

22 JULY 2021

THAILAND / BANKS

SIAM COMMERCIAL BANK SCB TB

BUY

UNCHANGED

| | |
|-----------------|-----------|
| TARGET PRICE | THB136.00 |
| CLOSE | THB95.25 |
| UP/DOWNSIDE | +42.8% |
| PRIOR TP | THB140.00 |
| CHANGE IN TP | -2.9% |
| TP vs CONSENSUS | +14.7% |

ปรับโครงสร้างหนี้เพื่อให้รอดในระยะยาว

ผลประกอบการ 2Q21 สูงกว่าคาดพร้อมคุณภาพสินทรัพย์ที่ดีพอใช้

SCB รายงานกำไรสุทธิ 2Q21 สูงเกินคาดโดยอยู่ที่ 8,815 ลบ. (+5% y-y, -13% q-q) ปริมาณสินเชื่อเพิ่ม 0.8% q-q พร้อมส่วนต่างดอกเบี้ยที่สูงขึ้นเล็กน้อยจากการบริหารต้นทุนการเงินที่มีประสิทธิภาพ นอกจากนี้ธนาคาร ยังสามารถควบคุมค่าใช้จ่ายในการดำเนินงานได้อย่างมีประสิทธิภาพ อย่างไรก็ตาม อย่างไรก็ดีค่าธรรมเนียมลดลงเล็กน้อยจากค่าธรรมเนียมที่เกี่ยวข้องกับการบริหารความมั่งคั่งที่ลดลง ในด้านคุณภาพสินทรัพย์ หนี้ต่อคุณภาพ (NPL) ก่อนชำระตรงตัว q-q พร้อมอัตรา NPL ที่ 3.79% สินเชื่อภายใต้โครงการพักชำระหนี้ลดลง 12% q-q มาอยู่ที่ 16% ของสินเชื่อรวมจาก 19% ใน 1Q21 จากโครงการปรับโครงสร้างหนี้แบบเบ็ดเสร็จ (CDR)

CDR: กลยุทธ์เพื่อจัดการกับคุณภาพสินทรัพย์ที่อ่อนแอ

เพื่อป้องกันความเสี่ยงที่คุณภาพสินทรัพย์จะอ่อนแอต่อเนื่อง SCB ได้ออกกลยุทธ์เชิงรุกโดยได้เสนอ CDR ให้แก่ลูกค้าของธนาคาร SCB คาดว่าจะเสนอโครงการดังกล่าวให้แก่ประมาณ 20% ของพอร์ตสินเชื่อ (460 พัน ลบ.) ภายในสิ้นปีนี้ ตัวเลขดังกล่าวสูงกว่าโครงการพักชำระหนี้ในปัจจุบันที่ 376 พัน ลบ. และสินเชื่อที่อยู่ใน stage 2 และ 3 รวม 212 พัน ลบ. เราเห็นว่าตัวเลขที่สูงดังกล่าวจะสามารถเปลี่ยนโครงสร้างคุณภาพสินทรัพย์ในระยะยาวของธนาคารให้ดีขึ้น ผู้บริหารให้คำรับรองว่าจะรีบดำเนินการในปัจจุบันนี้มากพอที่จะนำเสนอ CDR นอกจากนี้ ธนาคาร ยังพอใจกับเป้าหมายต้นทุนความเสี่ยงในการให้สินเชื่อที่คาดว่าจะเพิ่มขึ้นไม่เกิน 200 bps ข้อเสียหลักของ CDR อยู่ที่ผลกระทบทางลบต่อส่วนต่างดอกเบี้ย ซึ่งจะช่วยให้รายได้ดอกเบี้ยสุทธิลดลง อย่างไรก็ตาม เราคิดว่าข้อเสียดังกล่าวจะมีผลน้อยกว่าสำรองที่สามารถประหยัดได้ ทำให้ผลกระทบเชิงลบสุทธิต่อกำไรระยะสั้นและกลางน่าจะไม่มีมากนัก ในขณะที่ความเสี่ยงมากขึ้นระยะยาวในแง่การสร้างรายได้ที่สูงขึ้น

ใช้ความสามารถด้านดิจิทัลเพื่อประหยัดต้นทุนและสร้างรายได้

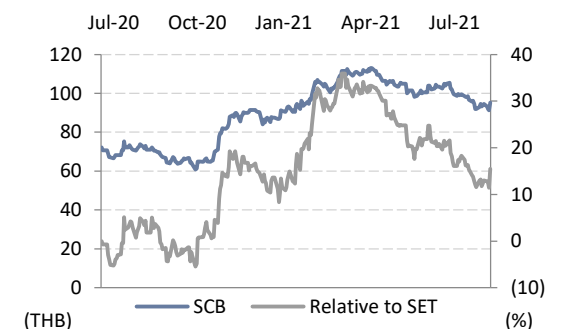
เราคิดว่าอีกปัจจัยสำคัญที่จะช่วยผลักดันผลประกอบการของ SCB ก็คือการประหยัดต้นทุนจากการใช้สมรรถนะในด้านดิจิทัลให้มากยิ่งขึ้น SCB กำลังปรับลดจำนวนสาขาและพนักงานเพื่อให้ได้ประสิทธิภาพสูงขึ้นอย่างต่อเนื่อง นอกจากนี้ธนาคาร ยังได้ขยายธุรกิจใหม่ผ่านแพลตฟอร์มดิจิทัล ซึ่งทำให้ค่าใช้จ่ายในการดำเนินงานลดลง เราคาดว่า SCB จะใช้แพลตฟอร์มดิจิทัลเพิ่มเพื่อให้สามารถประหยัดต้นทุนได้มากยิ่งขึ้นในอนาคตอันใกล้ และอาจสร้างรายได้มากยิ่งขึ้นในระยะยาว ซึ่งทำให้อัตราราคาใช้จ่ายในการดำเนินงานต่อรายได้รวมอยู่ในแนวโน้มขาลง

คงคำแนะนำซื้อ แนวโน้มการเติบโตดี

เราปรับประมาณการกำไรสุทธิเล็กน้อยเพื่อสะท้อนโครงการ CDR เราคงคำแนะนำซื้อที่ราคาเป้าหมาย 136 บาท เราคิดว่าโครงการ CDR ซึ่งรูกน่าจะช่วยแก้ปัญหาคุณภาพสินทรัพย์ที่มีมาอย่างยาวนาน นอกจากนี้ SCB ยังอยู่ในฐานะที่จะได้ประโยชน์จากกระแสดิจิทัลของประเทศด้วยแพลตฟอร์มดิจิทัลของธนาคาร เรามองว่า SCB อาจจะมีรายงานผลประกอบการที่ดีโดยได้ปัจจัยหนุนจากต้นทุนความเสี่ยงในการให้สินเชื่อที่ลดลง ประสิทธิภาพของต้นทุนและรายได้ค่าธรรมเนียมที่อยู่ในระดับสูง

KEY STOCK DATA

| YE Dec (THB m) | 2020 | 2021E | 2022E | 2023E |
|----------------------|--------|--------|--------|--------|
| Operating profit | 33,866 | 39,011 | 44,335 | 51,303 |
| Net profit | 27,218 | 32,171 | 36,527 | 42,222 |
| EPS (THB) | 8.02 | 9.46 | 10.75 | 12.42 |
| vs Consensus (%) | - | (0.1) | 2.9 | (3.3) |
| Core net profit | 27,218 | 32,171 | 36,527 | 42,222 |
| Core EPS (THB) | 8.02 | 9.46 | 10.75 | 12.42 |
| Chg. In EPS est. (%) | - | 0.0 | (1.2) | (1.3) |
| EPS growth (%) | (7.0) | 18.1 | 13.5 | 15.6 |
| Core P/E (x) | 11.9 | 10.1 | 8.9 | 7.7 |
| Dividend yield (%) | 2.4 | 2.8 | 3.7 | 5.0 |
| Price/book (x) | 0.8 | 0.8 | 0.7 | 0.7 |
| ROE (%) | 6.7 | 7.6 | 8.2 | 8.9 |
| ROA (%) | 0.9 | 1.0 | 1.1 | 1.3 |



| Share price performance | 1 Month | 3 Month | 12 Month |
|--------------------------------|-------------------|---------|----------|
| Absolute (%) | (4.5) | (10.6) | 31.4 |
| Relative to country (%) | (1.6) | (9.7) | 14.8 |
| Mkt cap (USD m) | 9,840 | | |
| 3m avg. daily turnover (USD m) | 36.9 | | |
| Free float (%) | 53 | | |
| Major shareholder | King Rama X (24%) | | |
| 12m high/low (THB) | 114.00/60.00 | | |
| Issued shares (m) | 3,399 | | |

Sources: Bloomberg consensus; FSSIA estimates



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Investment thesis

We believe that SCB can weather the Covid-19 storm, owing to its effective risk management process and proactive stockpiling of provisions. Additionally, we expect SCB to benefit from the completion of its SCB Transformation project. This should lead to a slower increase in its operating expenses and a higher interest margin from its expansion into high-yield lending in the long run. Moreover, we expect that SCB will be able to deliver solid fee income growth, driven by its new customised product developments. We expect its ROE to have passed its bottom in 2020. We, therefore, maintain our BUY call.

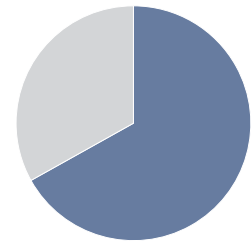
Company profile

SCB is Thailand's first commercial bank, established in 1906. It is ranked the largest in terms of total loans, the second largest for deposits and the fourth largest for total assets as of end-2020. It had a total of 811 branches and 24k personnel, with 14.85m digital users at end-20.

www.scb.co.th

Principal activities (revenue, 2020)

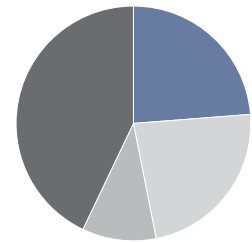
- Net interest income - 66.9 %
- Non-interest income - 33.1 %



Source: Siam Commercial Bank

Major shareholders

- King Rama X - 23.8 %
- Vayupak Fund - 23.1 %
- Thai NVDR - 10.2 %
- Others - 42.9 %



Source: Siam Commercial Bank

Catalysts

Potential share price catalysts for SCB include:

- 1 Lower credit cost from fewer new NPLs;
- 2 Faster utilisation of recently developed digital lending platforms.

Risks to our call

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

Event calendar

| Date | Event |
|-----------|---------------------------|
| Oct- 2021 | 3Q21 results announcement |

Key assumptions

| | 2021E | 2022E | 2023E |
|--------------------|--------|--------|--------|
| Year-to-Dec | (%) | (%) | (%) |
| Net profit (THB m) | 32,171 | 36,527 | 42,222 |
| Net profit growth | 18.2 | 13.5 | 15.6 |
| NIM | 3.01 | 2.93 | 2.98 |
| Loan growth | 3.0 | 4.0 | 4.0 |
| Fee growth | 5.4 | 9.9 | 8.7 |
| Non-NII growth* | 4.1 | 3.9 | 8.0 |
| Credit cost (bp) | 188 | 155 | 150 |
| Cost to income* | 42.5 | 42.7 | 41.0 |

*Including share of profits from associates

Source: FSSIA estimates

Earnings sensitivity

| | | 2021E | | |
|------------------------|-------|-------|------|-------|
| Loan growth | ±2ppt | 1.00 | 3.00 | 5.00 |
| % change in net profit | | (1.3) | 0.0 | 1.3 |
| NIM (%) | ±5bp | 2.96 | 3.01 | 3.06 |
| % change in net profit | | (3.9) | 0.0 | 3.9 |
| Credit cost (bp) | ±10bp | 178 | 188 | 198 |
| % change in net profit | | 2.8 | 0.0 | (2.8) |
| | | | | |
| | | | | |

Source: FSSIA estimates

2Q21 results beat with decent asset quality

SCB reported a 2Q21 net profit of THB8,815m (+5% y-y, -13% q-q), beating Bloomberg's consensus estimate and our expectation by 15% and 18%, respectively, due to its higher fee income and lower expected credit loss (ECL).

There was mixed performance on its core operations. Its loan volume increased slightly by 0.8% q-q, with a minimal increase in its NIM due to effective cost of fund management. Moreover, the bank was able to control its OPEX efficiently. Its fees slightly declined by 6% q-q due to a drop in wealth-related fees. However, the drop in fee income was still better than we expected. Regarding its asset quality, non-performing loans (NPLs) were relatively stable q-q, with an NPL ratio of 3.79%. Loans under the relief program declined by 12% q-q to 16% of total loans from 19% in 1Q21, due to the CDR programs it provided to its clients. SCB still set aside pro-cyclical extra ECL, resulting in a high coverage ratio level of 139% in 2Q21.

Exhibit 1: SCB – summary of 2Q21/1H21 results



| Year-end Dec 31 | 2Q20 | 1Q21 | 2Q21 | | | 1H21 | | | 2021E | | 2Q21 Comments |
|-------------------------------|---------------|---------------|---------------|----------|-------------|---------------|----------|-----------|---------------|-----------|-----------------------------------|
| | (THB m) | (THB m) | (THB m) | (y-y%) | (q-q%) | (THB m) | (y-y%) | %21E | (THB m) | (y-y%) | |
| Net interest income | 23,777 | 23,376 | 23,475 | (1) | 0 | 46,850 | (5) | 50 | 93,769 | (3) | |
| Non-interest income | 12,499 | 14,377 | 12,994 | 4 | (10) | 27,371 | 12 | 55 | 49,839 | 4 | |
| Operating income | 36,276 | 37,753 | 36,469 | 1 | (3) | 74,222 | 0 | 52 | 143,608 | (1) | |
| Operating expenses | 16,141 | 15,101 | 15,376 | (5) | 2 | 30,478 | (6) | 50 | 61,063 | (5) | |
| PPOP before tax | 20,136 | 22,652 | 21,093 | 5 | (7) | 43,744 | 6 | 53 | 82,545 | 3 | |
| Provision | 9,734 | 10,008 | 10,028 | 3 | 0 | 20,036 | 3 | 47 | 43,035 | (8) | |
| Income tax | 2,110 | 2,597 | 2,304 | 9 | (11) | 4,900 | 11 | 65 | 7,595 | 12 | |
| Minority interest | (68) | (41) | (54) | n/a | n/a | (94) | | 37 | (255) | n/a | |
| Normalised profit | 8,359 | 10,088 | 8,815 | 5 | (13) | 18,902 | 7 | 59 | 32,171 | 18 | |
| Extraordinary items | 0 | 0 | 0 | n/a | n/a | 0 | | | 0 | n/a | |
| Net profit | 8,359 | 10,088 | 8,815 | 5 | (13) | 18,902 | 7 | 59 | 32,171 | 18 | 15% higher than BBG's expectation |
| EPS (THB) | 2.46 | 2.97 | 2.60 | 5 | (13) | 5.57 | 7 | 59 | 9.46 | 18 | |
| Asset quality ratio | | | | | | | | | | | |
| Gross NPLs (THB m) | 79,596 | 104,332 | 104,110 | 31 | (0) | | | | 111,608 | 10.0 | |
| NPL ratio (%) | 3.05 | 3.79 | 3.79 | | | | | | 3.93 | | |
| LLR/NPLs (%) | 147 | 136 | 139 | | | | | | 132 | | |
| Credit cost (bp) | 184 | 177 | 175 | | | | | | 188 | | |
| Profitability ratio | (%) | (%) | (%) | | | | | | (%) | | |
| Cost to income ratio | 44.5 | 40.0 | 42.2 | | | | | | 42.5 | | |
| Average yield (%) | 3.93 | 3.57 | 3.6 | | | | | | 3.6 | | |
| Cost of fund (%) | 0.86 | 0.66 | 0.6 | | | | | | 0.6 | | |
| Net interest margin (NIM) | 3.20 | 3.01 | 3.0 | | | | | | 3.0 | | |
| Non-int inc/total income | 34.5 | 38.1 | 35.6 | | | | | | 34.7 | | |
| Liquidity ratio | (%) | (%) | (%) | | | | | | (%) | | |
| Loan to deposit ratio | 95.1 | 96.9 | 96.9 | | | | | | 98.9 | | |
| Capital adequacy ratio | (%) | (%) | (%) | | | | | | (%) | | |
| CAR | 18.1 | 18.2 | 17.9 | | | | | | 18.5 | | |
| CET 1/ Risk assets | 17.0 | 17.1 | 16.8 | | | | | | 17.4 | | |
| Tier - I/ Risk assets | 1.1 | 1.1 | 1.1 | | | | | | 1.1 | | |
| Loan growth | (%) | (%) | (%) | | | | | | (%) | | |
| Year-to-date | 1.4 | 1.0 | 1.8 | | | | | | | | |
| y-y | (0.6) | 8.7 | 7.1 | | | | | | 3.0 | | |
| q-q | 2.3 | 1.0 | 0.8 | | | | | | | | |

Sources: SCB; Bloomberg consensus; FSSIA estimates

CDR – strategy to deal with weak quality assets

The Thai economy is recovering at a sluggish pace due to the prolonged and severe Covid pandemic. The forbearance program measures issued by the Bank of Thailand (BoT) can solve only the short-term liquidity shortage problem. Assisting clients with debt restructuring is probably one of the most effective options, presently. This allows customers to survive short-term problems and recover to regain business in the long term. The BoT is currently encouraging Thai banks to offer long-term debt restructuring to their customers.

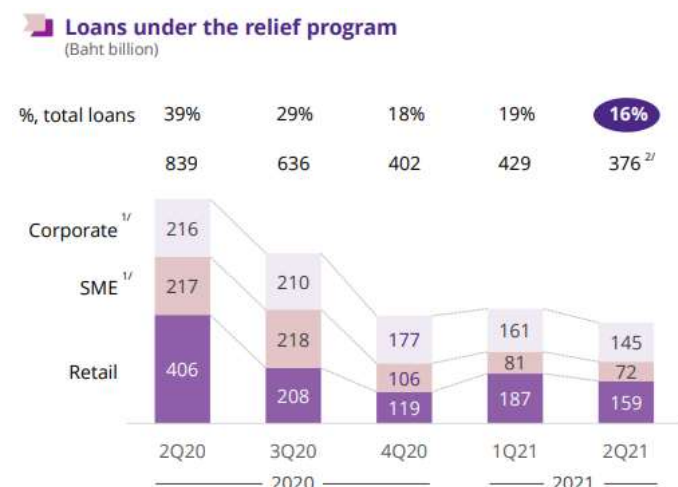
Exhibit 2: Framework for comprehensive debt restructuring

| | For customers  | For bank  |
|---------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Our key principles | <ul style="list-style-type: none"> Migration of the affected customers in all segments towards long-term solutions to increase customer survival Tailored packages (e.g. tenor extension, installment reprofile, step-up/lower rate), based on customer's risk profile, new cash flow, and sector/industry recovery trajectory | <ul style="list-style-type: none"> Segregation of customers in different risk buckets to determine the level of restructuring requirements Temporary relaxation of underwriting criteria Classification and provisioning for debt restructuring in accordance with regulators' guidelines |
| Expected outcomes | <ul style="list-style-type: none"> Cash flow stabilization under the new business environment Reduced default risk with improving debt servicing ability and financial cushion | <ul style="list-style-type: none"> New NPL formation under control NII impact will be outweighed by provision savings given the comfortable level of LLR and management overlay |
| Monitoring & Control | <ul style="list-style-type: none"> Active monitoring of the restructured loans and changes in credit risk to ensure prudent provisioning Dynamic adjustment of the program according to changing business conditions Management overlay as buffer against a potential deterioration of the restructured loans | |

Source: SCB

We believe most banks are working on this method. However, SCB is the first bank to provide a clear picture regarding this strategy to investors. The bank will proactively offer tailored packages (e.g. tenor extensions, instalment reprofiling, step-up/lower rates), based on customers' risk profiles, new cash flow, and sector/industry recovery trajectories.

Exhibit 3: Loans under the relief program



Source: SCB

Exhibit 4: Loans in stage 2 and 3



Source: SCB

SCB expects to offer CDR at c20% (THB460b) of its total portfolio by the end of this year. This is higher than its current debt forbearance program at THB376b and its total stage 2 and 3 at THB212b. This is a sizable amount to change its asset quality structure, in our view.

Management assured us that its current provision level is sufficient to offer CDR, during its recent analyst meeting. The bank is also now comfortable with its credit cost target – up to 200 bps. Based on its base case scenario, the Covid situation would be better in Nov, and credit cost in 3Q-4Q21 would be at the same level as in 2Q21 at 175 bps. Even for its worst case, with Covid getting better in early 2022, SCB does not feel the need to revise its credit cost guidance.

Exhibit 5: 2021 financial targets

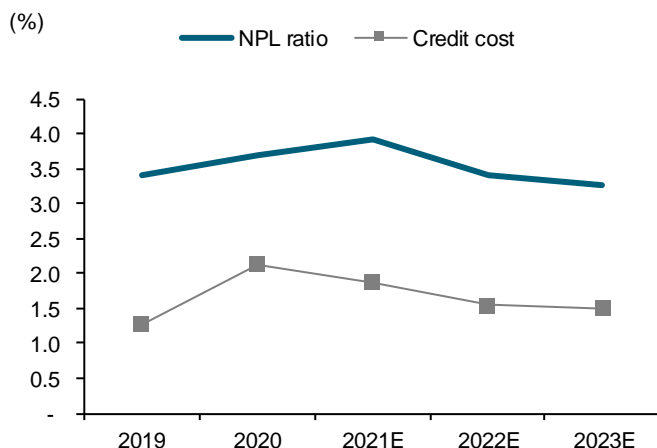
| | 2020 | 1H21 | ----- 2021E ----- | |
|---------------------------|--------|--------|---------------------------|-------|
| | Actual | Actual | SCB | FSSIA |
| NIM (%) | 3.23 | 3.01 | 3.0-3.2 | 3.0 |
| Non-NII growth (% y-y) | 12.18 | 12 | flat growth | 4.1 |
| Fee income growth (% y-y) | 23.31 | | mid-to-high single digits | 5.4 |
| Cost to income (%) | 44.44 | 41 | low-to-mid 40s | 42.5 |
| Loan growth (% y-y) | 6.69 | 7 | 3-5 | 3.00 |
| Coverage ratio (%) | 137 | 142 | ≥ 130 | 132 |
| Credit cost (bps) | 214 | 176 | <200 | 188 |

Sources: SCB; FSSIA

We see three benefits of CDR. First, the BoT will maintain the relaxation of loan classifications and provision setting if financial institutions provide additional assistance to debtors, in addition to extending the repayment period alone. As a result, loans in stage 2 and 3, which require a substantial provisioning setup, would plummet when this program is done. Eventually, we think its credit cost should significantly decline from the current level. Second, this could reduce its earnings volatility for on/off clients in stage 2 and 3. Lastly, in the long term, when its clients' businesses recover, this could support SCB's long-term growth in terms of both loan volume and fee income.

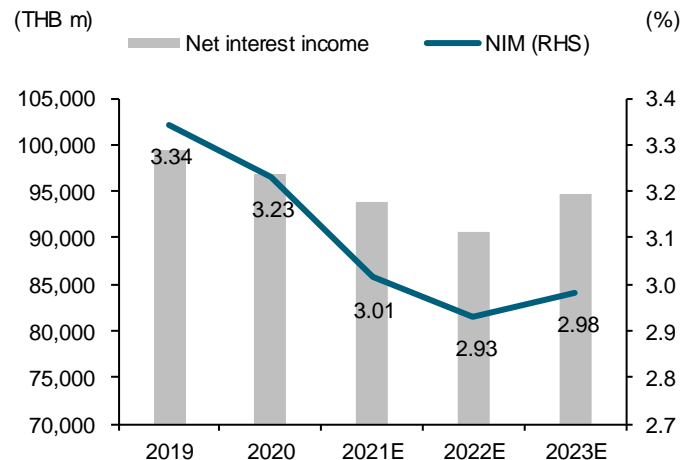
The main disadvantage of CDR is the negative impact on its NIM, resulting in lower net interest income. However, we think this will be outweighed by the provision savings. Thus, the net negative impact to its short- to medium-term bottom line should be minimal, while providing a long-term upside risk.

Exhibit 6: SCB's credit cost, NPL ratio and coverage ratio



Sources: FSSIA estimates

Exhibit 7: SCB's NIM and NII



Sources: FSSIA estimates

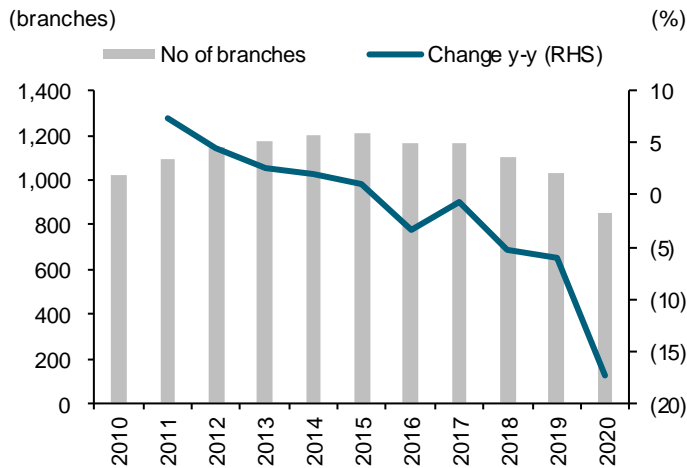
We think that applying this method still has an execution risk, and SCB would need to monitor its clients closely. However, we believe it would be better than only providing debt holidays. By solely doing that, the bank would eventually face a cliff effect when the relaxed loan classification measure ends.

Utilising digital capabilities to save costs and generate income

We think another key to drive SCB's performance is the cost savings from utilising more digital capabilities. SCB is continuing its branch and workforce rationalisation. It currently has 808 branches vs its peak in 2015 at 1,210 branches. Moreover, the bank was able to reduce its headcount by 1.4k in 4Q20 to 22.6k in 1Q21.

The bank has also been growing its new business through its digital platform, resulting in a new normal low OPEX. We expect that SCB will increasingly utilise its digital platform to save even more costs in the near future and potentially generate more revenue in the long run. Thus, its cost to income ratio is in a decreasing trend.

Exhibit 8: Along with digital migration, its branch network has been reduced



Sources: SCB; FSSIA's compilation

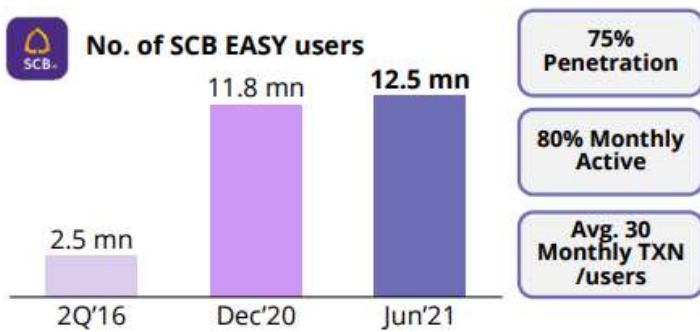
Exhibit 9: Customers becoming less reliant on branches

(Index, no. of total individual active customers as of April 2017 = 100)



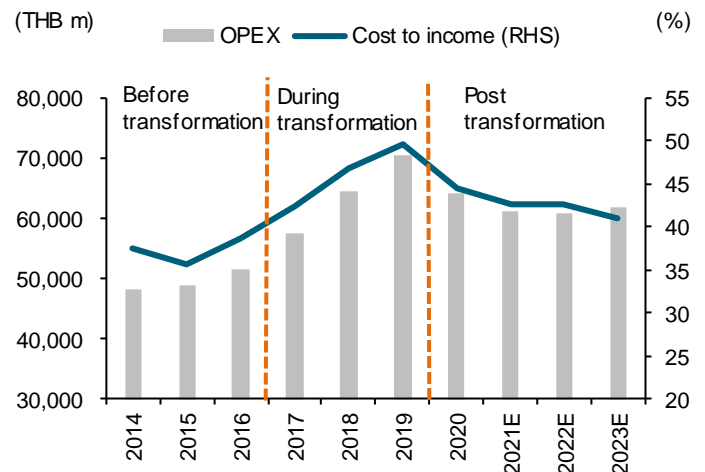
Sources: SCB; FSSIA's compilation

Exhibit 10: Sizable increase in digital customers



Sources: SCB; FSSIA's compilation

Exhibit 11: Cost to income and OPEX



Sources: SCB; FSSIA estimates

Net profit and TP revisions

We fine-tune our net profit forecasts for 2022-23 by -1.2%/-1.3% to reflect SCB's comprehensive long-term debt restructuring provided to its clients. This should lead to a significantly lower asset yield to 3.64%/3.70% from 3.77%/3.88% in 2022-23. However, this should nearly be offset by a reduction in its credit cost that we estimate at 155/150 bps from 165/155bps in 2022-23.

Exhibit 12: 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 | 96,899 | 95,642 | 93,769 | (2.0) | 95,384 | 90,727 | (4.9) | 98,775 | 94,666 | (4.2) |
| Non-interest income* | 47,869 | 50,026 | 49,839 | (0.4) | 51,127 | 51,760 | 1.2 | 54,916 | 55,905 | 1.8 |
| Operating income* | 144,768 | 145,668 | 143,608 | (1.4) | 146,511 | 142,488 | (2.7) | 153,691 | 150,571 | (2.0) |
| Operating expenses | 64,330 | 61,126 | 61,063 | (0.1) | 61,575 | 60,902 | (1.1) | 62,448 | 61,755 | (1.1) |
| PPOP before tax* | 80,437 | 84,541 | 82,545 | (2.4) | 84,936 | 81,585 | (3.9) | 91,243 | 88,816 | (2.7) |
| Expected credit loss (Reversal) | 46,649 | 44,637 | 43,035 | (3.6) | 39,094 | 36,725 | (6.1) | 38,194 | 36,962 | (3.2) |
| Tax expenses | 6,794 | 7,702 | 7,595 | (1.4) | 8,847 | 8,623 | (2.5) | 10,238 | 9,968 | (2.6) |
| Minority interest | (224) | 32 | (255) | (892.9) | 37 | (290) | (883.6) | 43 | (335) | (882.7) |
| Normalised profit | 27,218 | 32,171 | 32,171 | 0.0 | 36,957 | 36,527 | (1.2) | 42,768 | 42,222 | (1.3) |
| Extraordinary items | - | - | - | | - | - | | - | - | |
| Net profit | 27,218 | 32,171 | 32,171 | 0.0 | 36,957 | 36,527 | (1.2) | 42,768 | 42,222 | (1.3) |
| EPS (THB) | 8.02 | 9.46 | 9.46 | 0.0 | 10.87 | 10.75 | (1.2) | 12.58 | 12.42 | (1.3) |
| Key statistics and ratios | | | | | | | | | | |
| Asset quality ratio | | | | | | | | | | |
| Gross NPLs (THB m) | 101,462 | 131,901 | 111,608 | (15.4) | 126,625 | 100,447 | (20.7) | 132,956 | 100,447 | (24.5) |
| Gross NPLs / Loans (%) | 3.68 | 4.64 | 3.93 | | 4.29 | 3.40 | | 4.33 | 3.27 | |
| Loan loss reserve/NPLs (%) | 137 | 134 | 132 | | 152 | 147 | | 156 | 147 | |
| Credit cost (bps) | 214 | 195 | 188 | | 165 | 155 | | 155 | 150 | |
| Profitability ratio (%) | | | | | | | | | | |
| Cost to income ratio* | 44.4 | 42.0 | 42.5 | | 42.0 | 42.7 | | 40.6 | 41.0 | |
| Average yield | 3.94 | 3.63 | 3.56 | | 3.77 | 3.64 | | 3.88 | 3.70 | |
| Cost of funds | 0.85 | 0.69 | 0.64 | | 0.89 | 0.84 | | 0.97 | 0.86 | |
| Net interest margin (NIM) | 3.23 | 3.04 | 3.01 | | 3.04 | 2.93 | | 3.08 | 2.98 | |
| Loan growth (%) | | | | | | | | | | |
| y-y | 6.7 | 3.0 | 3.0 | | 4.0 | 4.0 | | 4.0 | 4.0 | |

*Including share of profits from associates

Sources: SCB; FSSIA estimates

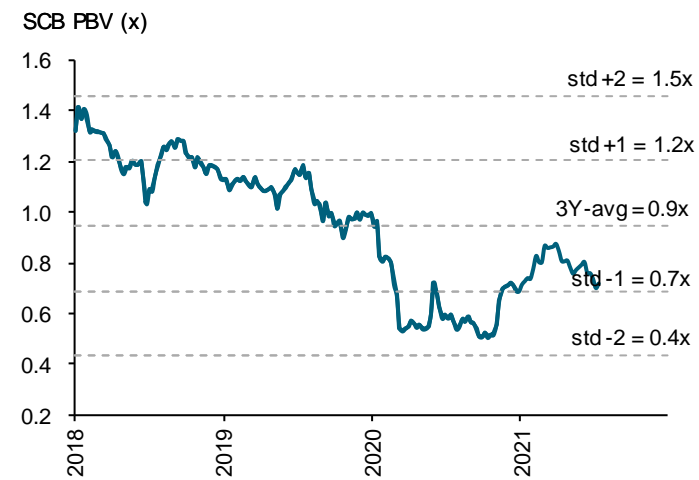
We revise down our 2022 GGM-based TP to THB136 from THB140, as we revise down our target 2022 P/BV to 1.00x from 1.04x as a result of our lower average long-term ROE target of 8.3% from 8.5%; our lower long-term growth to 4.4% from 4.6%; and our higher cost of equity assumption to reflect the weaker prospects of an economic recovery.

Exhibit 13: GGM-derived target price

| Target price | THB 136 (from THB 140) |
|-------------------------|----------------------------------------------------------------------------------------------------|
| Recommendation | BUY (unchanged) |
| Risk-free rate (%) | 3.0 (unchanged) |
| Market risk premium (%) | 8.0 (unchanged) |
| Cost to equity (%) | 8.3 (from 8.0) |
| Terminal growth (%) | 4.4 (from 4.6) |
| ROE target (%) | 8.3 (from 8.5) |
| Risks to TP | Downside risks to our GGM-based target price include weakening asset quality and lower fee income. |

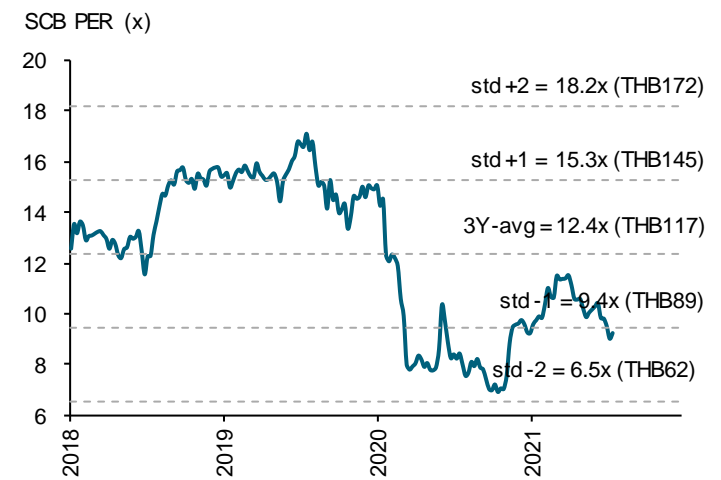
Source: FSSIA estimates

Exhibit 14: SCB – rolling one-year forward P/BV band



Sources: Bloomberg; FSSIA estimates

Exhibit 15: SCB – rolling one-year forward P/E band



Sources: Bloomberg; FSSIA estimates

Exhibit 16: Peers comparison as of 22 Jul 2021

| | BBG | Rec | ---Share price--- | | Up | Market | EPS growth | | --- P/E --- | | -- DivYld -- | | --- ROE --- | | --- PBV --- | |
|----------------------|-------|------|-------------------|--------|------|---------------|-------------|-------------|-------------|------------|--------------|------------|-------------|------------|-------------|------------|
| | code | | Current | Target | side | Cap | 21E | 22E | 21E | 22E | 21E | 22E | 21E | 22E | 21E | 22E |
| | | | (THB) | (THB) | (%) | (USDm) | (%) | (%) | (x) | (x) | (%) | (%) | (%) | (%) | (x) | (x) |
| Banks | | | | | | 34,518 | 11.5 | 14.0 | 8.8 | 7.7 | 3.6 | 4.6 | 6.6 | 7.1 | 0.6 | 0.5 |
| Bangkok Bank | BBL | BUY | 104.50 | 146.00 | 40 | 6,069 | 14.5 | 13.2 | 8.2 | 7.3 | 3.8 | 4.8 | 5.4 | 5.9 | 0.4 | 0.4 |
| Kasikornbank | KBANK | BUY | 107.00 | 150.00 | 40 | 7,713 | 6.2 | 9.2 | 8.1 | 7.4 | 2.5 | 3.3 | 6.9 | 7.2 | 0.5 | 0.5 |
| Kiatnakin Bank | KKP | BUY | 50.75 | 65.00 | 28 | 1,307 | 11.2 | 12.6 | 7.5 | 6.7 | 4.9 | 6.9 | 11.9 | 12.5 | 0.9 | 0.8 |
| Krung Thai Bank | KTB | HOLD | 10.60 | 12.70 | 20 | 4,507 | 15.0 | 14.1 | 7.7 | 6.8 | 4.5 | 5.2 | 5.5 | 5.9 | 0.4 | 0.4 |
| Siam Commercial Bank | SCB | BUY | 95.25 | 136.00 | 43 | 9,840 | 18.1 | 13.5 | 10.1 | 8.9 | 2.8 | 3.7 | 7.6 | 8.2 | 0.8 | 0.7 |
| Tisco Financial | TISCO | BUY | 88.25 | 122.00 | 38 | 2,150 | 9.1 | 13.7 | 10.7 | 9.4 | 7.5 | 8.8 | 16.4 | 17.8 | 1.7 | 1.6 |
| TMBThanachart Bank | TTB | BUY | 1.00 | 1.40 | 40 | 2,933 | (1.1) | 33.6 | 9.6 | 7.2 | 4.2 | 5.5 | 4.8 | 6.2 | 0.5 | 0.4 |

Sources: Company Data; FSSIA estimates

Financial Statements

Siam Commercial Bank

| Profit and Loss (THB m) Year Ending Dec | 2019 | 2020 | 2021E | 2022E | 2023E |
|-----------------------------------------|----------|----------|----------|----------|----------|
| Interest Income | 135,025 | 118,371 | 110,645 | 112,646 | 117,393 |
| Interest expense | (35,624) | (21,472) | (16,876) | (21,918) | (22,727) |
| Net interest income | 99,401 | 96,899 | 93,769 | 90,727 | 94,666 |
| Net fees & commission | 29,670 | 36,586 | 38,564 | 42,371 | 46,047 |
| Foreign exchange trading income | 0 | 0 | 0 | 0 | 0 |
| Securities trading income | 5,383 | 9,365 | 9,500 | 7,525 | 7,901 |
| Dividend income | 627 | 155 | 171 | 180 | 189 |
| Other income | 145 | 1,840 | 1,104 | 1,159 | 1,217 |
| Non interest income | 35,825 | 47,947 | 49,339 | 51,235 | 55,354 |
| Total income | 135,226 | 144,846 | 143,108 | 141,963 | 150,020 |
| Staff costs | (33,281) | (31,344) | (30,404) | (30,404) | (31,316) |
| Other operating costs | (37,257) | (32,986) | (30,659) | (30,498) | (30,439) |
| Operating costs | (70,538) | (64,330) | (61,063) | (60,902) | (61,755) |
| Pre provision operating profit | 64,688 | 80,516 | 82,045 | 81,060 | 88,265 |
| Provision for bad and doubtful debt | (27,111) | (46,649) | (43,035) | (36,725) | (36,962) |
| Other provisions | - | - | - | - | - |
| Operating profit | 37,577 | 33,866 | 39,011 | 44,335 | 51,303 |
| Recurring non operating income | 31 | (78) | 500 | 525 | 551 |
| Associates | 31 | (78) | 500 | 525 | 551 |
| Goodwill amortization | - | - | - | - | - |
| Non recurring items | 4,364 | 0 | 0 | 0 | 0 |
| Profit before tax | 41,972 | 33,788 | 39,511 | 44,860 | 51,854 |
| Tax | (8,538) | (6,794) | (7,595) | (8,623) | (9,968) |
| Profit after tax | 33,434 | 26,994 | 31,916 | 36,237 | 41,886 |
| Minority interests | 185 | 224 | 255 | 290 | 335 |
| Preferred dividends | - | - | - | - | - |
| Other items | - | - | - | - | - |
| Reported net profit | 33,619 | 27,218 | 32,171 | 36,527 | 42,222 |
| Non recurring items & goodwill (net) | - | - | 0 | 0 | 0 |
| Recurring net profit | 29,255 | 27,218 | 32,171 | 36,527 | 42,222 |
| Per share (THB) | | | | | |
| Recurring EPS * | 8.62 | 8.02 | 9.46 | 10.75 | 12.42 |
| Reported EPS | 9.90 | 8.02 | 9.46 | 10.75 | 12.42 |
| DPS | 6.26 | 2.30 | 2.70 | 3.50 | 4.75 |
| Growth | | | | | |
| Net interest income (%) | 3.1 | (2.5) | (3.2) | (3.2) | 4.3 |
| Non interest income (%) | (14.3) | 33.8 | 2.9 | 3.8 | 8.0 |
| Pre provision operating profit (%) | (12.0) | 24.5 | 1.9 | (1.2) | 8.9 |
| Operating profit (%) | (24.1) | (9.9) | 15.2 | 13.6 | 15.7 |
| Reported net profit (%) | (16.1) | (19.0) | 18.2 | 13.5 | 15.6 |
| Recurring EPS (%) | (26.9) | (7.0) | 18.1 | 13.5 | 15.6 |
| Reported EPS (%) | (16.0) | (19.0) | 18.1 | 13.5 | 15.6 |
| Income Breakdown | | | | | |
| Net interest income (%) | 73.5 | 66.9 | 65.5 | 63.9 | 63.1 |
| Net fees & commission (%) | 21.9 | 25.3 | 26.9 | 29.8 | 30.7 |
| Foreign exchange trading income (%) | - | - | - | - | - |
| Securities trading income (%) | 4.0 | 6.5 | 6.6 | 5.3 | 5.3 |
| Dividend income (%) | 0.5 | 0.1 | 0.1 | 0.1 | 0.1 |
| Other income (%) | 0.1 | 1.3 | 0.8 | 0.8 | 0.8 |
| Operating performance | | | | | |
| Gross interest yield (%) | 4.54 | 3.94 | 3.56 | 3.64 | 3.70 |
| Cost of funds (%) | 1.49 | 0.85 | 0.64 | 0.84 | 0.86 |
| Net interest spread (%) | 3.05 | 3.09 | 2.92 | 2.80 | 2.84 |
| Net interest margin (%) | 3.3 | 3.2 | 3.0 | 2.9 | 3.0 |
| Cost/income(%) | 52.2 | 44.4 | 42.7 | 42.9 | 41.2 |
| Cost/assets(%) | 2.3 | 2.1 | 1.9 | 1.9 | 1.9 |
| Effective tax rate (%) | 20.3 | 20.1 | 19.2 | 19.2 | 19.2 |
| Dividend payout on recurring profit (%) | 72.6 | 28.7 | 28.5 | 32.6 | 38.2 |
| ROE (%) | 7.5 | 6.7 | 7.6 | 8.2 | 8.9 |
| ROE - COE (%) | (3.3) | (4.1) | (3.2) | (2.6) | (1.9) |
| ROA (%) | 0.9 | 0.9 | 1.0 | 1.1 | 1.3 |
| RORWA (%) | 1.4 | 1.3 | 1.4 | 1.6 | 1.7 |

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Siam Commercial Bank; FSSIA estimates

Financial Statements

Siam Commercial Bank

| Balance Sheet (THB m) Year Ending Dec | 2019 | 2020 | 2021E | 2022E | 2023E |
|---------------------------------------------------|------------------|------------------|------------------|------------------|------------------|
| Gross customer loans | 2,113,787 | 2,255,242 | 2,322,899 | 2,415,815 | 2,512,448 |
| Total provisions | (117,395) | (139,442) | (147,633) | (148,121) | (147,396) |
| interest in suspense | 2,946 | 14,508 | 12,776 | 12,079 | 11,306 |
| Net customer loans | 1,999,339 | 2,130,308 | 2,188,042 | 2,279,773 | 2,376,358 |
| Bank loans | 433,510 | 547,504 | 477,953 | 411,868 | 428,034 |
| Government securities | - | - | - | - | - |
| Trading securities | - | - | - | - | - |
| Investment securities | 312,143 | 339,828 | 278,871 | 282,837 | 294,459 |
| Cash & equivalents | 47,615 | 51,632 | 34,858 | 64,472 | 27,942 |
| Other interesting assets | - | - | - | - | - |
| Tangible fixed assets | 57,418 | 56,445 | 55,492 | 54,560 | 53,647 |
| Associates | - | - | - | - | - |
| Goodwill | - | - | - | - | - |
| Other intangible assets | - | - | - | - | - |
| Other assets | 110,599 | 152,667 | 148,246 | 151,094 | 155,339 |
| Total assets | 2,960,624 | 3,278,383 | 3,183,462 | 3,244,604 | 3,335,780 |
| Customer deposits | 2,159,425 | 2,420,455 | 2,347,842 | 2,371,320 | 2,418,747 |
| Bank deposits | - | - | - | - | - |
| Other interest bearing liabilities | 235,592 | 275,993 | 267,713 | 270,390 | 275,798 |
| Non interest bearing liabilities | 167,882 | 170,106 | 136,085 | 142,889 | 150,034 |
| Hybrid Capital | - | - | - | - | - |
| Total liabilities | 2,562,900 | 2,866,554 | 2,751,640 | 2,784,600 | 2,844,578 |
| Share capital | 33,992 | 33,992 | 33,956 | 33,956 | 33,956 |
| Reserves | 366,366 | 377,438 | 397,448 | 425,603 | 456,770 |
| Total equity | 400,358 | 411,430 | 431,404 | 459,559 | 490,725 |
| Minority interests | 489 | 399 | 419 | 446 | 476 |
| Total liabilities & equity | 2,963,746 | 3,278,384 | 3,183,462 | 3,244,604 | 3,335,780 |
| Supplementary items | | | | | |
| Risk weighted assets (RWA) | 2,075,492 | 2,197,568 | 2,263,495 | 2,354,035 | 2,448,196 |
| Average interest earning assets | 2,973,403 | 3,001,007 | 3,111,149 | 3,095,121 | 3,172,730 |
| Average interest bearing liabilities | 2,396,471 | 2,534,701 | 2,645,888 | 2,618,624 | 2,657,968 |
| Tier 1 capital | 352,691 | 377,036 | 393,813 | 418,984 | 446,461 |
| Total capital | 375,206 | 400,892 | 417,669 | 442,840 | 470,317 |
| Gross non performing loans (NPL) | 85,212 | 101,462 | 111,608 | 100,447 | 100,447 |
| Per share (THB) | | | | | |
| Book value per share | 117.89 | 121.16 | 126.91 | 135.19 | 144.36 |
| Tangible book value per share | 117.89 | 121.16 | 126.91 | 135.19 | 144.36 |
| Growth | | | | | |
| Gross customer loans | (1.3) | 6.7 | 3.0 | 4.0 | 4.0 |
| Average interest earning assets | (1.0) | 0.9 | 3.7 | (0.5) | 2.5 |
| Total asset (%) | (7.1) | 10.7 | (2.9) | 1.9 | 2.8 |
| Risk weighted assets (%) | (4.2) | 5.9 | 3.0 | 4.0 | 4.0 |
| Customer deposits (%) | 0.0 | 12.1 | (3.0) | 1.0 | 2.0 |
| Leverage & capital measures | | | | | |
| Customer loan/deposits (%) | 92.6 | 88.0 | 93.2 | 96.1 | 98.2 |
| Equity/assets (%) | 13.5 | 12.5 | 13.6 | 14.2 | 14.7 |
| Tangible equity/assets (%) | 13.5 | 12.5 | 13.6 | 14.2 | 14.7 |
| RWA/assets (%) | 70.1 | 67.0 | 71.1 | 72.6 | 73.4 |
| Tier 1 CAR (%) | 17.0 | 17.2 | 17.4 | 17.8 | 18.2 |
| Total CAR (%) | 18.1 | 18.2 | 18.5 | 18.8 | 19.2 |
| Asset Quality | | | | | |
| Change in NPL (%) | 21.1 | 19.1 | 10.0 | (10.0) | - |
| NPL/gross loans (%) | 4.0 | 4.5 | 4.8 | 4.2 | 4.0 |
| Total provisions/gross loans (%) | 5.6 | 6.2 | 6.4 | 5.9 | 5.9 |
| Total provisions/NPL (%) | 137.8 | 137.4 | 132.3 | 147.5 | 146.7 |
| Valuation | | | | | |
| Recurring P/E (x) * | 11.1 | 11.9 | 10.1 | 8.9 | 7.7 |
| Recurring P/E @ target price (x) * | 15.8 | 17.0 | 14.4 | 12.7 | 10.9 |
| Reported P/E (x) | 9.6 | 11.9 | 10.1 | 8.9 | 7.7 |
| Dividend yield (%) | 6.6 | 2.4 | 2.8 | 3.7 | 5.0 |
| Price/book (x) | 0.8 | 0.8 | 0.8 | 0.7 | 0.7 |
| Price/tangible book (x) | 0.8 | 0.8 | 0.8 | 0.7 | 0.7 |
| Price/tangible book @ target price (x) | 1.2 | 1.1 | 1.1 | 1.0 | 0.9 |
| * Pre-exceptional, pre-goodwill and fully diluted | | | | | |

Sources: Siam Commercial Bank; 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 | 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 | WIIK | 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 Suwanumphai FSS International Investment Advisory Securities Co., Ltd

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

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| Company | Ticker | Price | Rating | Valuation & Risks |
|----------------------|----------|------------|--------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Siam Commercial Bank | SCB TB | THB 95.25 | 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 |
| Bangkok Bank | BBL 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 NIM and potential new regulations from the Bank of Thailand on debt-servicing programs. |
| Kasikornbank | KBANK TB | THB 107.00 | 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. |
| Kiatnakin Bank | KKP TB | THB 50.75 | 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. |
| Tisco Financial | TISCO TB | THB 88.25 | 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 1.00 | 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. |

Source: FSSIA estimates

Additional Disclosures

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

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

All share prices are as at market close on 22-Jul-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.