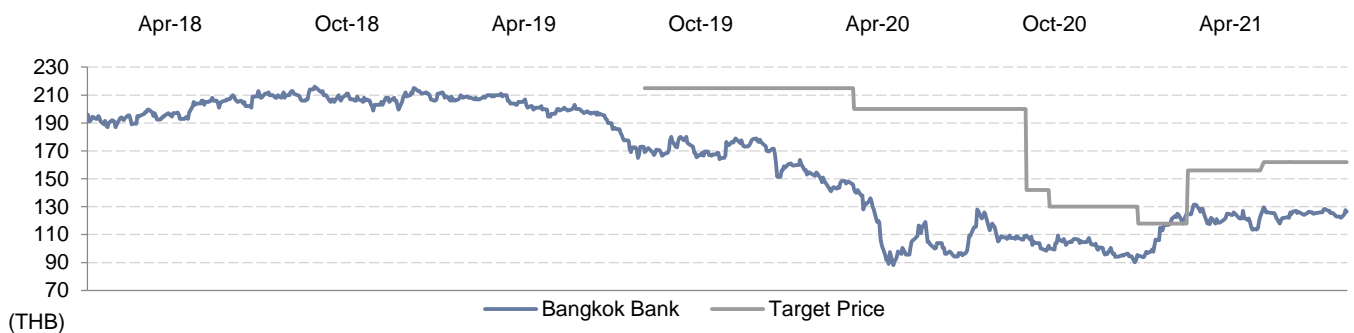
Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
22-Apr-2019	HOLD	2.28	02-Apr-2020	HOLD	1.70	03-Dec-2020	HOLD	1.21
10-Sep-2019	HOLD	1.70	16-Jul-2020	HOLD	1.09			

Yuvanart Suwanumphai started covering this stock from 16-Jul-2020

Price and TP are in local currency

Source: FSSIA estimates

Bangkok Bank (BBL TB)



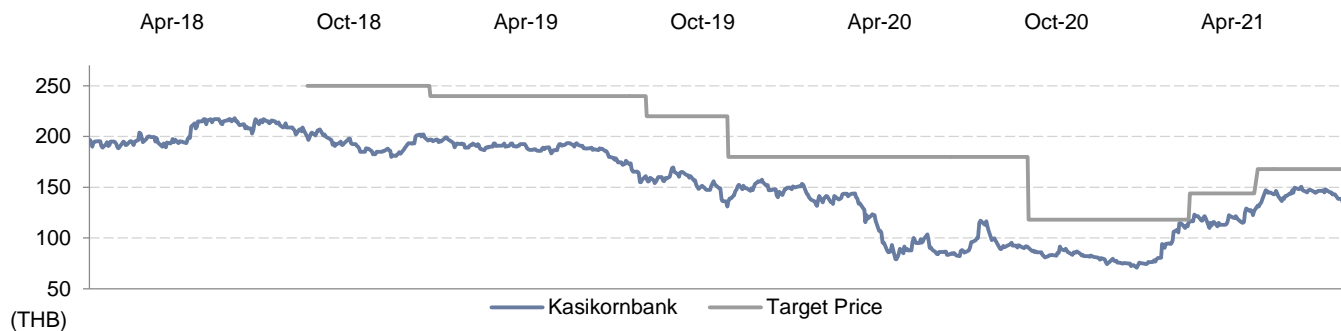
Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
20-Aug-2019	BUY	215.00	16-Jul-2020	BUY	142.00	03-Dec-2020	BUY	156.00
18-Feb-2020	BUY	200.00	05-Aug-2020	BUY	130.00	05-Feb-2021	BUY	162.00
02-Apr-2020	BUY	200.00	21-Oct-2020	BUY	118.00			

Yuvanart Suwanumphai started covering this stock from 16-Jul-2020

Price and TP are in local currency

Source: FSSIA estimates

Kasikornbank (KBANK TB)



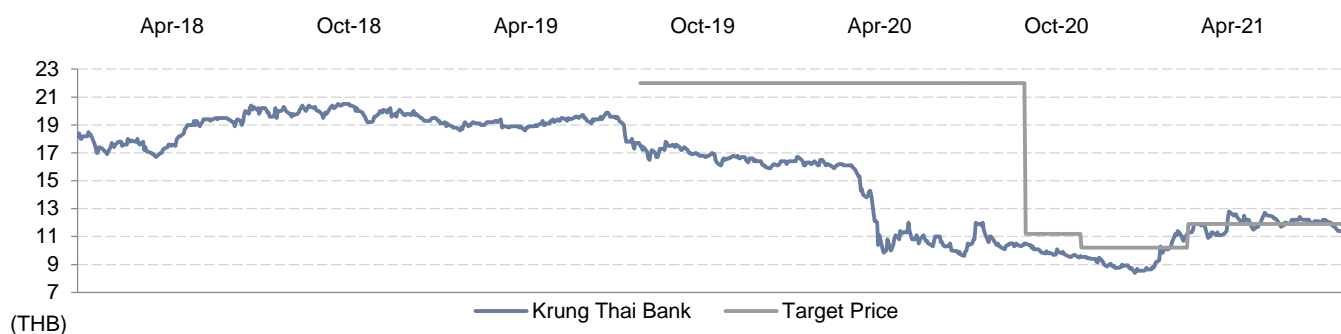
Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
29-Oct-2018	BUY	250.00	02-Apr-2020	BUY	180.00	29-Jan-2021	BUY	168.00
13-Feb-2019	BUY	240.00	16-Jul-2020	BUY	118.00	21-Apr-2021	BUY	190.00
20-Aug-2019	BUY	220.00	06-Oct-2020	BUY	118.00			
30-Oct-2019	BUY	180.00	03-Dec-2020	BUY	144.00			

Yuvanart Suwanumphai started covering this stock from 16-Jul-2020

Price and TP are in local currency

Source: FSSIA estimates

Krung Thai Bank (KTB TB)



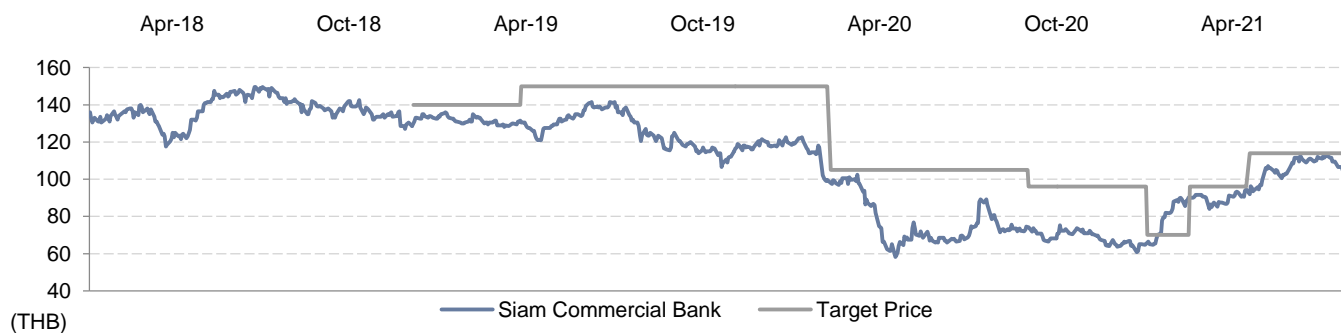
Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
20-Aug-2019	BUY	22.00	16-Jul-2020	HOLD	11.20	03-Dec-2020	HOLD	11.90
02-Apr-2020	BUY	22.00	02-Sep-2020	HOLD	10.20			

Yuvanart Suwanumphai started covering this stock from 16-Jul-2020

Price and TP are in local currency

Source: FSSIA estimates

Siam Commercial Bank (SCB TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
29-Jan-2019	HOLD	140.00	02-Apr-2020	HOLD	105.00	03-Dec-2020	HOLD	96.00
03-May-2019	BUY	150.00	16-Jul-2020	BUY	96.00	22-Jan-2021	BUY	114.00
27-Jan-2020	HOLD	105.00	27-Oct-2020	HOLD	70.00			

Yuvanart Suwanumphai started covering this stock from 16-Jul-2020

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
TMB Bank	TMB TB	THB 1.20	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.
Bangkok Bank	BBL TB	THB 127.50	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 NIM and potential new regulations from the Bank of Thailand on debt-servicing programs.
Kasikornbank	KBANK TB	THB 140.00	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.
Krung Thai Bank	KTB TB	THB 11.80	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 106.00	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 its NIM.

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 Finasia 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 Finasia Syrus Securities Public Company Limited, which is the parent company of FSSIA.

All share prices are as at market close on 20-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.