

26 APRIL 2021

Thailand Banks

สรุปปลายอุโมงค์ในที่สุด

ผลประกอบการ 1Q21 ดีเกินคาดอย่างเห็นได้ชัด

ใน 1Q21 กำไรสุทธิรวมของธนาคารทั้ง 7 แห่งที่เราทำการศึกษายู่ที่ 39.2 พัน ลบ. (+4% y-y, +40% q-q) สูงกว่าที่เราคาดถึง 40% เรามองผลการดำเนินงานรวมของทั้งกลุ่มเป็นบวกเนื่องจากผลประกอบการดีเกินคาด โดยเฉพาะอย่างยิ่งในแง่รายได้ค่าธรรมเนียมและค่าใช้จ่ายในการดำเนินงาน กำไรสุทธิที่ดีดังกล่าวเกิดจาก 1) รายได้ค่าธรรมเนียมฟื้นตัวส่วนมากจากตลาดทุน; 2) กำไรจากการลงทุนเพิ่มขึ้นจากบรรยากาศการลงทุนที่เป็นบวก; และ 3) การควบคุมค่าใช้จ่ายในการดำเนินงานที่มีประสิทธิภาพ ธนาคารส่วนมากรายงานผลประกอบการดีเกินคาด ยกเว้น KKP ซึ่งรายงานผลประกอบการตามคาด SCB ตามด้วย KBANK ทำได้ดีกว่าประมาณการของเรามากที่สุด

แรงกดดันระยะสั้นจากการแพร่ระบาด Covid ในรอบที่ 3

ใน 2Q21 กำไรสุทธิรวมของกลุ่มฯ อาจลดลง q-q จากผลขาดทุนทางเครดิตที่คาดว่าจะเกิดขึ้น (ECL) เราเชื่อว่าธนาคารไทยจะจัดสรรสำรองเพิ่มขึ้นเหมือนเช่นเคยเพื่อรองรับคุณภาพสินทรัพย์ที่ไม่แน่นอนจากผลกระทบของการแพร่ระบาด Covid ในรอบที่ 3 นอกจากนี้รายได้ค่าธรรมเนียมยังมีแนวโน้มที่จะลดลง q-q จากสถานะตลาดทุนที่เอื้อน้อยลง อย่างไรก็ตามเรายังยืนยันว่ากำไรของกลุ่มใน 2Q21 จะเพิ่มต่อเนื่อง y-y โดยได้แรงหนุนจาก 1) การลดลงของ ECL; 2) รายได้ค่าธรรมเนียมที่สูงขึ้น; และ 3) การควบคุมต้นทุนที่มีประสิทธิภาพ

ความเสี่ยงขาลงน้อยลง มีโอกาสที่ราคาหุ้นจะปรับเพิ่ม

แม้ว่าจะมีปัญหาระบาด Covid รอบใหม่ เราเชื่อว่าประมาณการกำไรรวมของทั้งอุตสาหกรรมของเรามีความเสี่ยงขาลงจำกัด เราเชื่อว่าธนาคารได้จัดสรรสำรองเชิงรุกไว้มากพอที่จะรองรับความเสี่ยงที่กำลังมาถึง เราเชื่อว่ายังมีปัจจัยบวก 3 ประการที่จะทำให้ราคาหุ้นปรับขึ้นได้ ประกอบด้วย 1) เกณฑ์การจ่ายเงินปันผลที่อาจผ่อนคลายนลง; 2) การผ่อนคลายนการจัดชั้นหนี้ไปและการลดเงินนำส่งกองทุนพัฒนาระบบสถาบันการเงิน (FIDF) ที่อาจยืดออกไป; และ 3) การลดอัตราดอกเบี้ยนโยบายที่อาจสิ้นสุดลง เราเชื่อว่าราคาหุ้นในกลุ่มธนาคารอาจปรับขึ้นต่อเนื่องสู่ระดับก่อน Covid เนื่องจากเราเชื่อว่าตลาดจะยังให้ค่าต่ออัตราการเติบโตของธนาคารหลัง Covid ซึ่งจะสูงขึ้นและยังยืนมากขึ้นมากกว่าปัจจัยด้านผลตอบแทนต่อส่วนผู้ถือหุ้นเพียงอย่างเดียว

คงน้ำหนักมากกว่าตลาด มองว่าปัจจุบันเป็นโอกาสในการสะสมหุ้นธนาคาร

เราเห็นว่าการแพร่ระบาด Covid-19 รอบใหม่มีแนวโน้มส่งผลกระทบต่อการทำงานของธนาคารไทย เราเชื่อว่าธนาคารได้วางกลยุทธ์ในการดำเนินงานภายใต้สมมติฐานการฟื้นตัวที่อ่อนแอในประเทศไว้เรียบร้อยแล้ว ดังนั้นเราจึงคงน้ำหนักมากกว่าตลาดสำหรับธนาคารไทย เราเชื่อว่าการฟื้นตัวของกำไรที่เราคาดในปี 2021 และฐานเงินทุนที่อยู่ในระดับสูงของธนาคารจะมีน้ำหนักมากกว่าความกังวลเกี่ยวกับการกลับมาของโรคระบาด เราเชื่อว่าราคาหุ้นที่ปรับตัวลดลงจากความกังวลเกี่ยวกับ Covid-19 เป็นโอกาสที่ดีในการสะสมหุ้นธนาคาร ในกลุ่มนี้หุ้นเด่นของเราประกอบด้วย TISCO TMB และ SCB ตามลำดับ



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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 26 เมษายน 2021

Noticeably stronger-than-expected performance in 1Q21

The aggregate 1Q21 NP of the BUC totalled THB39.22b (+4% y-y, +40% q-q) – 40% higher than our projection. We read the sector's overall operating performance as positive due to the stronger-than-expected performance, especially in fee income and OPEX. The solid NP came mainly from a 1) a recovery in fee income – mostly from the capital market; 2) higher gains from investments due to the positive investment market environment; and 3) efficient OPEX control.

We see three key trends from the 1Q21 results across our coverage:

- 1) Most of the banks delivered outstanding fee income, supported mostly by a stronger capital market, both onshore and offshore, leading to a rise in brokerage fees and asset management. Moreover, some banks did a good job with bancassurance fees;
- 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 frozen headcounts. Moreover, they delayed their spending, i.e., marketing and promotion expenses, thanks to the slower business activities;
- 3) All of the banks performed well on cost of fund management, as liquidity remained ample. Thus, banks were able to draw deposits despite lower savings rates. Lower FIDF contributions led banks to increase their current account savings accounts (CASA), replacing higher-interest time deposits and debentures;
- 4) Most of the retail segment's forbearance programs ended, while some corporates and SMEs still remained in programs. More than 80% of the clients who left debt moratoriums were able to service debt. The number of clients who requested additional relief measures, announced by the Bank of Thailand (BoT) on 12 Jan-21, were significantly lower than in the first phase.

Exhibit 1: Thailand banks under coverage, 1Q21 profit, PPOP and ECL

	BBG code	Norm profit				Pre-provision profit (PPOP)			Expected credit loss (ECL)		
		(THB m)	(y-y%)	(q-q%)	(% 21E)	(THB m)	(y-y%)	(q-q%)	(THB m)	(y-y%)	(q-q%)
Bangkok Bank	BBL TB	6,923	(10)	189	27	15,112	1	44	6,327	24	(12)
Kasikornbank	KBANK TB	10,627	44	(20)	31	23,497	14	26	8,650	(27)	1,193
Kiatnakin Bank	KKP TB	1,463	(1)	32	24	3,029	35	(12)	1,234	382	(41)
Krung Thai Bank	KTB TB	5,578	(14)	62	29	15,984	(9)	9	8,058	(5)	(13)
Siam Commercial Bank	SCB TB	10,088	9	103	31	22,651	7	11	10,008	3	(30)
Tisco Financial	TISCO TB	1,764	19	8	27	3,037	4	8	833	(22)	8
TMB Bank	TMB TB	2,782	(33)	125	24	8,917	(13)	(8)	5,480	15	(33)
Coverage		39,224	4	40	29	92,226	3	15	40,590	(2)	(4)

Sources: Company data; FSSIA estimates

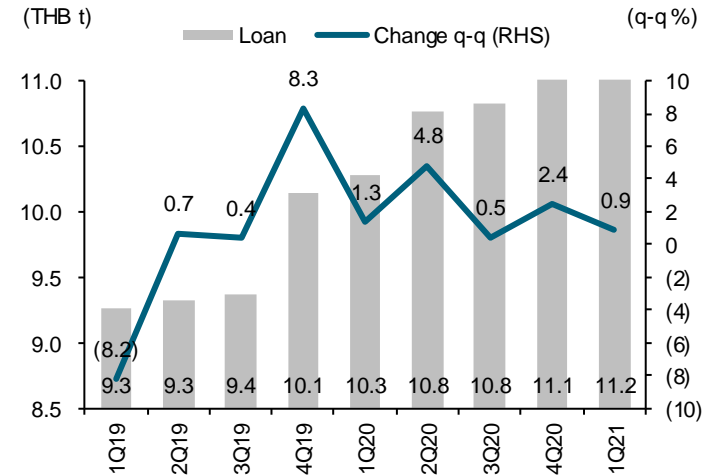
Most banks posted better-than-expected results, with the exception of the in-line performance of KKP. SCB, followed by KBANK, beat our expectations in 1Q21. SCB beat our estimate by 58% due to its lower-than-expected OPEX and higher-than-expected fee income. KBANK's 47% beat was largely due to its higher fee income and lower OPEX.

1Q21 key highlights

1) Seasonally lower loan demand

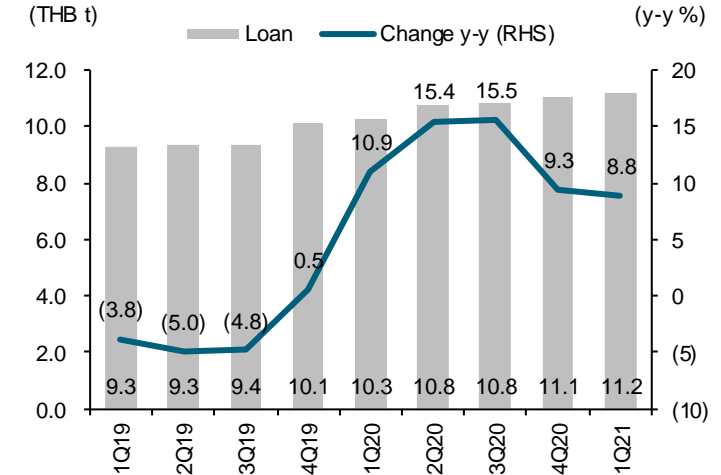
Overall, the aggregate loan portfolio slightly increased by 0.9% q-q. Amid seasonal retail loan repayments and the end of the forbearance programs, corporate loan demand remained strong.

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)

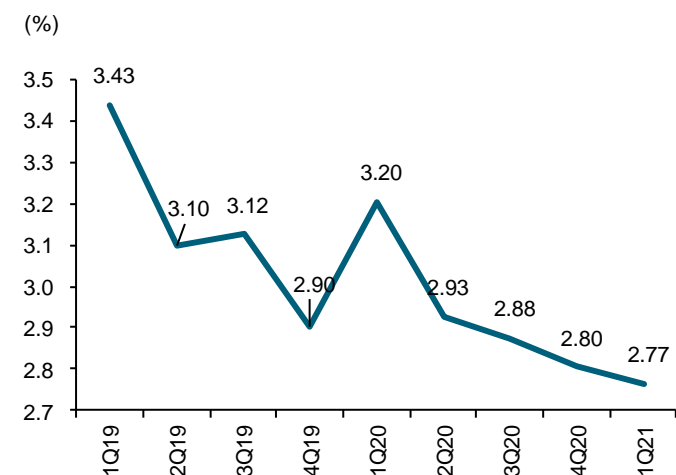


Sources: Company data; FSSIA estimates

2) NIM decline due to relief programs

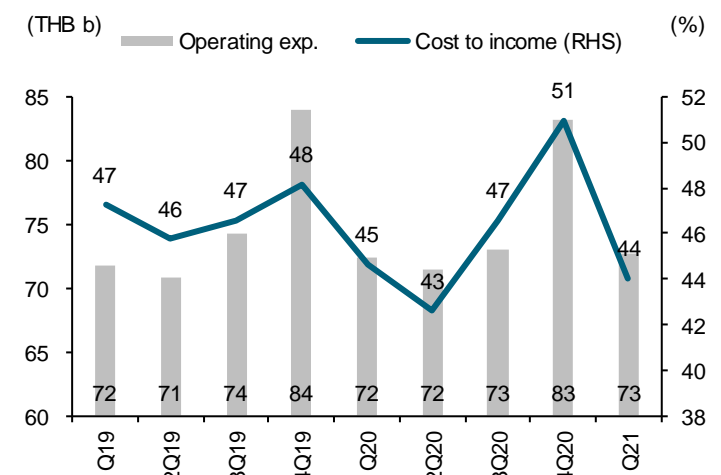
As expected, the banking sector's NIM continued to drop to 2.77% from 2.80% in 4Q20, as banks were fully impacted by four lending rate cuts together with a lower effective interest rate (EIR) calculated under the customer relief programs for those affected by Covid-19. However, these negative impacts were 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

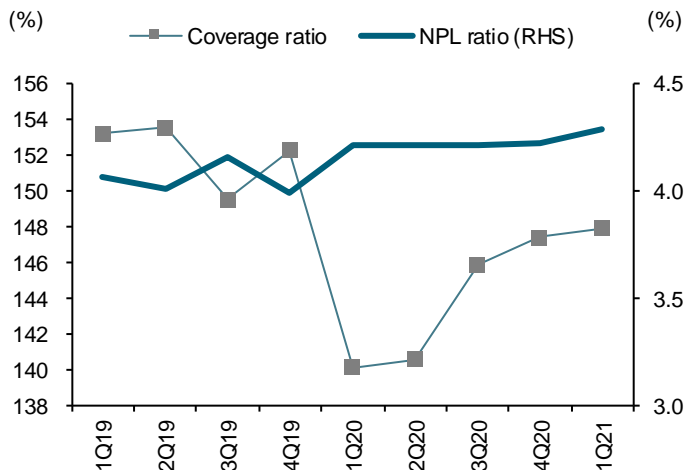
3) Cost controlling was another key to victory

Most banks 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 delayed their spending, i.e., marketing and promotion expenses due to the slow business activities in 1Q21.

4) Insignificant increase in NPLs remained

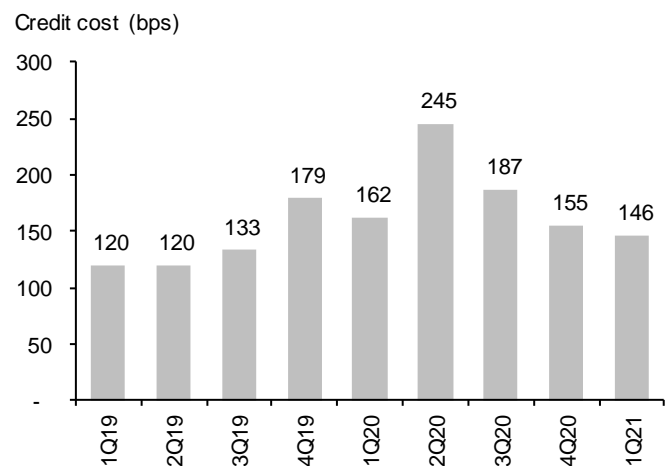
Non-performing loans (NPLs) increased immaterially by 2.5% q-q in 1Q21, accounting for an NPL ratio of 4.29% (by our calculation) – relatively the same level as in 4Q20. The low NPL rate is because the BoT extended its debt relief programs to end in Jun-21 to minimise the second-wave impact. Moreover, 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

NPLs have increased insignificantly for three consecutive quarters due to 1) the forbearance programs; 2) the relaxed loan classifications measure; and 3) the efforts of banks to collect their debts. We, therefore, believe that after the end of the relief programs and relaxed loan classifications measure, NPLs should spike. This might create some concerns for investors, leading to potentially volatile share prices. However, we believe that most banks have already prepared for the upcoming NPL surge. They should be able to survive the Covid storm, especially TISCO and TMB.

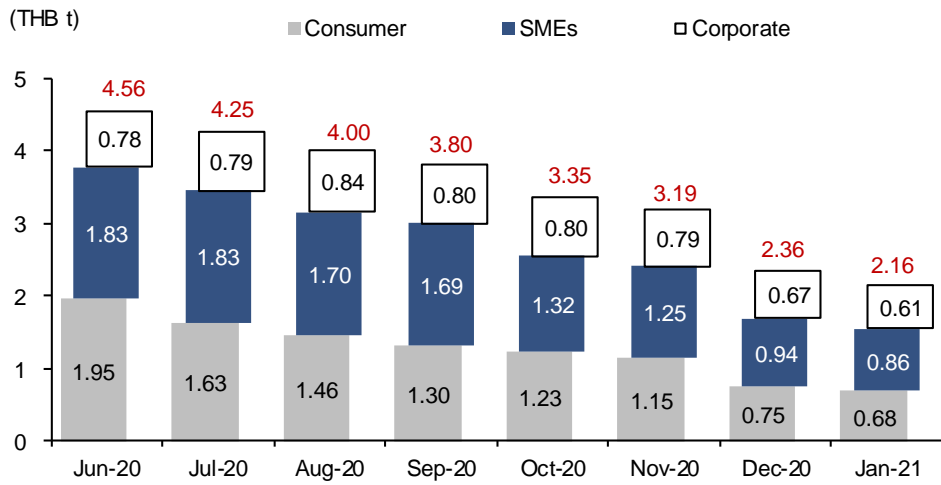
Note that most banks have taken advantage of the relaxed loan classifications measure, except TMB and TISCO. These two banks mostly classify their clients loan status based on the real debt repayment ability of their customers. This means that TMB and TISCO's portfolio reflects real debt repayment ability.

Exhibit 8: Forbearance programs of banks under coverage

	1Q21 loans				4Q20 loans			3Q20 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	2,369	n/a	n/a	n/a	2,245	n/a	n/a	2,367	n/a	n/a
KBANK	2,302	>90	319	14	2,245	428	19	2,157	861	43
KKP	270	>80	11	4	267	29	11	255	85	36
KTB	2,360	n/a	n/a	n/a	2,332	420	18	2,281	411	18
SCB	2,277	> 90	429	19	2,255	402	18	2,171	636	29
TISCO	221	>90	9	4	225	8	4	225	58	24
TMB	1,380	>80	193	14	1,393	209	15	1,363	292	20

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

Sources: Company data; FSSIA's compilation

Exhibit 9: Commercial banks' forbearance programs by the BoT

Sources: Bank of Thailand; FSSIA's compilation

Short-term pressured by third wave of Covid

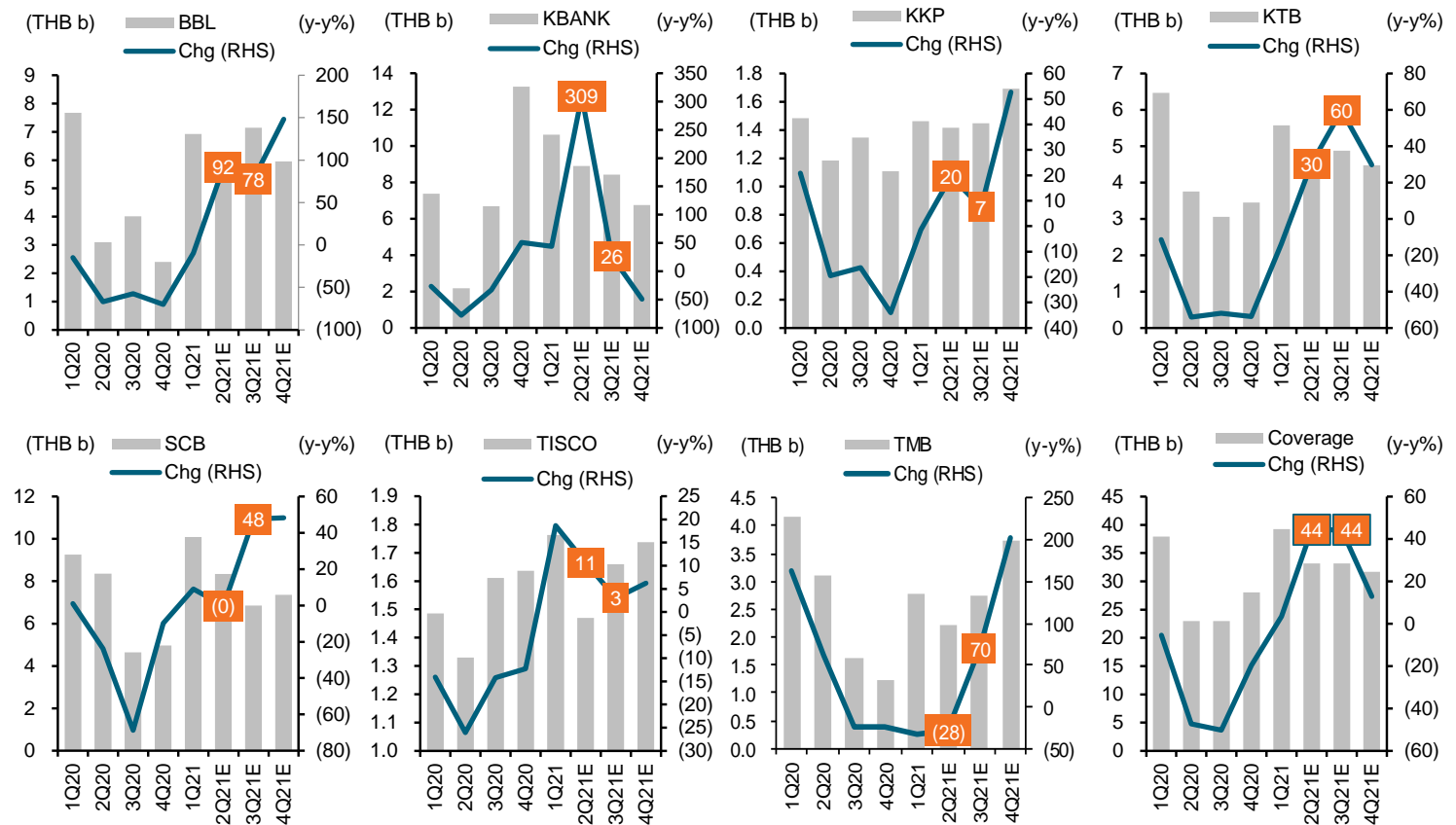
The 2Q21 aggregate NP of the BUC might decline q-q due to an ECL hiccup. We believe that Thai banks, as always, will set aside higher provisions to cushion the uncertain asset quality resulting from the third Covid-wave impact. Moreover, fee income will likely drop q-q due to the less favourable capital market environment.

However, we reiterate that the sector's 2Q21 bottom line should continue to increase y-y, supported by three factors. First, we forecast banks' provisioning setups to decline due to the excess provisions that were set aside in 2020. 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 entire business transfer (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



Source: FSSIA estimates

Less downside, more room for share prices to rerate

Despite the new wave of Covid, we believe the downside to our sector’s earnings forecast will be limited. We believe that banks have proactively set aside sufficient provisions to cushion the upcoming uncertainty.

We believe there could be three positive catalysts for share prices to rerate, including:

1) The potential relaxation of dividend payment criteria

Currently, the BoT allows Thai banks to pay yearly dividends for 2020 under two conditions: 1) the dividends cannot exceed last year’s payout ratio; and 2) they cannot exceed 50% of the banks’ 2020 NP. We think the worst case for the 2021 dividend payment criteria would be the same as last year. However, we expect that the BoT will relax the criteria due to the very strong capital position of Thai banks. The best case would be no restrictions on dividend payments like before the Covid crisis. The criteria for 2021 dividend payments should be announced in 3Q21, in our view. The BoT will ask the banks to do further stress tests.

2) The possible extension of relaxed loan classifications and a FIDF fee reduction

Relaxation of loan classifications: On 28 Feb-20, the BoT announced measures on loan staging which allowed banks to immediately classify non-NPL customers as of 1 Jan-20 as performing, or Stage 1, if there was reason to believe that such customers could adhere to the restructuring plans. NPL customers as of 1 Jan-19 could be immediately classified as performing, or Stage 1, if they met the repayment schedules as specified in the restructuring plans for three consecutive months or periods, whichever is longer. Under this measure, banks are required to constantly monitor and review customers’ adherence to the new terms and conditions.

FIDF fee reduction: The BoT announced, on 7 Apr-20, the reduction of the FIDF fee from 0.46% of the deposit base to 0.23% per annum for two years beginning 1 Jan-20 as relief for banks to support the economy. The BoT expects banks to pass on the savings to borrowers.

Note that the details of these two measures are from SCB's compilation (<https://www.set.or.th/set/pdfnews.do?newsId=16189576905930&sequence=2021043783>).

These two measures will terminate at the end of this year. Our base case is having no extension. However, due to the resurgence of Covid, it is possible that the BoT might extend the measures or provide other solutions to support the banks.

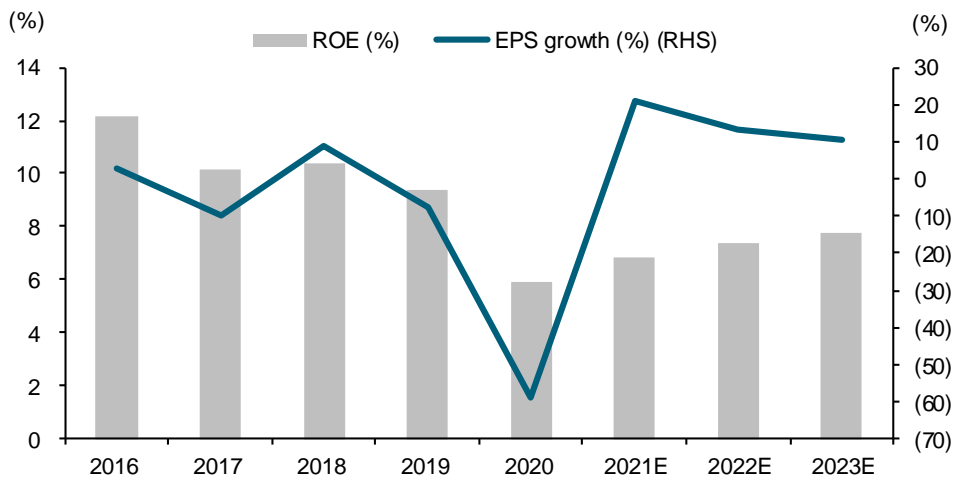
3) The potential end to the policy rate reduction

Thailand's policy rate is at a historical low of 0.5%. We believe the BoT will not cut the policy rate further because the economy is on a path to recovery. Moreover, the BoT has always stated that the key problem for Thai people is not the high interest rate but the shortage of liquidity. Therefore, the BoT announced other measures to support clients impacted by Covid, e.g., asset warehousing.

A lower potential for a further interest rate cut means a lower downside risk to banks' NIMs.

We believe that banks' share prices could further rerate to higher than their pre-Covid levels, as we believe the market will give a premium to banks' higher and more sustainable post-Covid growth (Ex. 11) vs the ROE factor alone.

Exhibit 11: Banking sector's ROE and EPS growth



Sources: FSSIA estimates

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 believe the share price correction caused by the concerns over Covid-19 provide an opportunity to accumulate banking stocks. Our top picks by order are: TISCO, TMB and SCB.

We believe TISCO could outperform its peers, driven by its unconventional growth strategy to be more than a traditional bank – by selectively growing its balance sheet in high profit margin areas, like auto title loans, and aiming to transform its business and act as more of a platform operator by implementing more IT systems. This would allow the bank to deliver solid performance with the most effective utilisation of its capital, potentially allowing it to offer the highest ROE and most attractive dividend yield in the banking sector.

We like TMB due to its superior performance that we expect to see in 2H21 and 2022 after the merger synergies start to clearly bear fruit, together with its cheap valuation. We think the market is overly concerned on its integration cost and underestimates the power of synergy.

We foresee SCB being well positioned to benefit from the country's digital age with its integrated digital platform. We think SCB could deliver solid performance supported by its cost efficiency and strong fee franchise.

Summary of 1Q21 results by bank

Exhibit 12: Summary of 1Q21 operations of Thai banks under coverage

1Q21	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	19,707	28,133	3,828	19,969	23,375	3,110	12,873	110,995
Change (y-y %)	(0.6)	0.2	8.2	(13.0)	(9.3)	(10.3)	(10.3)	(5.9)
Change (q-q %)	2.3	5.8	(4.3)	(1.7)	(1.1)	(4.6)	(4.8)	0.4
Non-interest Income	11,166	11,895	1,785	8,703	14,377	1,991	3,971	53,889
Change (y-y %)	69.8	19.3	(13.2)	8.8	21.2	36.9	(5.0)	22.2
Change (q-q %)	(1.7)	(3.4)	(9.8)	5.5	12.8	18.9	(7.6)	2.4
Net fee income	7,334	9,431	1,434	5,217	10,439	1,543	3,032	38,430
Change (y-y %)	15.4	6.6	12.4	5.4	17.1	10.4	7.7	11.2
Change (q-q %)	15.4	13.6	24.5	(1.3)	(8.6)	11.6	2.1	4.2
Operating income	30,873	40,028	5,613	28,672	37,752	5,101	16,844	164,884
Change (y-y %)	17.0	5.2	0.3	(7.4)	0.3	3.7	(9.1)	1.7
Change (q-q %)	0.8	2.9	(6.1)	0.4	3.8	3.4	(5.4)	1.0
Operating expenses	15,761	16,531	2,583	12,688	15,101	2,065	7,928	72,657
Change (y-y %)	38.5	(5.4)	(23.0)	(5.8)	(7.9)	3.5	(4.8)	0.4
Change (q-q %)	(21.8)	(18.5)	1.5	(9.0)	(5.9)	(2.6)	(2.0)	(12.6)
Pre-provision profit	15,112	23,497	3,029	15,984	22,651	3,037	8,917	92,226
Change (y-y %)	0.6	14.2	35.3	(8.6)	6.6	3.8	(12.5)	2.8
Change (q-q %)	44.1	26.1	(11.8)	9.2	11.5	7.9	(8.3)	15.2
Expected credit loss	6,327	8,650	1,234	8,058	10,008	833	5,480	40,590
Change (y-y %)	24.4	(27.1)	381.9	(5.5)	2.9	(22.4)	15.1	(1.7)
Change (q-q %)	(12.2)	1,192.9	(40.6)	(12.9)	(29.7)	8.1	(33.5)	(4.4)
Income tax	1,747	3,035	305	1,519	2,597	440	653	10,295
Normalised profit	6,923	10,627	1,463	5,578	10,088	1,764	2,782	39,224
Change (y-y %)	(9.7)	44.1	(1.4)	(13.7)	9.0	18.7	(33.2)	3.5
Change (q-q %)	188.8	(19.8)	32.0	61.6	103.2	7.8	125.3	39.8
% of 2021E	27.4	30.7	24.2	29.0	31.4	26.7	24.4	29.0
Net profit	6,923	10,627	1,463	5,578	10,088	1,764	2,782	39,224
Change (y-y %)	(9.7)	44.1	(1.4)	(13.7)	9.0	18.7	(33.2)	3.5
Change (q-q %)	188.8	(19.8)	32.0	61.6	103.2	7.8	125.3	39.8
% of 2021E	27.4	30.7	24.2	29.0	31.4	26.7	24.4	29.0
Loan (q-q %)	0.0	2.6	2.1	1.2	1.0	(1.8)	(0.9)	0.9
Loan (y-y %)	12.0	12.7	9.3	10.7	8.7	(7.2)	(1.7)	8.8
Deposit (q-q %)	3.3	2.4	0.3	(1.0)	(2.9)	(2.6)	0.8	0.5
Deposit (y-y %)	15.5	9.0	12.8	3.7	3.2	(10.2)	(1.0)	6.6
Loan/Deposits (LDR %)	81.6	95.9	107.1	96.8	96.9	111.4	99.7	93.7
Loan/Deposits & Borrowing (%)	77.8	93.2	94.8	91.8	94.2	106.1	94.7	89.8
Key ratios	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)
Net interest margin	2.08	3.17	4.52	2.47	3.01	4.57	2.94	2.77
Credit cost (bp/total loans)	1.07	1.52	1.85	1.37	1.77	1.50	1.58	1.46
Cost to income	51.05	41.30	46.02	44.25	40.00	40.47	47.07	44.07
Loan-loss-coverage	187	137	163	147	138	222	124	148
Absolute NPL (THB m)	108,470	102,316	9,412	105,961	104,332	5,532	43,400	479,423
Change (y-y %)	27.3	12.3	(4.3)	(5.7)	24.8	(9.0)	(1.8)	10.9
Change (q-q %)	3.9	1.3	11.3	(1.1)	2.8	(1.5)	9.6	2.5
NPL ratio	4.58	4.44	3.48	4.49	4.58	2.51	3.14	4.29
Reported NPL ratio	3.70	3.93	3.40	3.66	3.79	2.51	2.75	

Sources: Company data; Bloomberg, FSSIA estimates

BBL – 1Q21 results: Higher than expected due to OPEX and fee income

BBL reported a 1Q21 net profit of THB6,923m (-10% y-y, +189% q-q), 26% and 35% higher than our forecast and Bloomberg's consensus estimate, respectively, due to lower OPEX and higher fee income. The strong net profit recovery q-q was driven by 1) an increase in fee income due largely to mutual fund and brokerage fees; 2) a decline in ECL, as BBL proactively set aside provisions in 2020; and 3) a contraction in seasonal OPEX. Regarding asset quality, NPLs increased by 4% q-q due to the re-entry of NPLs in the corporate and SME segments. However, BBL still had a strong NPL cushion with its 187% coverage ratio.

KBANK – 1Q21 results beat expectations

KBANK reported a strong net profit of THB10,627m (+44% y-y, -20% q-q), beating Bloomberg's consensus estimate by 34% and our expectation by 48% due to the bank's significantly lower-than-expected OPEX. Its robust 1Q21 net profit came from 1) an increase in interest and fee incomes; and 2) a substantial drop in OPEX. Regarding its asset quality, its NPLs remained at relatively the same level as in 4Q20 and the bank set aside ECL at its normal level. Therefore, its NPL coverage ratio increased slightly to 137% in 1Q21 vs 133% in 4Q20.

KKP – 1Q21 results: Strong core operations and an NPL cushion

KKP reported a 1Q21 net profit of THB1,463m (-1% y-y, +32% q-q) – in line with Bloomberg's consensus forecast and our expectation. It had strong core operations, driven by 1) a 2.1% q-q loan volume increase due largely to a rise in its hire purchase loans; and 2) higher fee income thanks to its strong brokerage and wealth management businesses. However, NPLs and losses from repossessed car sales increased significantly after the end of the debt forbearance program. KKP still set aside provisions prudently, resulting in a strong coverage ratio of 163%.

KTB – 1Q21 results beat expectations due to lower OPEX and ECL

KTB reported a 1Q21 net profit of THB5,578m (-14% y-y, +62% q-q), beating Bloomberg's consensus estimate by 43% and our expectation by 47%, thanks to lower OPEX and ECL. KTB was able to control its costs effectively, resulting in an OPEX decline y-y and q-q. Moreover, its ECL dropped due to its proactive provision stockpiling in 2020. Its asset quality was also healthy with a slight decrease in NPLs and a rise in coverage ratio to 147% in 1Q21 vs 140% in 4Q20. However, its NIM declined y-y and q-q, dragged down by an increase in low-yield loans, putting pressure on its NII.

SCB – Strong start and solid performance ahead

SCB reported a robust 1Q21 net profit of THB10,088m (+9% y-y, +103% q-q), beating Bloomberg's consensus estimate and our expectation by 44% and 58%, respectively, due to its higher fee income and lower OPEX.

It had strong core operations with a 7% y-y, 11% q-q increase in its pre-operating profit (PPOP), driven by 1) an increase in its fee income from bancassurance and wealth management fees; 2) efficient OPEX control as a benefit of its transformation project, together with a slower marketing campaign following the slow economic recovery which led to a significantly lower cost to income ratio of 40% in 1Q21 vs 44% in 4Q20; and 3) a 1.0% q-q increase in its loan volume due to a rise in its SME loans from soft loans and the forbearance program. These positive factors should be able to completely offset the projected decline in its NIM due to the tight competition in housing loans and the debt forbearance program.

Regarding its asset quality, NPLs increased 3% q-q, with new a NPL formation rate of 0.5%, due partly to the qualitative downgrade of relief loans. SCB still set aside pro-cyclical extra ECL, resulting in a high coverage ratio level of 138%.

TISCO – 1Q21 results beat expectations due to strong fee income

TISCO reported a 1Q21 net profit of THB1,764m (+19% y-y, +8% q-q), beating Bloomberg's consensus estimate and our expectation by 4% and 10%, respectively. Its solid performance came from 1) an increase in fee income, mainly from capital market fees; 2) a higher gain on financial instruments following an increase in investment value; and 3) healthy asset quality with an NPL ratio of 2.5%, leading to a decline in ECL. These positive factors were able to completely offset a contraction in loans and NIM due to the implementation of a strict loan underwriting policy and a decline in high-yield loans.

TMB – 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 Thanachart Bank (TBANK, not listed). 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.

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	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	PCSGH	PDJ	PG	PHOL	PLANB	PLANET
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	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 Suwanumchai FSS International Investment Advisory Securities Co., Ltd

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Company	Ticker	Price	Rating	Valuation & Risks
Bangkok Bank	BBL TB	THB 121.50	BUY	Downside risks to our GGM-based TP are 1) prolonged economic sluggishness and further waves 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 132.00	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 60.75	BUY	Downside risks to our GGM-based target price include weakening asset quality and lower fee income.
Krung Thai Bank	KTB TB	THB 11.30	HOLD	Downside risks to our GGM-based TP are 1) prolonged economic sluggishness and further waves 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 104.50	BUY	Downside risks to our GGM-based TP are 1) prolonged economic sluggishness and further waves 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 101.00	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; 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	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.

Source: FSSIA estimates

Additional Disclosures

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

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All share prices are as at market close on 23-April-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.