

30 JUNE 2021

Thailand Banks

ฤดูใบไม้ผลิอาจมาช้าในปีนี้

ระดับการประเมินมูลค่าอาจปรับขึ้นในอีก 6 ถึง 12 เดือนข้างหน้า

ราคาหุ้นในกลุ่มธนาคารปรับตัวขึ้นในเดือน ต.ค. 20 ถึง เม.ย. 21 ส่วนมากจากพัฒนาการของวัคซีนและ valuation ที่ถูกมาก อย่างไรก็ตาม SETBANK ได้ปรับตัวลดลง 14% จากจุดสูงสุดตั้งแต่การแพร่ระบาด Covid ในรอบที่สามเริ่มขึ้นในเดือน เม.ย. 21 ทำให้ปัจจุบันมีการซื้อขายที่เพียง 0.6x ของค่า P/BV เราเห็นว่ามีโอกาสที่ SETBANK จะกลับไปซื้อขายที่ระดับต่ำสุดเป็นประวัติการณ์ที่ 0.4x ของค่า P/BV อีก เราคิดว่าราคาหุ้นในกลุ่มควรค่อย ๆ ปรับตัวขึ้นไปซื้อขายในช่วงสูงสุดของการปรับตัวขึ้นเมื่อเร็ว ๆ นี้ที่ประมาณ 0.7x ของค่า BV หรืออาจจะไปซื้อขายที่ค่าเฉลี่ยย้อนหลัง 3 ปีที่ 0.8x ในอีก 6 ถึง 12 เดือนข้างหน้าโดยมีปัจจัยหนุนจาก 1) แผนการฉีดวัคซีนของประเทศ; และ 2) การฟื้นตัวของผลตอบแทนต่อส่วนผู้ถือหุ้น เมื่อตัวเลขการฉีดวัคซีนเร่งตัวขึ้นเราเชื่อว่าตลาดจะหันไปให้ความสนใจกับกระแสการกลับเปิดประเทศ และเราเห็นว่าธนาคารควรเป็นหนึ่งในผู้ได้รับประโยชน์มากที่สุดจากกระแสดังกล่าว

สายพันธ์์เดลต้าอาจชะลอการฟื้นตัวของกำไรของธนาคาร

ก่อนหน้านี้เราคิดว่าการตั้งสำรองของกลุ่มธนาคาร จะขึ้นสูงสุดใน 2Q21 จากนั้นจะลดลงเล็กน้อยในไตรมาสที่เหลือ อย่างไรก็ตามจากปัญหาการแพร่ระบาด Covid ในรอบที่สามที่ยาวนานและรุนแรงเกินคาด เราคิดว่าธนาคารจะยังคงตั้งสำรองไว้ในระดับสูงใน 3Q21 ทำให้โมเมนตัมผลการดำเนินงานของกลุ่มฯ อาจดีขึ้นตั้งแต่ 4Q21 เป็นต้นไป เราคาดว่ากำไรสุทธิรวมของ 7 ธนาคารที่เราทำการศึกษาลดลง 17% q-q เหลือ 32.5 พัน ลบ. ใน 2Q21 จากผลขาดทุนทางเครดิตที่คาดว่าจะเกิดขึ้น (ECL) ตามการแพร่ระบาด Covid ในรอบที่สาม นอกจากนี้รายได้ค่าธรรมเนียมอาจลดลง q-q จากสภาวะตลาดทุนที่เป็นบวกน้อยลง

เคลื่อนไหวอยู่ในกรอบก่อนค่อย ๆ ปรับตัวขึ้น TISCO และ TTB เป็นหุ้นเด่น

เราคิดว่าราคาหุ้นในกลุ่มฯ น่าจะยังเคลื่อนไหวอยู่ในกรอบอย่างน้อยจนกว่าจะถึงการประชุมนักวิเคราะห์หลังรายงานผลประกอบการ 2Q21 ในปลายเดือน ก.ค. ในช่วงดังกล่าวเราคาดว่าธนาคารจะให้เป้าหมายการทางการเงินที่ชัดเจน เราคาดว่าตัวเลขการฉีดวัคซีนจะเพิ่มในปลาย 3Q21 และเห็นว่าธนาคารจะรายงานผลการดำเนินงานหลักที่ดีขึ้นใน 4Q21 ดังนั้นเราจึงแนะนำให้นักลงทุนทยอยกลับมาสะสมหุ้นธนาคารไทย ในกลาง 3Q21 เราคงเลือก TISCO (เนื่องจากกำไรมีความเสี่ยงจากจำกัดและคาดให้ผลตอบแทนจากเงินปันผลสูงสุด) และ TTB (เนื่องจากเราคาดว่าผลประกอบการจะดีกว่าธนาคารอื่นใน 4Q21-2022 พร้อมกับเป็นธนาคารเดียวที่อาจรายงานผลตอบแทนต่อส่วนผู้ถือหุ้นที่สูงขึ้นในปี 2022 เมื่อเทียบกับระดับก่อน Covid) เป็นหุ้นเด่นของเรา สำหรับธนาคารขนาดใหญ่เราชอบ SCB มากที่สุด

ปัจจัยเสี่ยงสำคัญอยู่ที่การกระจายวัคซีน ซึ่งอาจทำให้ ECL เพิ่มขึ้นและส่วนต่างดอกเบี้ยลดลง

ในกรณีฐานเราคาดว่าวัคซีนจะกระจายอย่างแพร่หลายตั้งแต่ 3Q21 เป็นต้นไปและประเทศไทยจะเปิดการท่องเที่ยวได้โดยไม่มีข้อจำกัดใน 1Q22 อย่างไรก็ตามหากการกระจายวัคซีนเริ่มชะลอ เราเห็นความเสี่ยงจากสำคัญ 2 ประการต่อประมาณการของเรา กล่าวคือการตั้งสำรอง และส่วนต่างดอกเบี้ย เราเห็นว่าธนาคารใหญ่มีความเสี่ยงที่สูงกว่าธนาคารที่ปล่อยสินเชื่อเช่าซื้อรถยนต์ KBANK น่าจะมีความเสี่ยงที่สูงสุด ในขณะที่ความเสี่ยงของ TISCO น่าจะต่ำที่สุด



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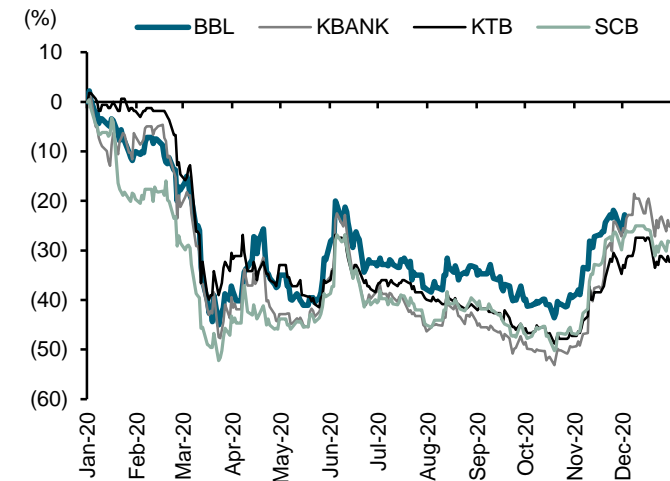
PREPARED BY FSS INTERNATIONAL INVESTMENT ADVISORY SECURITIES CO LTD (FSSIA). ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES CAN BE FOUND AT THE END OF THIS REPORT

บทวิเคราะห์ฉบับนี้แปลมาจากบทวิเคราะห์ของ FSSIA ฉบับวันที่ 30 มิถุนายน 2021

Potential valuation rerating in the next 6 to 12 months

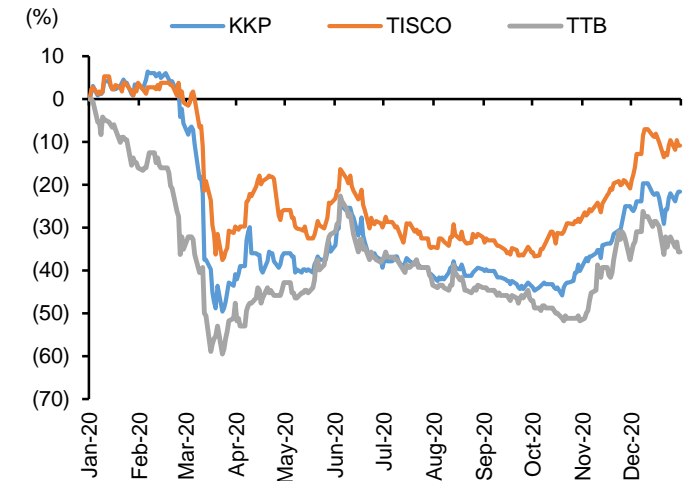
Banks' share prices rallied in Oct-20 to Apr-21 due to 1) the vaccine developments in Western countries; 2) their undemanding valuations – trading at the historically lowest P/BV of 0.4x; and 3) their manageable asset quality with sufficient provision cushions, leading to potentially stronger earnings in 2021. These positive factors were able to draw investors' attention, foreign investors in particular, whose holding position in Thai banks was relatively low.

Exhibit 1: Big banks' price performance index in 2020



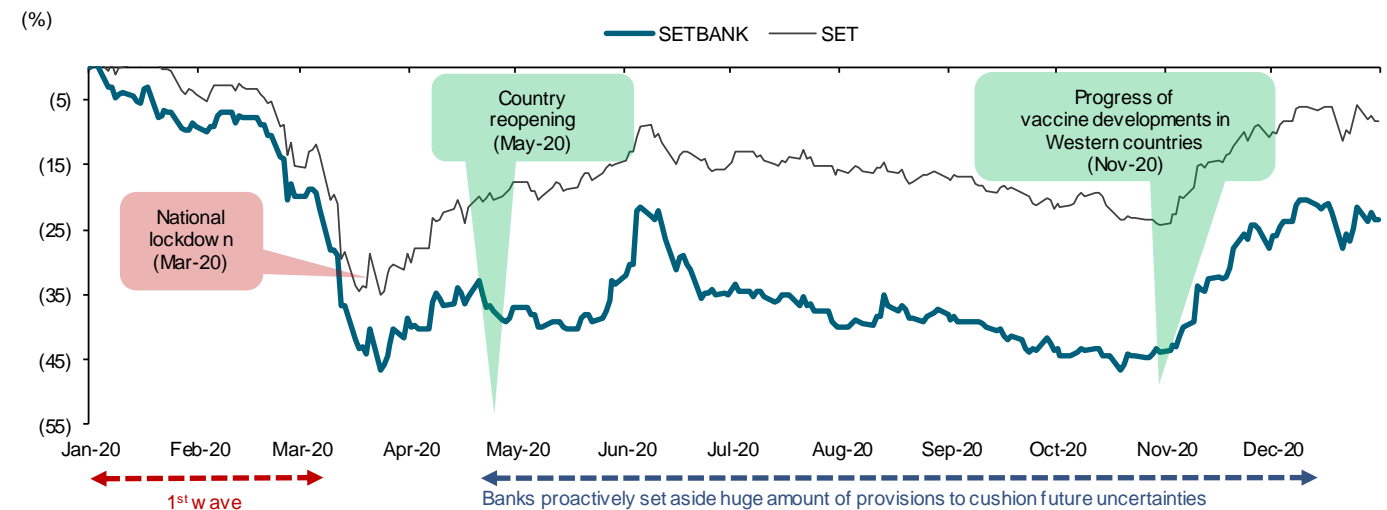
Note: We used 1 Jan-20 as the starting point to construct the index
Sources: Bloomberg; FSSIA's compilation

Exhibit 2: Auto lenders' price performance index in 2020



Note: We used 1 Jan-20 as the starting point to construct the index
Sources: Bloomberg; FSSIA's compilation

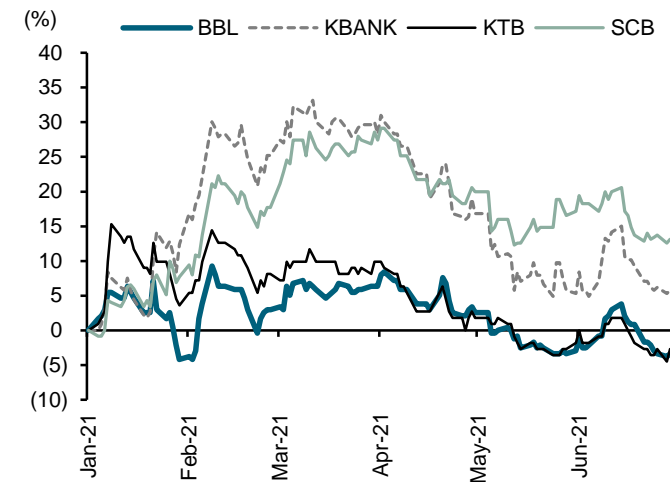
Exhibit 3: Important events in 2020 which impacted SETBANK's performance



Note: We used 1 Jan-20 as the starting point to construct the index
Sources: Bloomberg; FSSIA's compilation

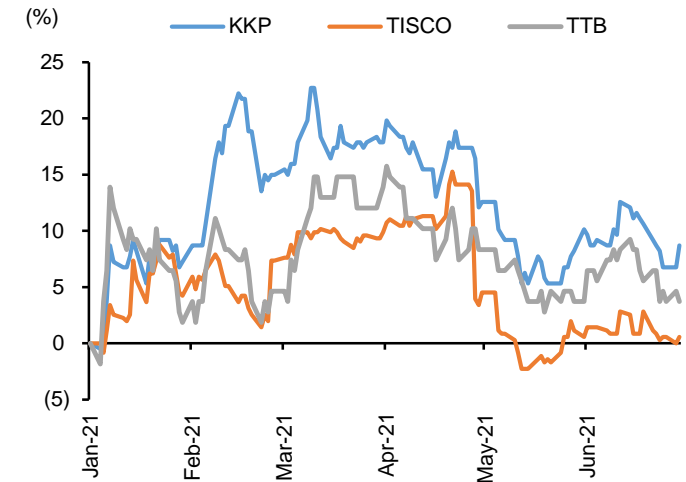
Since the 1Q21 results in late Apr-21, although 1Q21 NPs were stronger than Bloomberg's consensus expectation, SETBANK has declined by 14% from its peak. We believe the market has been concerned about the impact of the Covid third wave which could lead to worsening asset quality and margins, especially in 2Q-3Q21.

Exhibit 4: Big banks' price performance index in 2021



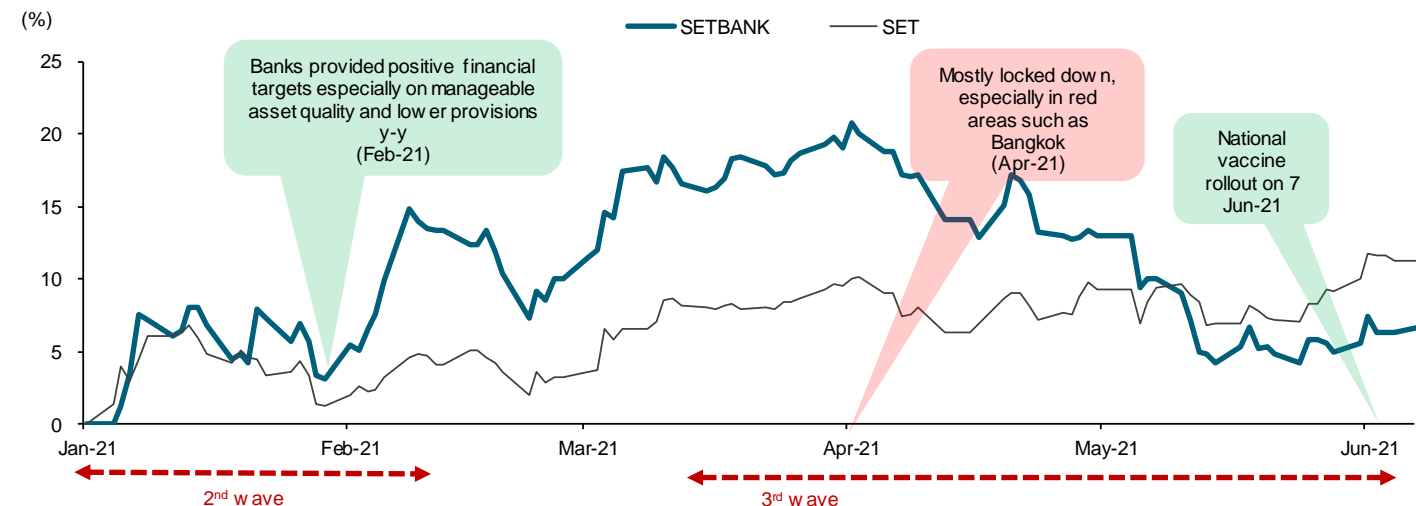
Note: We used 1 Jan-21 as the starting point to construct the index
Sources: Bloomberg; FSSIA's compilation

Exhibit 5: Auto lenders' price performance index in 2021



Note: We used 1 Jan-21 as the starting point to construct the index
Sources: Bloomberg; FSSIA's compilation

Exhibit 6: Important events in 2021 which impacted SETBANK's performance

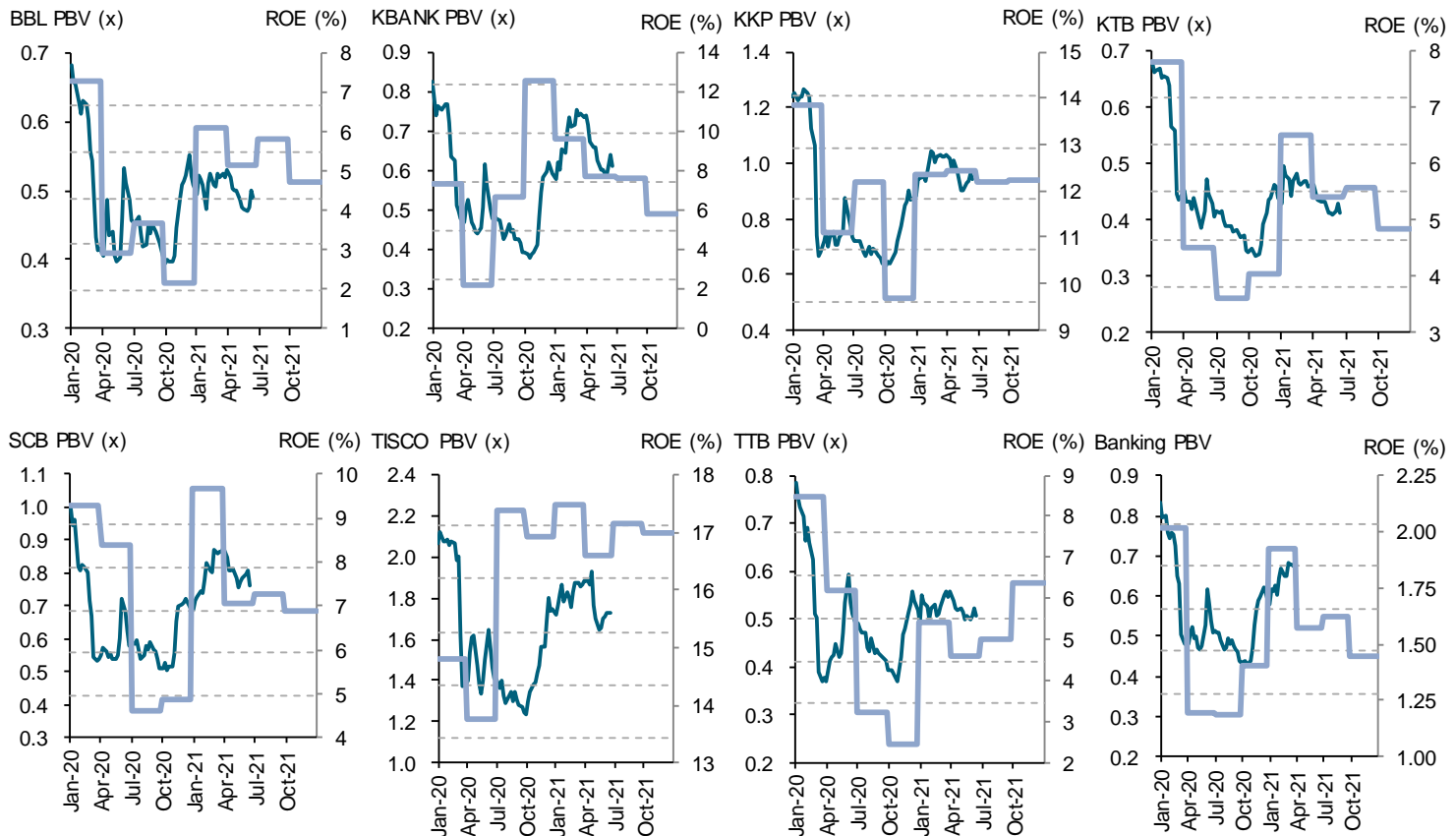


Note: We used 1 Jan-21 as the starting point to construct the index
Sources: Bloomberg; FSSIA's compilation

We see little chance that SETBANK, and also even individual banks, will return to trade at its lowest point, 0.4x P/BV, again, as ROE has shown signs of recovery in 2H21 vs in 2Q-3Q20, especially for TTB.

In contrast, we think the rerating of banks' share prices like in Nov-20 could happen again, supported by 1) the national vaccine rollout; and 2) an ROE recovery. These factors would no doubt draw investors' attention once more.

Exhibit 7: An ROE recovery in 2H21 vs 2Q-3Q20



Source: FSSIA estimates

Exhibit 8: Implied banks' share prices by using P/BV multiples of max and min P/BV during its last rally phase in 2020, pre-Covid level in Dec-19, and 3-year historical average levels

BBG	----- Current -----		----- Rally phase in Oct-20 to Apr-21 -----				----- Pre-Covid in Dec-19 -----		----- 3-year -----	
code	Share price	P/BV	Min P/BV	Implied price	Max P/BV	Implied price	Mean P/BV	Implied price	Mean P/BV	Implied price
	(THB)	(x)	(x)	(THB)	(x)	(THB)	(x)	(THB)	(x)	(THB)
BBL TB	113.50	0.46	0.39	99	0.55	138	0.68	171	0.71	178
KBANK TB	118.50	0.58	0.38	79	0.75	157	0.80	167	0.89	186
KKP TB	55.75	0.92	0.63	40	1.04	66	1.21	76	1.15	73
KTB TB	10.60	0.40	0.33	9	0.50	13	0.66	18	0.65	17
SCB TB	98.25	0.75	0.51	68	0.88	118	0.99	133	0.95	128
TISCO TB	88.50	1.68	1.23	67	1.93	105	1.98	107	1.75	95
TTB TB	1.12	0.50	0.37	0.85	0.56	1.29	0.70	1.62	0.77	1.77
SETBANK	348.60	0.60	0.44	259	0.70	419	0.81	479	0.81	484

Share prices as of 29 Jun 2021

Source: FSSIA estimates

1) Covid-19 vaccines should become widely available from 3Q onward

According to the government, Thailand's vaccine supplies in 2021 would be led by AstraZeneca (AZ) vaccines which are produced domestically by Siam Bioscience. They became widely available from June onward. The manufacturer is expected to deliver 6m doses this month and 10m doses monthly in Jul to Nov. As a result, Thailand would have a total of 62m doses of AZ available in 2021.

The government has also allowed private organisations to seek out vaccines themselves. Chulabhorn Royal Academy (CRA) has already imported the Sinopharm vaccine from China. These lots have been sold to local companies (for their employees). Additionally, private hospitals are seeking approval from the government to purchase the Moderna vaccine. The government also plans to increase vaccine

supplies from Sinovac and import other vaccines such as Pfizer and Johnson & Johnson.

Exhibit 9: Vaccination procurement plan

----- Potential delivered doses -----										Administered	Planned procurement
	5M21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	2021	vaccinations	in 2022
	(m)	(m)	(m)	(m)	(m)	(m)	(m)	(m)	(m)	(m doses)	(m doses)
Government											
AstraZeneca	0.117	6.00	1.00 ^a	----- Balance of 61m order -----					62.00	3.24+	
Sinovac	6.00 ^b	4.50	----- Balance of 19.5m order -----						20.50	6.16+	28.00
Pfizer			----- 20m -----						20.00		
Johnson & Johnson						----- 5m -----			5.00		
Unidentified									0.00		22.00
Total government	6.12	10.50	1.00						107.50	9.42*	50.00
Alternatives											
Sinopharm		1.00	----- 4m -----						5.00	n/a	
Moderna						----- 5m -----			5.00	n/a	
Sputnik									0.00	n/a	
Others									0.00	n/a	
Total alternatives	0.00	1.00							10.00	n/a	0.00
Available vaccines*	6.12	11.50									
Procurement plan*									117.50		50.00

*As of 28 Jun 2021; a) donated by Japan; b) includes a donation from China of 1m doses; +as of 27 Jun 2021

Sources: Department of Disease Control, Ministry of Public Health; FSSIA's compilation

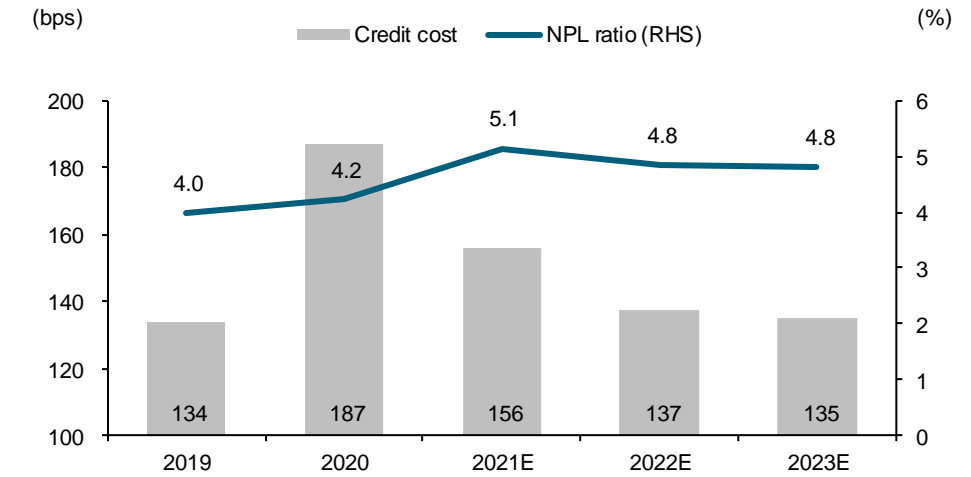
Exhibit 10: Vaccination rollout as of 28 Jun 2021

	5M21	End-May to	----- % of population -----		Govt planned
		28 Jun-21	28 Jun-21	2021E	in 2022
	(m doses)	(m doses)	(%)	(%)	(m doses)
Accumulated shots given	3.66	9.42			
1st shot	2.54	6.72	10.2	82.3*	
2nd shot	1.13	2.70	4.1	35.3	
1st shot % of population	3.8	10.2			
Target procurement				117.50	50.0

*Assuming 70% of planned 117.50 available vaccines go for 1st shot

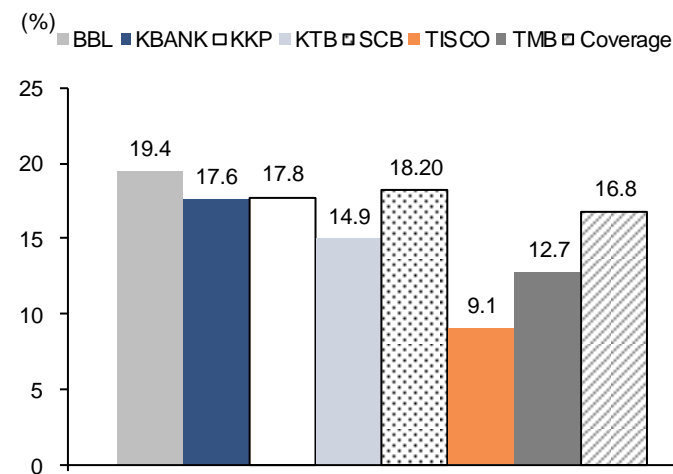
Sources: Department of Disease Control, Ministry of Public Health; FSSIA's compilation

Once the number of vaccinations accelerates, we believe the market would turn its attention to the country reopening theme. The banking sector should be one of the greatest beneficiaries of this, in our view. Even if there are no clues at all when the third wave will subside, and there might be additional waves to come, we believe that a higher number of vaccinated people could limit strict preventive measures such as a national lockdown. The less these measures are implemented, the lower the impact on Thai people's cash flow and their ability to repay debts would be. Eventually, this should limit the downside risk of an increase in banks' credit cost.

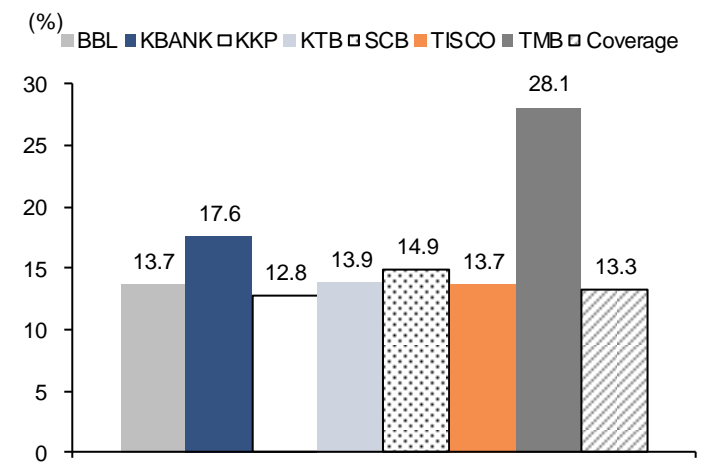
Exhibit 11: Yearly NPL ratio and credit cost

Sources: Company data; FSSIA estimates

Currently, the government aims to reopen the country within Oct-21. Fully vaccinated visitors to Thailand will be able to enter the country without quarantining or any other inconvenient restrictions, while Thai people who are fully vaccinated would also be able to return home after travelling abroad without having to be quarantined. We take this timeline as the best case. However, our base scenario is for the country to reopen in 1Q22.

Exhibit 12: 2021 net profit forecast of BUC

Sources: Company data; FSSIA estimates

Exhibit 13: 2022 net profit forecast of BUC

Sources: Company data; FSSIA estimates

2) Stronger core operations could start from 4Q21

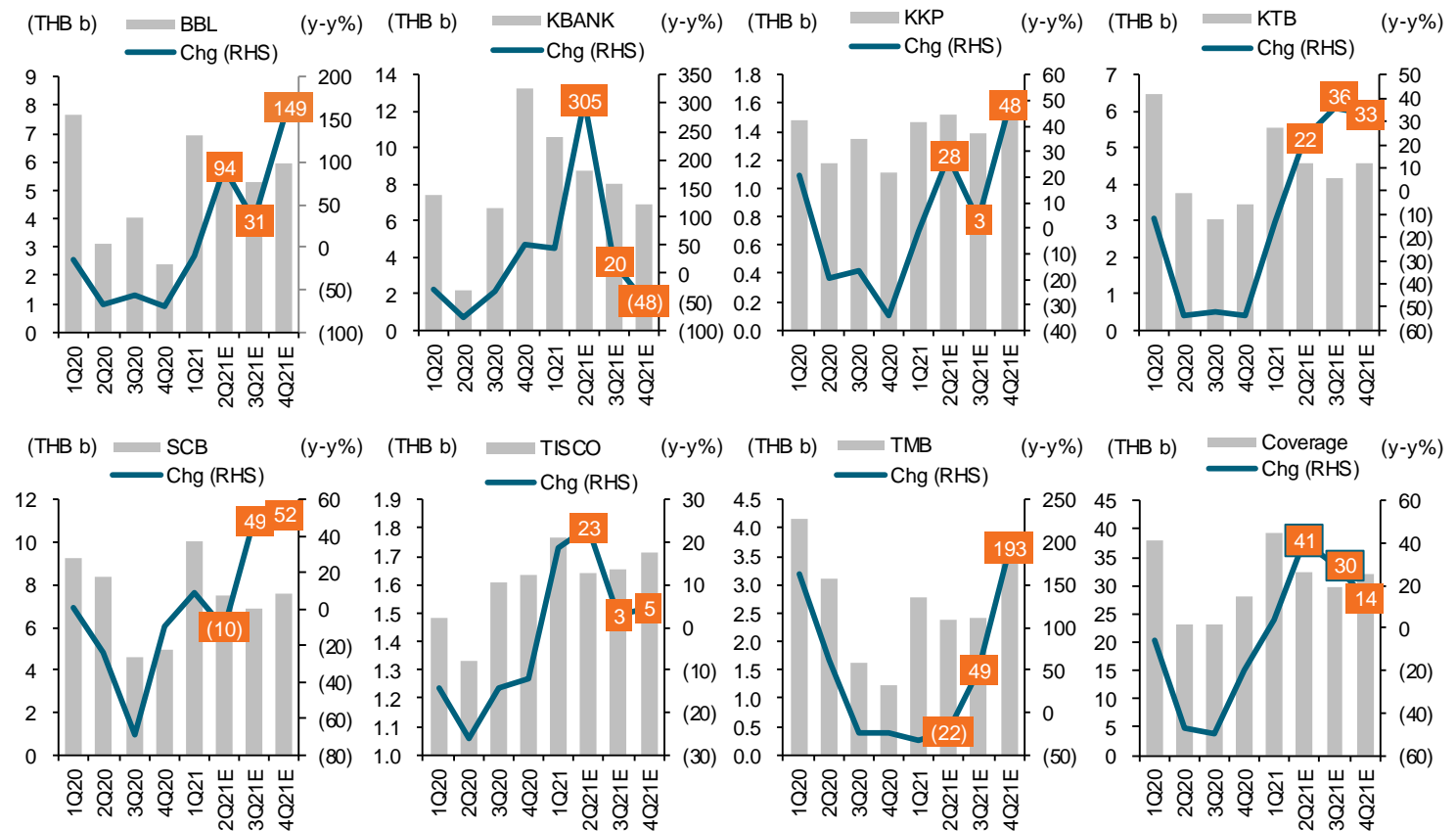
Due to the longer and more severe-than-expected Covid third wave, we think banks will still hold elevated levels of credit cost in 3Q21 and provide further debt assistance to their clients. Thus, banks' stronger core operations could start from 4Q21 vs our original estimate of 3Q21.

Banks' earnings in 4Q21 could be driven by three factors. First, we believe the sector's credit cost should peak in 2Q-3Q21 then slightly decline. Second, we expect net fee incomes to increase moderately, with the expectation of a recovery in wealth-related commissions after the reopening of business activities. Lastly, we believe banks will accelerate their integration of automated processes, implement branch consolidations and reduce head counts, leading to continuous effective cost control.

On the negative side, we expect the NIM squeeze to persist. We believe banks will provide further debt assistance for some Covid-affected segments.

We expect TTB to deliver the most outstanding performance in 4Q21 due to the lower OPEX after its entire business transfer process. We estimate that most of the BUC would post higher y-y NPs in 4Q21, except KBANK. We think KBANK's 4Q21 earnings might decline y-y thanks to an abnormally high 4Q20 from its extremely low provisioning setup.

Exhibit 14: Banks' earnings momentum

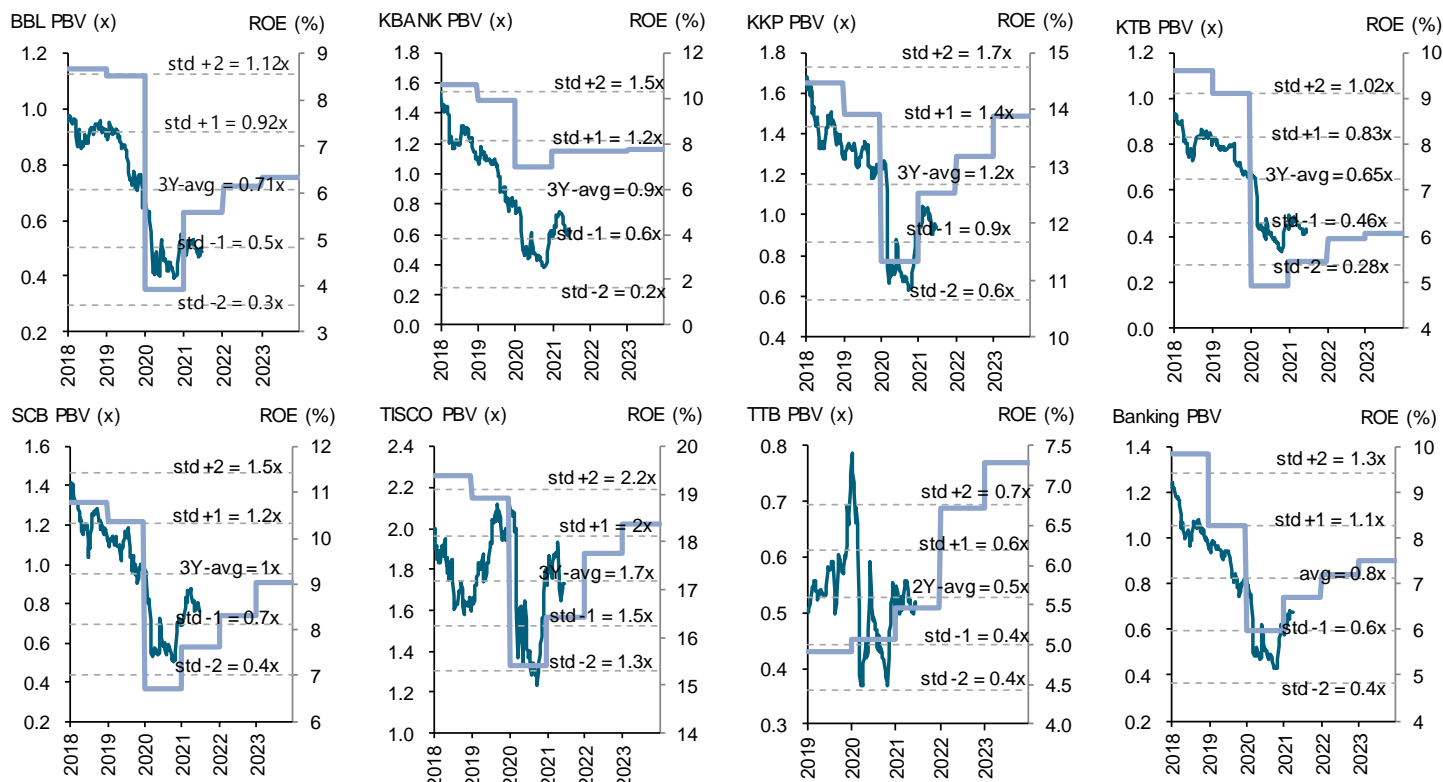


Source: FSSIA estimates

In 2022, we forecast the BUC's NP to increase by 13.3%, based on the assumption that the Financial Institutions Development Fund (FIDF) fee will return to 46 bps. If the Bank of Thailand (BoT) extends the FIDF reduction at 0.23% for one year without asking banks to provide further debt assistance to their clients, this would provide a 13% upside risk to our 2022 NP forecast for the banking sector. The key factors to support an increase in 2022 NP are 1) a decline in ECL; and 2) a rise in fee income.

A continued increase in NP would lead to an ROE recovery. Looking at the ROE recovery pattern in Exhibit 15, we divide this ROE pattern into three types. First, TTB could be the only bank to deliver 2022 ROE at a higher level than that of 2019. Second, KKP, TISCO, SCB and KBANK's 2022 ROE, by order, could increase to nearly equal the 2019 level. Lastly, KTB and BBL's 2022 ROE, respectively, could still be far behind that of 2019.

Exhibit 15: ROE vs P/BV of the BUC

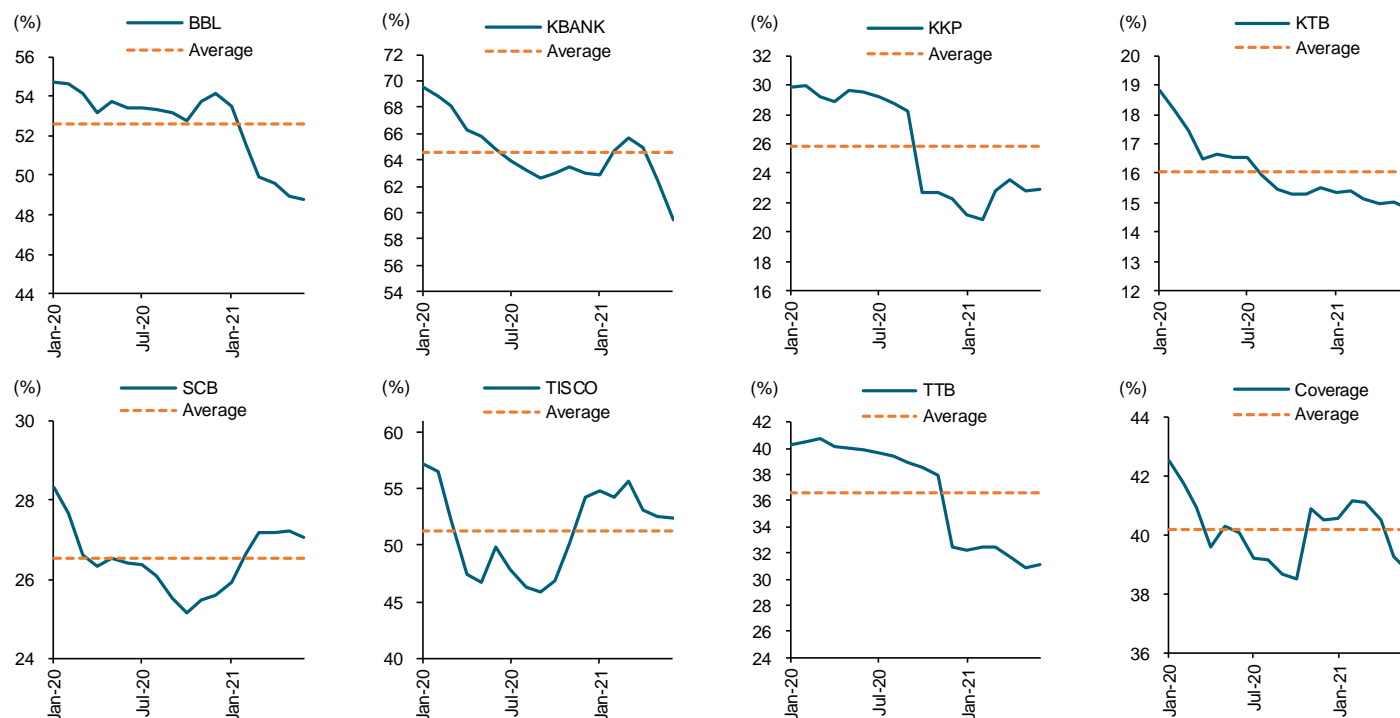


Source: FSSIA estimates

Returning to Thai banks

We believe that all of the aforementioned positive factors could draw investors' attention, both local and foreign, back to Thai bank stocks. We have determined that the foreign holding proportion has fallen from its recent peak of 41.2% in Feb-18 to 38.8% currently. This level is relatively the same as the lowest point in Oct-20 at 38.5%.

Exhibit 16: Foreign holding of Thai banks under coverage



Sources: SET; FSSIA's compilation

Weak 2Q21 results due to Covid third wave

We expect the BUC to deliver a 2Q21 aggregate NP of THB32.5b (+41% y-y, -17% q-q). The weak q-q NP would be the result of 1) an increase in provisions as we believe banks will set aside special provisions to provide a cushion for the uncertainties from the third wave of Covid; 2) a contraction in fee income and gains on investments due to the partial lockdown and less favourable capital market conditions; and 3) a continued softening of loan yields thanks to the financial aid provided to impacted clients.

However, BUC's NP could increase significantly y-y due mainly to plummeting ECL, as in 2Q20 most banks proactively set aside provisions against potentially deteriorating asset quality.

KKP could be the only bank to deliver NP growth both y-y and q-q, supported by a continued increase in loan volume due to its strategy to acquire lower-risk profile hire purchase customers. Meanwhile, we project TTB's NP to drop both y-y and q-q, dragged down by higher OPEX from the entire business transfer with Thanachart Bank (TBANK; not listed) along with higher ECL. SCB could also deliver lower NP y-y and q-q due to a rise in its ECL. Regarding the rest of the banks (BBL, KBANK, KTB, and TISCO), we expect their NP to increase y-y but decline q-q, with KBANK potentially delivering the best performance y-y.

Exhibit 17: Summary of 2Q21E earnings preview

----- Net profit -----			----- 2Q21E -----		Expected	FSSIA's view
BBG	2Q20	1Q21	2Q21E	---- Change ----		results
	(THB m)	(THB m)	(THB m)	(y-y %)	(q-q %)	date
BBL	3,095	6,923	6,000	94	(13)	20-21 July
KBANK	2,175	10,627	8,800	305	(17)	21 July
KKP	1,184	1,463	1,520	28	4	19-20 July
KTB	3,755	5,578	4,600	23	(18)	20-21 July
SCB	8,359	10,088	7,500	(10)	(26)	21 July
TISCO	1,329	1,764	1,640	23	(7)	15 July
TTB	3,095	2,782	2,400	(23)	(14)	20 July
Coverage	22,994	39,224	32,459	41	(17)	

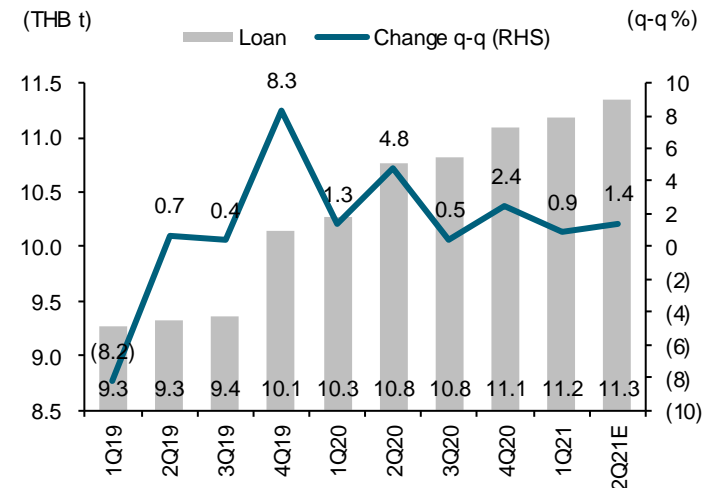
Sources: Company data; FSSIA estimates

2Q21E key highlights

1) Corporates should lead higher loan demand

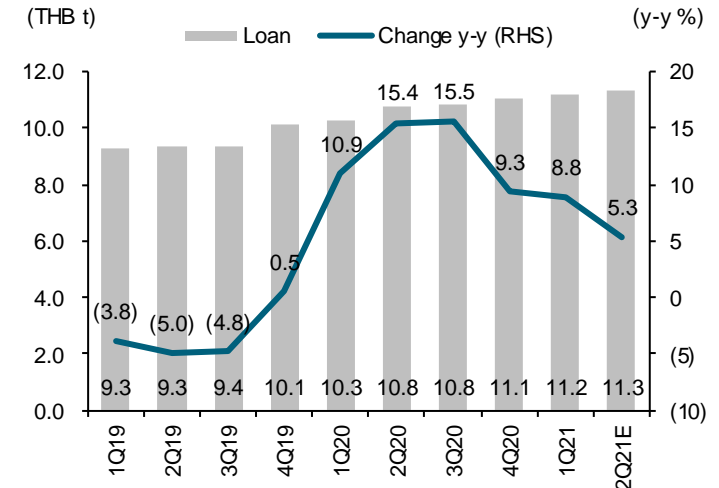
We expect banks' overall loan portfolios to slightly increase by 1.4% q-q, largely driven by the working capital loan demand of the corporate segment, along with a rise in government loans at KTB. The SME segment should be relatively stable q-q, as we believe that most banks still lent cautiously. Additionally, the auto and credit card segments' loan volumes will likely decline, thanks to the slow business activities from the partial lockdown.

Exhibit 18: Sector's loan growth (q-q basis)



Sources: Company data; FSSIA estimates

Exhibit 19: Sector's loan growth (y-y basis)

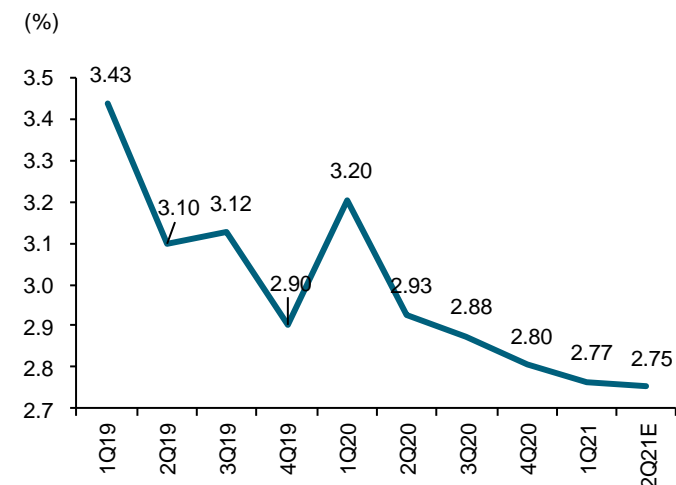


Sources: Company data; FSSIA estimates

2) NIM decline due to relief programs

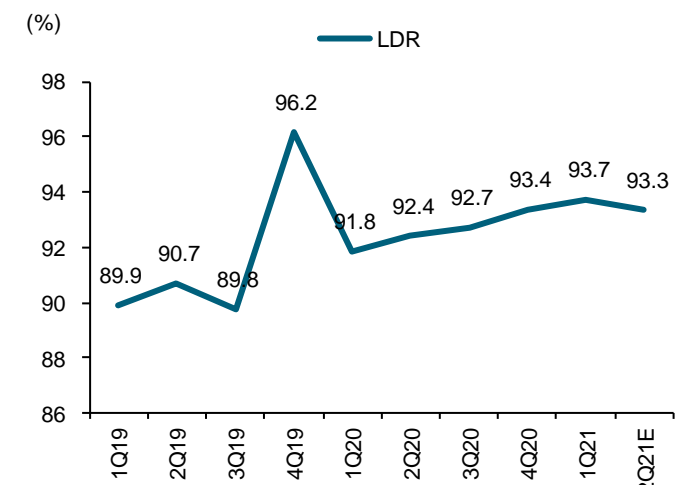
We expect that the banking sector's NIM will continue to drop to 2.75% in 2Q21 from 2.77% in 1Q21, due to the lower effective interest rate (EIR) calculated under the customer relief programs for those affected by Covid-19. Moreover, due to the abundant liquidity in the system, we expect that banks' deposits would increase at a faster pace than loans.

Exhibit 20: Sector's quarterly NIM



Sources: Company data; FSSIA estimates

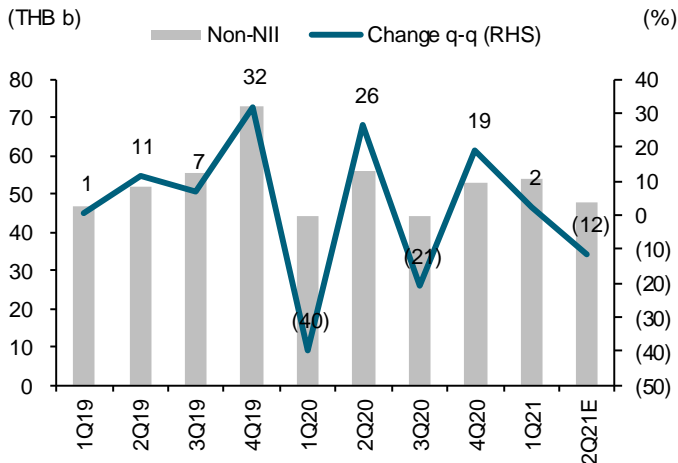
Exhibit 21: Sector's loan to deposit ratio (LDR)



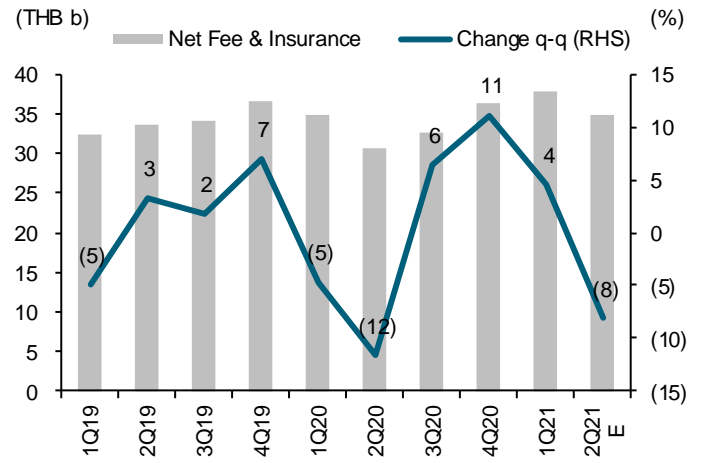
Sources: Company data; FSSIA estimates

3) Drop in Non-NII

We expect banks to post soft Non-NII, dragged down by 1) a contraction in investment gains thanks to the unfavourable capital market environment; and 2) a q-q decline in fee income due to the partial lockdown, leading to slower insurance and wealth product sales.

Exhibit 22: Sector's Non-NII growth (q-q basis)

Sources: Company data; FSSIA estimates

Exhibit 23: Sector's fee income growth (q-q basis)

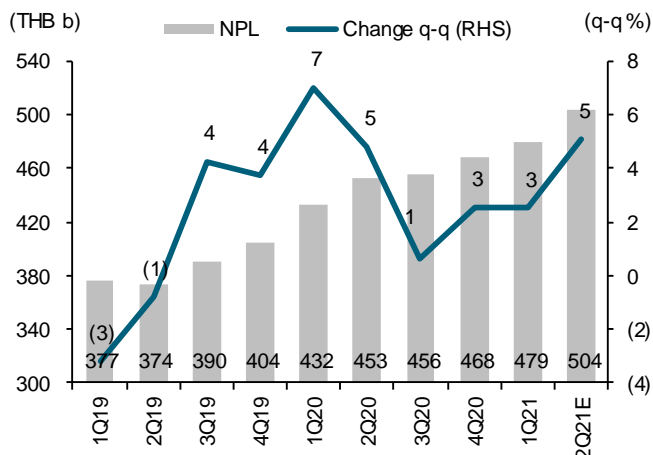
Sources: Company data; FSSIA estimates

4) Good cost controlling

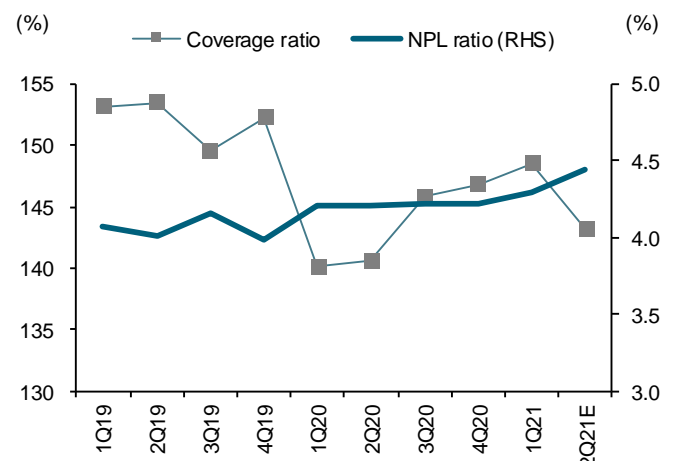
Most banks should continue to control their operating expenses effectively, in our view. Covid-19 forced their clients to use digital platforms, leading to a faster network rationalisation pace and frozen headcounts. Banks also tightened their spending, i.e., marketing and promotion expenses.

5) The peak of provisions

We expect that non-performing loans (NPLs) would start to increase at an accelerated rate of 5% after being relatively stable for three consecutive quarters since the start of the Covid outbreak. This could account for an NPL ratio of 4.44% in 2Q21 vs 4.29% in 1Q21 due to the end of some forbearance programs and the third wave of Covid. We, therefore, expect banks will proactively, as always, set aside provisions to provide a cushion from uncertainties in the future. We project that the sector's credit cost would increase to 157 bps in 2Q21 from 147 bps in 1Q21.

Exhibit 24: Sector's NPL growth (q-q basis)

Sources: Company data; FSSIA estimates

Exhibit 25: Sector's coverage ratio and NPL ratio

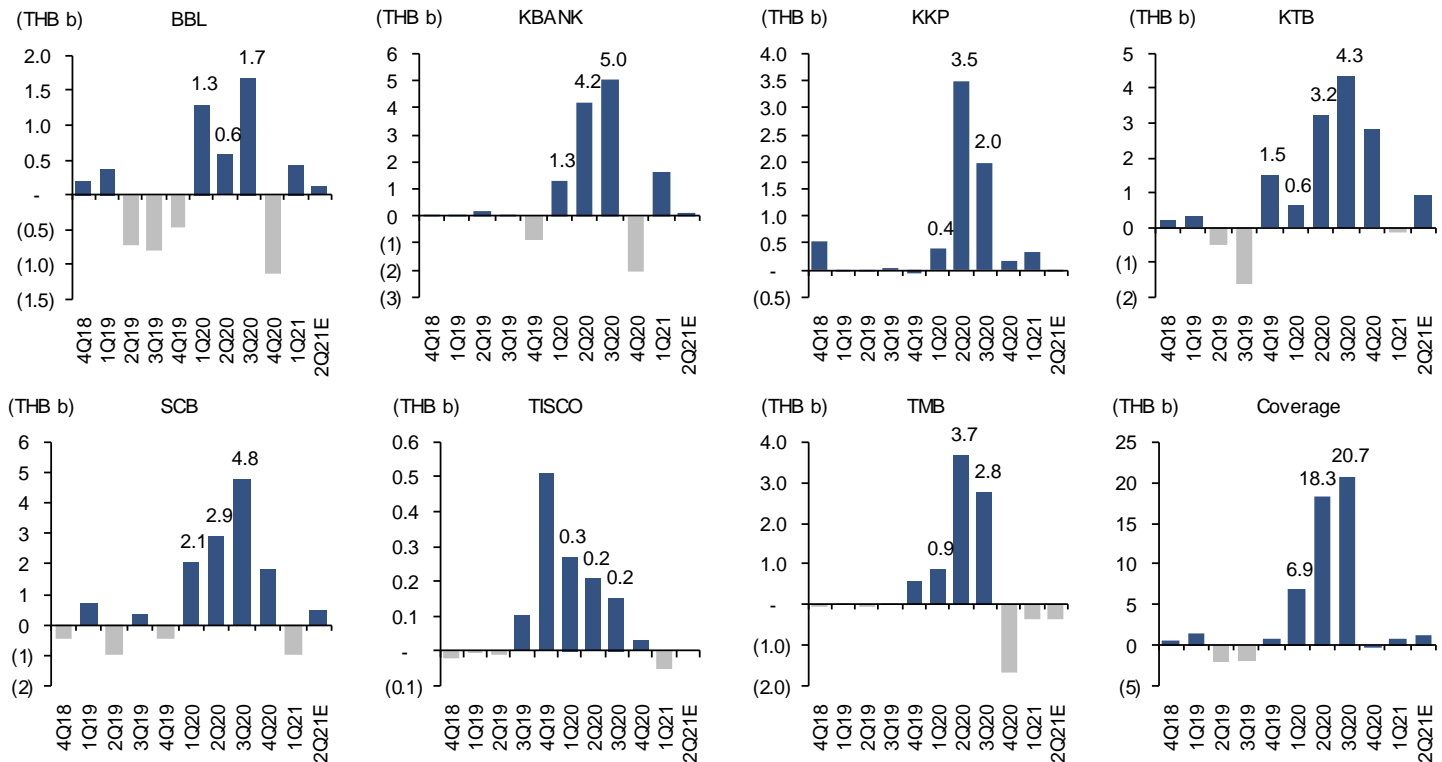
Sources: Company data; FSSIA estimates

6) Slower accrued interest rate increase

Accrued interest will be another key focus, especially during the forbearance programs. We think the sector's accrued interest rate will continue to increase in 2Q21 due to the extended debt relief programs for some Covid-affected clients. Furthermore, according to the management of most of the BUC, banks are allowing their clients to repay their accrued interest during the forbearance programs at the end of the borrowing contract. This means that this accrued interest would decline once the debts have been fully repaid, in the next two to four years on average.

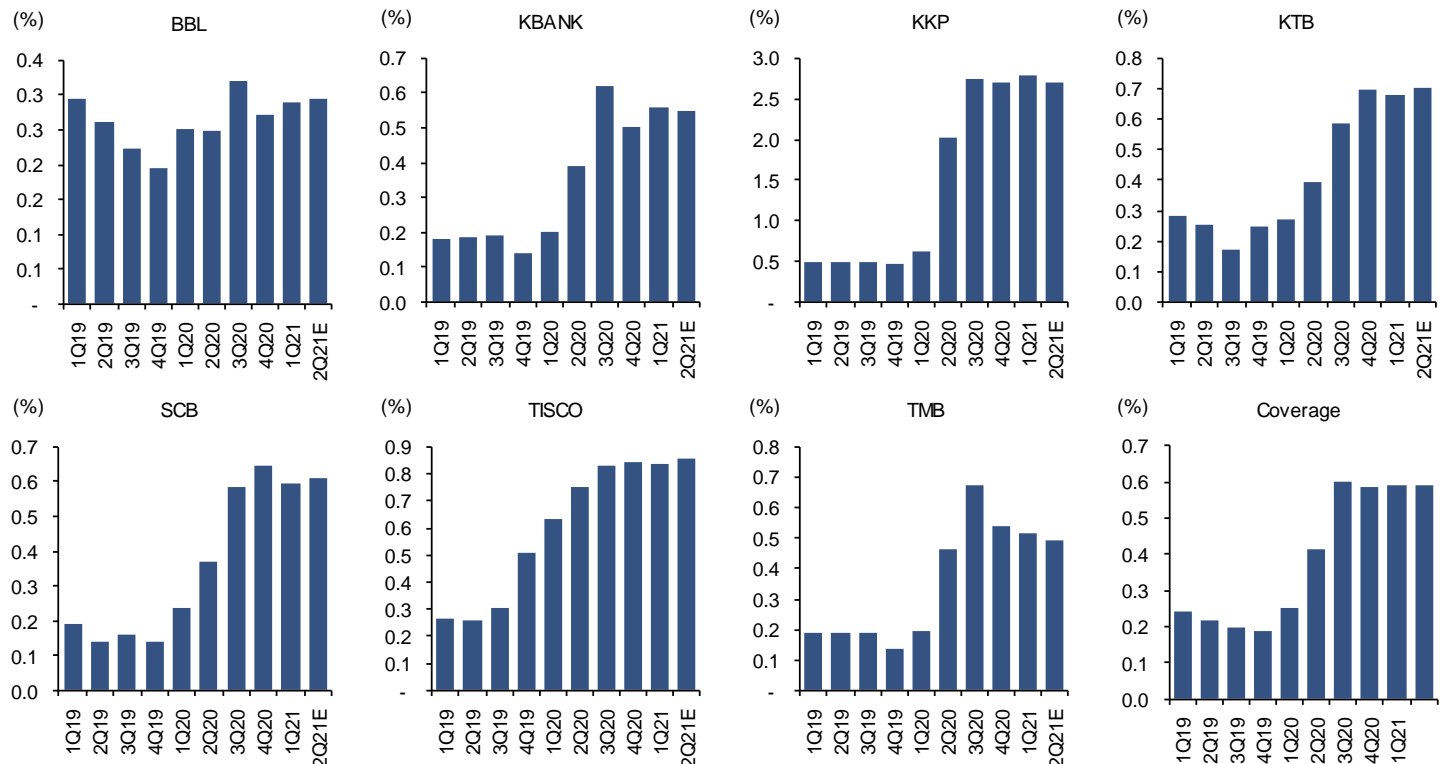
However, we think the increase in accrued interest has passed its peak since 3Q20. Moreover, most banks have set some provisions against this accrued interest. Hence, we recommend investors closely monitor this item, but not be overly concerned.

Exhibit 26: Increase in accrued interest q-q (THB b)



Source: FSSIA estimates

Exhibit 27: Accrued interest to total gross loans (%) – we expect this ratio would still be high compared to the pre-Covid level



Sources: Company data; FSSIA estimates

Exhibit 28: Details of 2Q21E earnings preview

2Q21E	BBL	KBANK	KKP	KTB	SCB	TISCO	TTB	Coverage
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)
Net Interest Income	19,834	29,036	3,936	20,490	23,668	3,072	12,905	112,942
Change (y-y %)	9.5	7.2	9.0	(12.7)	(0.5)	(1.8)	(1.1)	0.6
Change (q-q %)	0.6	3.2	2.8	2.6	1.3	(1.2)	0.3	1.8
Non-interest Income	10,224	10,107	1,590	7,957	12,329	1,523	3,957	47,687
Change (y-y %)	(27.9)	(28.3)	28.5	(11.4)	(1.4)	23.4	12.3	(14.4)
Change (q-q %)	(8.4)	(15.0)	(10.9)	(8.6)	(14.2)	(23.5)	(0.4)	(11.5)
Net fee income	7,114	8,488	1,291	4,799	9,395	1,311	2,833	35,231
Change (y-y %)	26.6	5.5	45.9	(8.9)	22.3	20.7	31.3	14.6
Change (q-q %)	(3.0)	(10.0)	(10.0)	(8.0)	(10.0)	(15.0)	(6.6)	(8.3)
Operating income	30,059	39,143	5,527	28,447	35,997	4,595	16,863	160,629
Change (y-y %)	(6.9)	(4.9)	13.9	(12.3)	(0.8)	5.3	1.8	(4.4)
Change (q-q %)	(2.6)	(2.2)	(1.5)	(0.8)	(4.6)	(9.9)	0.1	(2.6)
Operating expenses	16,589	17,218	2,600	12,634	15,331	1,881	8,001	74,254
Change (y-y %)	10.4	9.0	(0.8)	2.2	(5.0)	3.6	2.9	3.8
Change (q-q %)	5.3	4.2	0.7	(0.4)	1.5	(8.9)	0.9	2.2
Pre-provision profit	13,470	21,925	2,927	15,812	20,666	2,714	8,861	86,375
Change (y-y %)	(22.0)	(13.6)	31.3	(21.3)	2.6	6.6	0.8	(10.4)
Change (q-q %)	(10.9)	(6.7)	(3.4)	(1.1)	(8.8)	(10.6)	(0.6)	(6.3)
Expected credit loss	5,938	9,922	1,012	9,068	11,444	667	5,897	43,949
Change (y-y %)	(55.1)	(50.9)	36.1	(38.4)	17.6	(24.4)	18.6	(31.8)
Change (q-q %)	(6.1)	14.7	(18.0)	12.5	14.4	(20.0)	7.6	8.3
Income tax	1,431	2,281	364	1,281	1,752	407	563	8,079
Normalised profit	6,000	8,800	1,520	4,600	7,500	1,640	2,400	32,459
Change (y-y %)	93.9	304.5	28.3	22.5	(10.3)	23.4	(22.5)	41.2
Change (q-q %)	(13.3)	(17.2)	3.9	(17.5)	(25.7)	(7.0)	(13.7)	(17.2)
% of 2021E	23.7	25.4	25.2	23.9	23.3	24.8	21.1	24.0
Net profit	6,000	8,800	1,520	4,600	7,500	1,640	2,400	32,459
Change (y-y %)	93.9	304.5	28.3	22.5	(10.3)	23.4	(22.5)	41.2
Change (q-q %)	(13.3)	(17.2)	3.9	(17.5)	(25.7)	(7.0)	(13.7)	(17.2)
% of 2021E	23.7	25.4	25.2	23.9	23.3	24.8	21.1	24.0
Loan (q-q %)	0.5	2.8	3.0	2.5	1.0	(2.0)	0.0	1.4
Loan (y-y %)	1.2	11.3	12.4	5.8	7.3	(5.2)	(0.1)	5.3
Deposit (q-q %)	2.5	3.0	1.0	2.0	2.0	(2.0)	(1.0)	1.9
Deposit (y-y %)	4.4	7.1	3.3	5.8	6.3	(3.0)	(5.0)	4.3
Loan/ Deposits (LDR %)	80.0	95.7	109.2	97.2	96.0	111.4	100.8	93.3
Loan/Deposits & Borrowing (%)	76.3	93.0	96.6	92.3	93.3	106.1	95.6	89.4
Key ratios	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)
Net interest margin	2.02	3.14	4.52	2.48	3.04	4.56	2.96	2.75
Credit cost (bp/total loans)	1.00	1.70	1.48	1.52	2.00	1.22	1.71	1.56
Cost to income	55.19	43.99	47.05	44.41	42.59	40.93	47.45	46.23
Loan-loss-coverage	173	131	143	143	132	208	115	143
Absolute NPL (THB m)	113,894	107,432	10,071	110,729	109,549	6,085	46,004	503,763
Change (y-y %)	4.9	13.8	8.9	(3.7)	37.6	(18.7)	18.6	11.2
Change (q-q %)	5.0	5.0	7.0	4.5	5.0	10.0	6.0	5.1
NPL ratio	4.78	4.54	3.62	4.58	4.76	2.81	3.33	4.44
Reported NPL ratio	4.30	4.00	3.53	3.73	3.94	2.81	2.88	
CET1	16.1	16.2	14.1	15.7	17.3	18.9	20.6	16.8
CAR	18.5	18.7	17.7	19.0	18.4	23.3	24.6	19.4

Sources: FSSIA estimates

Key risk is the vaccine distribution

Our base case is that Thailand's vaccine supply would be widely available from 3Q21 onward and that the country would welcome unrestricted foreign tourism in 1Q22. However, if the vaccine distribution starts to lag, we see two main downside risks to our current forecast – ECL and NIM.

Exhibit 29: FSSIA estimates vs Bloomberg consensus

		----- Bloomberg consensus -----		----- FSSIA estimates -----		----- FSSIA vs Consensus -----	
Company	BBG	2021E	2022E	2021E	2022E	2021E	2022E
	code	(THB m)	(THB m)	(THB m)	(THB m)	(% diff.)	(% diff.)
Bangkok Bank	BBL TB	25,905	29,638	25,296	28,758	(2.4)	(3.0)
Kasikornbank	KBANK TB	34,993	37,738	34,670	36,881	(0.9)	(2.3)
Kiatnakin Bank	KKP TB	5,758	6,202	6,033	6,804	4.8	9.7
Krung Thai Bank	KTB TB	18,255	20,843	19,186	21,898	5.1	5.1
Siam Commercial Bank	SCB TB	31,389	35,578	32,171	36,957	2.5	3.9
Tisco Financial	TISCO TB	6,579	7,038	6,613	7,519	0.5	6.8
TMBThanachart Bank	TTB TB	11,048	13,678	11,400	14,601	3.2	6.7
Total		133,927	150,715	135,368	153,417	1.1	1.8

Sources: Bloomberg consensus; FSSIA estimates

1) ECL

Stricter measures to contain the transmission of Covid have a greater impact on the cash flow of banks' customers. Thus, the ability to repay debts might decline, leading to a higher-than-expected provisioning setup.

However, in reality, we think it might be difficult to accurately forecast banks' provisions. Apart from setting provisions for deteriorating asset quality, it also depends on each bank's risk management policy. Accordingly, we have constructed a guide to track banks' asset quality movement and its implication on their net profit (Ex. 30-31). If isolating only the deterioration of asset quality, for every 0.5% migration of banks' outstanding loans to NPLs, there would be a 14% and 13% downside to our 2021-22 net profit forecast, respectively.

Exhibit 30: Net profit sensitivity to straight through deterioration from stage 1 to NPL

2021 Credit cost		----- Current NP -----		---- NP in case of stage 1 loans moving to NPL **** ----		----- Change in NP -----	
	guidance by bank	2021E	2022E	2021E	2022E	2021E	2022E
	(bps)	(THB b)	(THB b)	(THB b)	(THB b)	(%)	(%)
Banking		135.4	153.4	116.9	133.1	(13.6)	(13.3)
BBL*	+/- 95	25.3	28.8	19.7	22.5	(22.1)	(21.8)
KBANK	Up to 160	34.7	36.9	31.5	33.8	(9.1)	(8.4)
KKP**	Up to 250	6.0	6.8	5.7	6.5	(4.8)	(4.3)
KTB	n.m.	19.2	21.9	15.3	17.5	(20.5)	(20.1)
SCB	Up to 200	32.2	37.0	28.3	32.6	(12.1)	(11.8)
TISCO***	100-120	6.6	7.5	6.4	7.3	(3.9)	(3.4)
TTB	160-180	11.4	14.6	10.1	12.9	(11.8)	(11.5)

* BBL provided a provision setup in terms of amount at +/- THB22b, however, we convert to credit cost at +/- 95 bps to easier compare with other banks

** KKP's ECL target includes loss from reprocessed cars

*** TISCO's ECL target does not include a special provision that the bank might set up from other special gains

Source: FSSIA estimates

Under this analysis, BBL would see a significant impact due to its high corporate concentration, which normally consists of unsecured loans. However, in practice, we think the balance sheets of the corporate segment are still solid. The chance to turn to NPLs is quite low, in our view. TISCO and KKP would face the least impact due to their secured loan concentrations.

However, if we incorporate the BUC's portfolio structure and the risk to turn to NPLs for each client segment, we think KBANK would have the most downside risk. Its portfolio largely comprises the SME segment, especially hospitality related, which has been the most impacted by Covid. Also, in 2021, KBANK aims to set a significantly lower credit cost compared to last year. Accordingly, we have run a sensitivity analysis to estimate the impact to our current net profit forecast for every 10 bps increase in credit cost.

Exhibit 31: Sensitivity impact to 2021-22 current net profit forecast when credit cost increases by 10 bps

	----- Current assumption credit cost -----			----- NP in case of 10 bps increase in credit cost -----		----- Change in NP -----	
	2020	2021E	2022E	2021E	2022E	2021E	2022E
	(bps)	(bps)	(bps)	(THB b)	(THB b)	(%)	(%)
Banking	187	166	147	126.8	144.5	(6.3)	(5.8)
BBL	141	105	90	23.4	26.8	(7.5)	(6.8)
KBANK	205	175	170	33.0	35.2	(4.7)	(4.6)
KKP	163	145	125	5.8	6.6	(3.6)	(3.4)
KTB	203	180	155	17.6	20.2	(8.7)	(7.9)
SCB	214	205	175	30.3	35.0	(5.7)	(5.2)
TISCO	142	127	100	6.4	7.3	(2.7)	(2.4)
TTB	178	180	160	10.3	13.4	(10.1)	(8.0)

Source: FSSIA estimates

2) NIM

We think the most essential downside risk to our NIM forecast is if the BoT issues general debt holiday measures, similar to what occurred in 2Q20. This would affect banks' EIR calculations. However, if the BoT only ask banks to provide further specific debt restructuring programs, or even cut the ceiling rate of retail loans (credit cards, personal loans and auto title loans), we see a slightly negative impact. Most banks always provide debt restructuring for impacted clients. On top of that, we think that if the BoT needs banks to further support their clients, it might provide some measures to help banks, such as extending the FIDF reduction.

Therefore, we think the downside to our net profit forecast from a lower NIM would be smaller than an increase in ECL.

Exhibit 32: Sensitivity impact to 2021-22 current net profit forecast when NIM declines by 10 bps

	----- Current assumption NIM -----			----- Current NP -----		NP in case of 10 bps decline in NIM		----- Change in NP -----	
	2020	2021E	2022E	2021E	2022E	2021E	2022E	2021E	2022E
	(%)	(%)	(%)	(THB b)	(THB b)	(THB b)	(THB b)	(%)	(%)
Banking	2.99	2.85	2.81	135.4	153.4	123.4	141.0	(8.9)	(8.1)
BBL	2.25	2.10	2.09	25.3	28.8	22.4	25.6	(11.5)	(11.1)
KBANK	3.25	3.11	3.08	34.7	36.9	32.2	34.3	(7.1)	(7.0)
KKP	4.81	4.63	4.54	6.0	6.8	5.8	6.5	(4.3)	(4.1)
KTB	2.93	2.75	2.70	19.2	21.9	16.9	19.5	(12.1)	(11.0)
SCB	3.28	3.13	3.13	32.2	37.0	29.6	34.5	(8.0)	(6.7)
TISCO	4.56	4.56	4.60	6.6	7.5	6.4	7.3	(3.3)	(2.9)
TTB	3.00	2.96	2.88	11.4	14.6	10.1	13.3	(11.1)	(8.8)

Source: FSSIA estimates

Recommendation and top picks

We think the banking sector's share prices could remain rangebound until mid-3Q21 due to the weak 2Q21E results, along with the low vaccination rate. However, after banks' analyst meetings, during which we expect banks to provide clearer financial guidance, and an increase in first-dose vaccinated people, we think SETBANK will gradually increase. We, therefore, recommend long-term investors to accumulate Thai banks. We continue to prefer TISCO and TTB in the auto lender segment. For big banks, SCB is our most preferred.

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 TTB due to its superior performance that we expect to see in 2H21 and 2022 after the merger synergies start to clearly bear fruit. We think TTB would be the only bank that could deliver a higher 2022 ROE compared with the 2019 ROE level. Moreover, TTB trades at a cheap valuation. We think the market is overly concerned about its integration cost and underestimates the power of synergy.

SCB is well-positioned to benefit from the country's digital age with its integrated digital platform, in our view. We think SCB could deliver solid performance supported by its cost efficiency and strong fee franchise.

Exhibit 33: Peers comparison

Company name	BBG	Rec	--- Share price ---		Up	Market	EPS growth		----- PE -----		- DivYld -		---- ROE ----		--- PBV ---	
	code		Current	Target	side	Cap	21E	22E	21E	22E	21E	22E	21E	22E	21E	22E
			(THB)	(THB)	(%)	(USD m)	(%)	(%)	(x)	(x)	(%)	(%)	(%)	(%)	(x)	(x)
Bangkok Bank	BBL TB	BUY	113.50	170.00	50	6,751	19.4	13.7	8.6	7.5	3.5	4.4	5.6	6.1	0.5	0.5
Kasikornbank	KBANK TB	BUY	118.50	190.00	60	8,748	17.6	6.4	8.1	7.6	2.7	3.1	7.7	7.7	0.6	0.6
Kiatnakin Bank	KKP TB	BUY	55.75	74.00	33	1,471	17.8	12.8	7.8	6.9	5.8	6.7	12.5	13.2	0.9	0.9
Krung Thai Bank	KTB TB	HOLD	10.60	12.70	20	4,616	15.0	14.1	7.7	6.8	4.5	5.2	5.5	5.9	0.4	0.4
Siam Commercial Bank	SCB TB	BUY	98.25	140.00	42	10,395	18.1	14.9	10.4	9.0	3.3	4.1	7.6	8.3	0.8	0.7
Tisco Financial	TISCO TB	BUY	88.50	122.00	38	2,208	9.1	13.7	10.7	9.4	7.5	8.8	16.4	17.8	1.7	1.6
TMBThanachart	TTB TB	BUY	1.12	1.80	61	3,364	12.7	28.1	9.5	7.4	4.2	5.4	5.5	6.7	0.5	0.5
Coverage						37,553	16.8	13.3	8.9	7.9	3.8	4.5	6.9	7.4	0.6	0.6

Share prices as of 29 Jun 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	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	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	MITSI	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	WIK	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	HL	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	AMANA	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	SEAOL	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

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 113.50	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 118.50	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.
Kiatnakin Bank	KKP TB	THB 55.75	BUY	Downside risks to our GGM-based target price include weakening asset quality and lower fee income.
Krung Thai Bank	KTB TB	THB 10.60	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 98.25	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 88.50	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; 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.
TMBThanachart Bank	TTB TB	THB 1.12	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

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 29-Jun-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.