

23 JULY 2021

Thailand Banks

การประเมินมูลค่าอยู่ในระดับต่ำ แต่ขาดปัจจัยบวกในระยะสั้น

ผลประกอบการ 2Q21 สูงกว่าคาดจากผลขาดทุนทางเครดิตที่คาดว่าจะเกิดขึ้น (ECL) และส่วนต่างดอกเบี้ย (NIM)

กำไรสุทธิ 2Q21 รวม (NP) ของธนาคารที่เราทำการศึกษา (BUC) อยู่ที่ 35.6 พัน ลบ. (+55% y-y, -9% q-q) สูงกว่าที่เราคาด 10% จากสำรองที่ลดลงและ NIM ที่สูงขึ้น เรามองผลการดำเนินงานของกลุ่มฯ เป็นกลาง ผลประกอบการในธุรกิจหลักของธนาคารมีทั้งส่วนที่ดีและไม่ดีผสมกัน ปริมาณสินเชื่อรวมเพิ่มในระดับปานกลางอยู่ที่ 2.3% q-q พร้อม NIM ที่เพิ่มเล็กน้อยเป็น 2.79% อย่างไรก็ตามกำไรสุทธิได้ค่าธรรมเนียมรวมลดลงจากกิจกรรมทางเศรษฐกิจที่ลดลง ในด้านคุณภาพสินทรัพย์ สินเชื่อต่อคุณภาพ (NPL) เพิ่มขึ้นเล็กน้อยอีก 2% q-q จากโครงการบรรเทาหนี้เพิ่มเติมและมาตรการการจัดชั้นลูกหนี้ที่ผ่อนคลาย

ผลประกอบการ 3Q21 อาจชะลอ

การประชุมนักวิเคราะห์หลังรายงานผลประกอบการออกมาในเชิงระมัดระวัง โดยเฉพาะในด้านคุณภาพสินทรัพย์และรายได้ค่าธรรมเนียม ธนาคารส่วนใหญ่คงเป้าการตั้งสำรอง (Credit Cost) แต่มีโอกาสที่จะปรับเพิ่มการตั้งสำรองขึ้นได้ ในกรณีนี้เราเห็นว่า KBANK มีความเสี่ยงสูงสุด มีแค่ TISCO และ SCB ที่ยืนยันกับเราว่าธนาคารมีสำรองเพียงพอ นอกจากนี้รายได้ค่าธรรมเนียมยังมีแรงกดดันจากกิจกรรมทางธุรกิจจะลดลงและการปิดสาขาในศูนย์การค้าใน 13 จังหวัดที่อยู่ในพื้นที่สีแดงเข้ม ซึ่งทำให้เราคาดว่า NP ของ BUC ใน 3Q21 จะลดลงต่อเนื่อง q-q

ขาดปัจจัยบวกระยะสั้น

SETBANK ได้ปรับตัวลดลง 18% จากจุดสูงสุดในเดือน เม.ย. 21 ปัจจุบันดัชนีดังกล่าวมีการซื้อขายในระดับการประเมินมูลค่าที่น่าสนใจโดยอยู่ที่ 0.56x ของค่า 2022E P/BV เราคิดว่าปัจจัยบวกที่จะช่วยผลักดันราคาหุ้นได้เร็วเป็นอันดับแรกน่าจะเป็นการประกาศเงินปันผลระหว่างกาลในปลายเดือน ส.ค. ในระยะกลางเราคาดว่าธนาคารแห่งประเทศไทย (BoT) จะขยายเวลาการลดเงินนำส่ง FIDF ที่ 23 bps รวมถึงการผ่อนคลายมาตรการจัดชั้นหนี้ อย่างไรก็ตามในอีก 1-2 เดือนข้างหน้าเรายังมองว่าการฟื้นตัวขึ้นในประเทศไทยจะยังต่ำกว่า 30% ของประชากร

คงน้ำหนักมากกว่าตลาด กลับมาสะสมในช่วงสั้น 3Q21

เราคงน้ำหนักมากกว่าตลาดสำหรับกลุ่มธนาคารไทยจากการประเมินมูลค่าที่อยู่ในระดับต่ำ อย่างไรก็ตามเราคิดว่าราคาหุ้นจะยังไม่ดีจนกว่าปัญหา Covid จะสิ้นสุด ปัจจัยบวกน่าจะเริ่มเห็นได้ชัดในปลาย 3Q21 ซึ่งทำให้เราแนะนำให้นักลงทุนกลับมาสะสมหุ้นในช่วงดังกล่าว เรายังชอบ TISCO (จากความเสี่ยงต่ำต่อประมาณการกำไรที่จำกัดและคาดว่าผลตอบแทนในรูปเงินปันผลจะสูงที่สุด) และ SCB (จากแผนการปรับโครงสร้างหนี้เชิงรุก รายได้ค่าธรรมเนียมที่อยู่ในระดับสูง และการควบคุมต้นทุนที่มีประสิทธิภาพ) TTB อาจจะปรับตัวได้ดีกว่าเพื่อนในป็นหน้า เมื่อประโยชน์จากการควบรวมกิจการกับ Thanachart Bank (TBANK; not rated) เริ่มส่งผล ในกลุ่มนี้หุ้นที่เราชอบน้อยที่สุดคือ KTB (จากปัจจัยบวกที่มีน้อยในระยะกลาง) และ KBANK (จากข้อสงสัยในด้านคุณภาพสินทรัพย์)



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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 23 กรกฎาคม 2021

2Q21 results beat on ECL and NIM

The aggregate 2Q21 NP of the BUC totalled THB35.6b (+55% y-y, -9% q-q) – 10% higher than our projection due to lower provisions and a higher NIM. We read the sector's overall operating performance as neutral. There was mixed performance in the banks' core businesses. Total loan volume increased moderately by 2.3% q-q, with a slight rise in NIM to 2.79%. However, total fee income fell due to the slow business activities. Regarding asset quality, non-performing (NPLs) slightly rose by 2% q-q in 2Q21 due to the additional forbearance program and the relaxed loan classifications measure.

The weak q-q NP resulted from 1) an increase in provisions, as banks maintained elevated provisions for the uncertainties arising from the prolonged Covid pandemic; and 2) a contraction in fee income and gains on investments due to the partial lockdown and the less favourable capital market conditions.

However, the BUC's NP increased significantly y-y in 2Q21 due mainly to plummeting expected credit losses (ECL). In 2Q20, most banks proactively set aside provisions against potentially deteriorating asset quality.

KTB was the only bank to deliver NP growth both y-y and q-q, supported by a substantial increase in loan volume from the government segment together with efficient cost control. Meanwhile, TTB's NP dropped both y-y and q-q, dragged down by a decline in fee income and a continued high level of OPEX from the entire business transfer with TBANK. Regarding the rest of the banks (BBL, KBANK, KTB, SCB and TISCO), their NPs increased y-y but declined q-q.

Exhibit 1: Thailand banks under coverage, 2Q21 profit, PPOP and ECL

Company	BBG	Norm profit				Pre-provision profit			Expected credit loss		
		(THB m)	(y-y%)	(q-q%)	(% 21E)	(THB m)	(y-y%)	(q-q%)	(THB m)	(y-y%)	(q-q%)
Bangkok Bank	BBL TB	6,357	105.4	(8.2)	26.2	17,534	1.6	16.0	9,810	(25.9)	55.1
Kasikornbank	KBANK TB	8,894	308.9	(16.3)	28.4	23,786	(6.3)	1.2	10,807	(46.5)	24.9
Kiatnakin Bank	KKP TB	1,354	14.4	(7.4)	23.8	3,056	37.2	0.9	1,378	85.2	11.6
Krung Thai Bank	KTB TB	6,011	60.1	7.8	31.3	16,616	(17.3)	4.0	8,097	(45.0)	0.5
Siam Commercial Bank	SCB TB	8,815	5.4	(12.6)	27.4	21,093	4.8	(6.9)	10,028	3.0	0.2
Tisco Financial	TISCO TB	1,666	25.3	(5.5)	25.2	2,645	3.8	(12.9)	565	(35.9)	(32.2)
TMBThanachart Bank	TTB TB	2,534	(18.1)	(8.9)	25.3	8,497	(3.4)	(4.7)	5,491	10.4	0.2
Coverage		35,631	55.0	(9.2)	27.6	93,227	(3.3)	1.1	46,174	(28.4)	13.8

Sources: Company data; FSSIA estimates

We see four key trends from the 2Q21 results across our coverage:

1) There are two camps regarding loan growth. TISCO, TTB and SCB grew their loan portfolios conservatively. While KKP, KBANK and KTB posted substantial loan growth. KKP increased its secured loan portfolio, hence, we are less concerned about its aggressive strategy. The main driver for KTB came from the government segment. We think this might be on/off depending on the government project. For KBANK, on the other hand, since half of its loan volume increase came from the relief measures for Covid-impacted clients, this leads us to question the quality of the growth.

2) Most of the banks, except KKP, delivered weak fee income q-q, dragged down mostly by the slower business activities due to the partial lockdown.

3) Most banks were able to control their operating expenses effectively. Covid-19 forced their clients to migrate to digital platforms, leading to a faster network rationalization pace and frozen headcounts. Moreover, they delayed their spending, i.e. marketing and promotion expenses, thanks to the slower business activities.

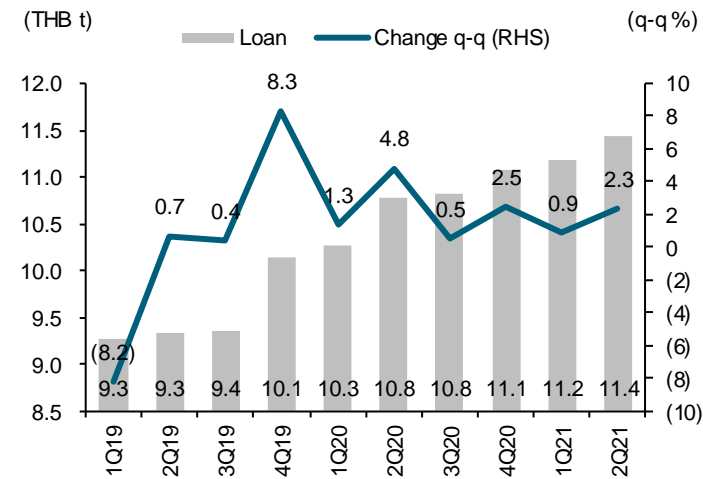
4) Aggregate NPLs still increased at a minimal rate. Most banks reported an increase in their relief programs due to the additional relief measures. The retail segment returned to ask for assistance the most.

2Q21 key highlights

1) Stronger loan growth from business and government segments

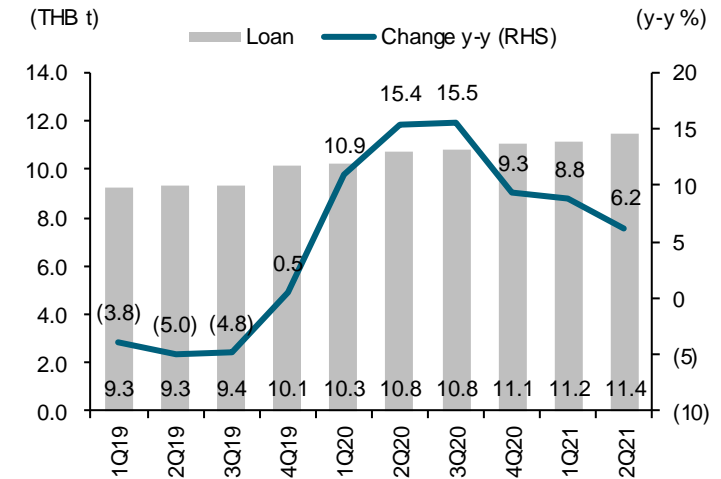
Overall, the aggregate loan portfolio moderately increased by 2.3% q-q, due to 1) an increase in working capital for the corporate segment; and 2) a rise in the government segment for KTB's loan volume. Retail loans were still soft, especially unsecured loans.

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



Sources: Company data; FSSIA estimates

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

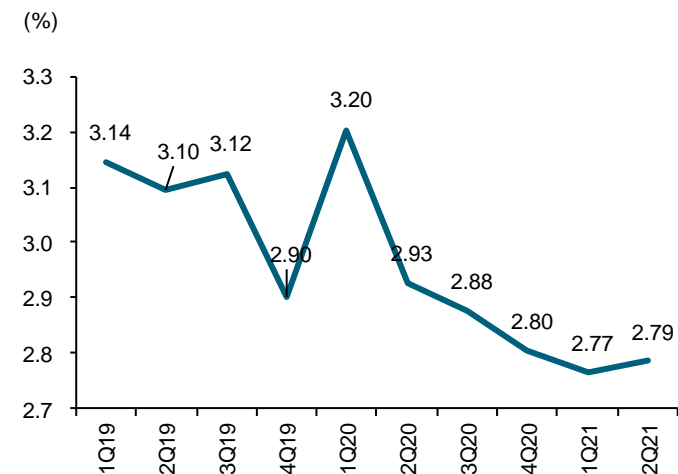


Sources: Company data; FSSIA estimates

2) NIM increased due to efficient cost of fund management

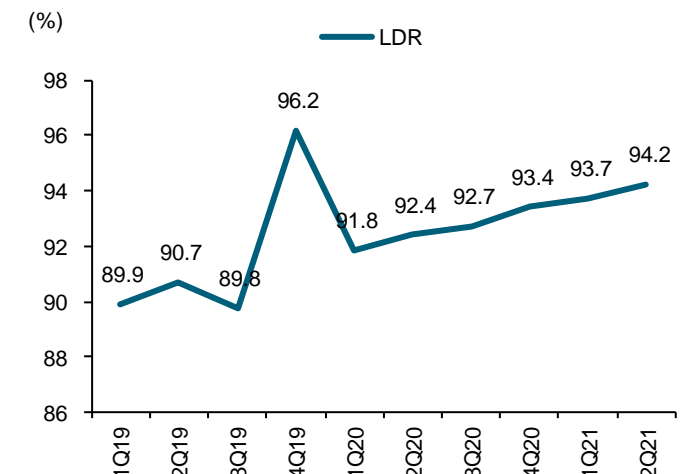
The BUC's NIM slightly increased to 2.79% in 2Q21 from 2.77% in 1Q21 due to the implementation of savings rate cuts and a reduction in the Financial Institutions Development Fund (FIDF) fee. This was better than our expectation.

Exhibit 4: BUC's quarterly NIM



Sources: Company data; FSSIA estimates

Exhibit 5: BUC's loan to deposit ratio (LDR)

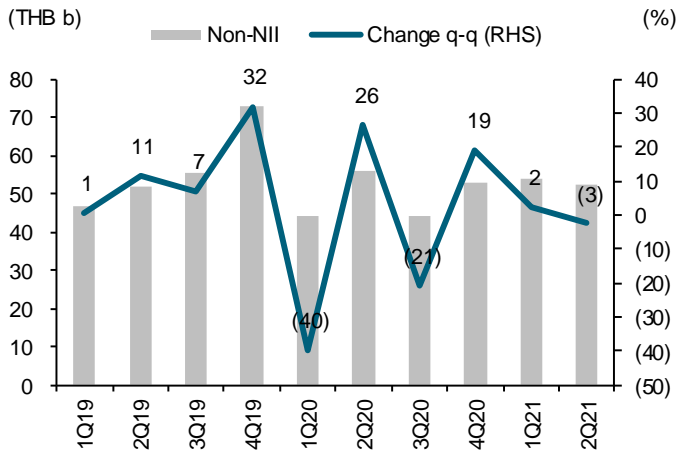


Sources: Company data; FSSIA estimates

3) Drop in Non-NII

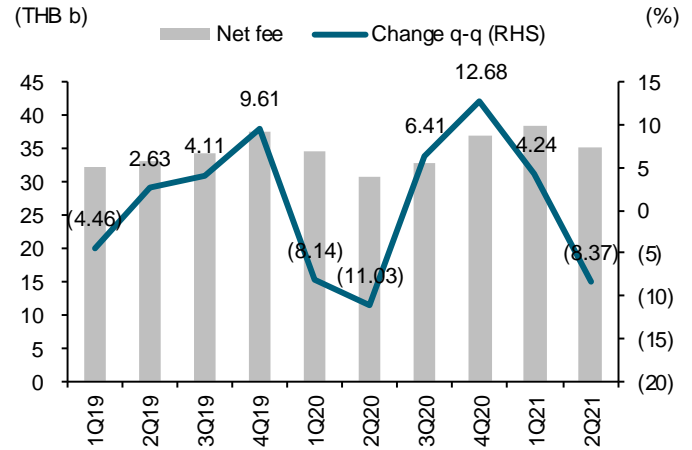
The BUC posted a drop in Non-NII, dragged down by 1) a contraction in investment gains thanks to the unfavourable capital market environment; and 2) a q-q decline in fee income due to the partial lockdown, leading to slower insurance and wealth product sales.

Exhibit 6: BUC's Non-NII growth (q-q basis)



Sources: Company data; FSSIA estimates

Exhibit 7: BUC's fee income growth (q-q basis)

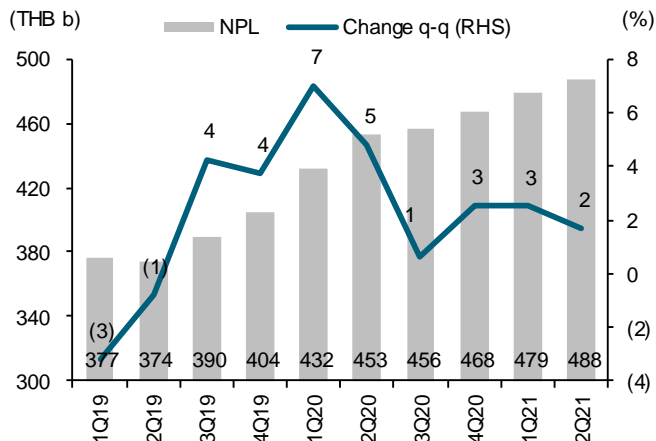


Sources: Company data; FSSIA estimates

4) Insignificant increase in NPLs continued

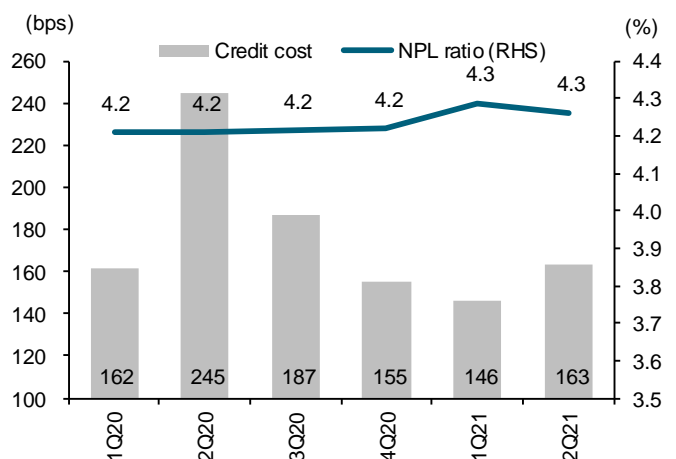
NPLs increased immaterially by 2% q-q in 2Q21, accounting for an NPL ratio of 4.26% (by our calculation) – relatively the same level as in 1Q21. The low NPL rate was due to the additional debt relief programs issued by the BoT to minimise the prolonged Covid impact. Moreover, we saw some banks resume NPL sales and write-offs.

Exhibit 8: BUC's NPL growth (q-q basis)



Sources: Company data; FSSIA's compilation

Exhibit 9: BUC's coverage ratio and NPL ratio



Sources: Company data; FSSIA's compilation

NPLs have increased insignificantly for four consecutive quarters due to 1) the forbearance programs; 2) the relaxed loan classifications measure; and 3) the efforts of banks to collect their debts. We, therefore, believe that after the end of the relief programs and relaxed loan classifications measure, NPLs should spike. Moreover, the Covid outbreak has been more severe and longer than expected. Thus, we believe the elevated credit cost should continue in 2H21.

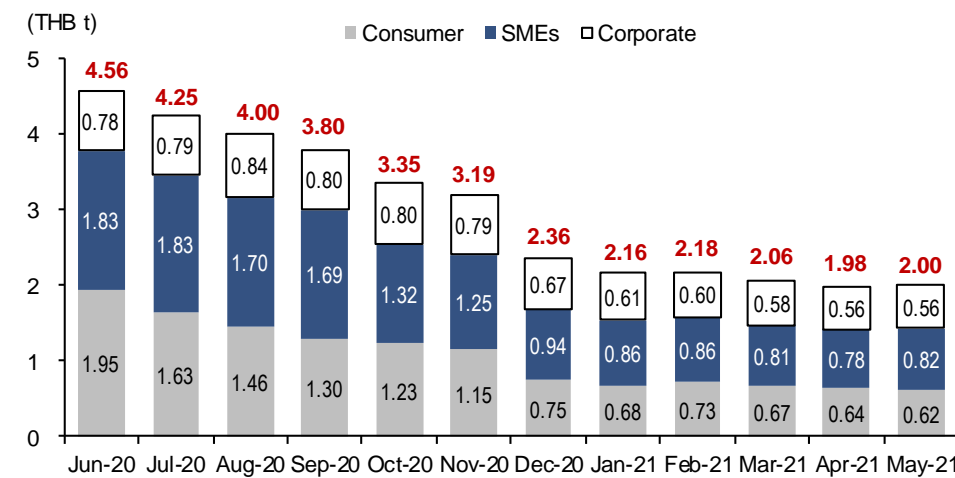
Note that most banks have taken advantage of the relaxed loan classifications measure, except TTB and TISCO. These two banks mostly classify their clients' loan status based on the real debt repayment ability of their customers. This means that TTB and TISCO's portfolios reflect real debt repayment ability. The cliff effect should not occur with these two banks.

Exhibit 10: Forbearance programs of banks under coverage

2Q21 loans					1Q21 loans			4Q20 loans		
	Amount	under relief programs			Amount	under relief programs -		Amount	under relief programs -	
	outstanding	Absolute	% of portfolio	% change q-q	Outstanding	Absolute	% of portfolio	Outstanding	Absolute	% of portfolio
	(THB b)	(THB b)	(%)		(THB b)	(THB b)	(%)	(THB b)	(THB b)	(%)
BBL	2,420	n/a	n/a	n/a	2,369	n/a	n/a	2,368	n/a	n/a
KBANK	2,383	339	14	6	2,302	319	14	2,245	428	19
KKP	282	37	13	51	270	24	9	265	29	11
KTB	2,486	n/a	n/a	n/a	2,360	126	5	2,335	201	9
SCB	2,297	376	16	(12)	2,277	429	19	2,255	402	18
TISCO	214	7	3	18	221	6	3	225	4	2
TTB	1,359	193	14	(0)	1,380	193	14	1,393	209	15

Sources: Company data; FSSIA's compilation

Exhibit 11: Total debt forbearance program of commercial banks

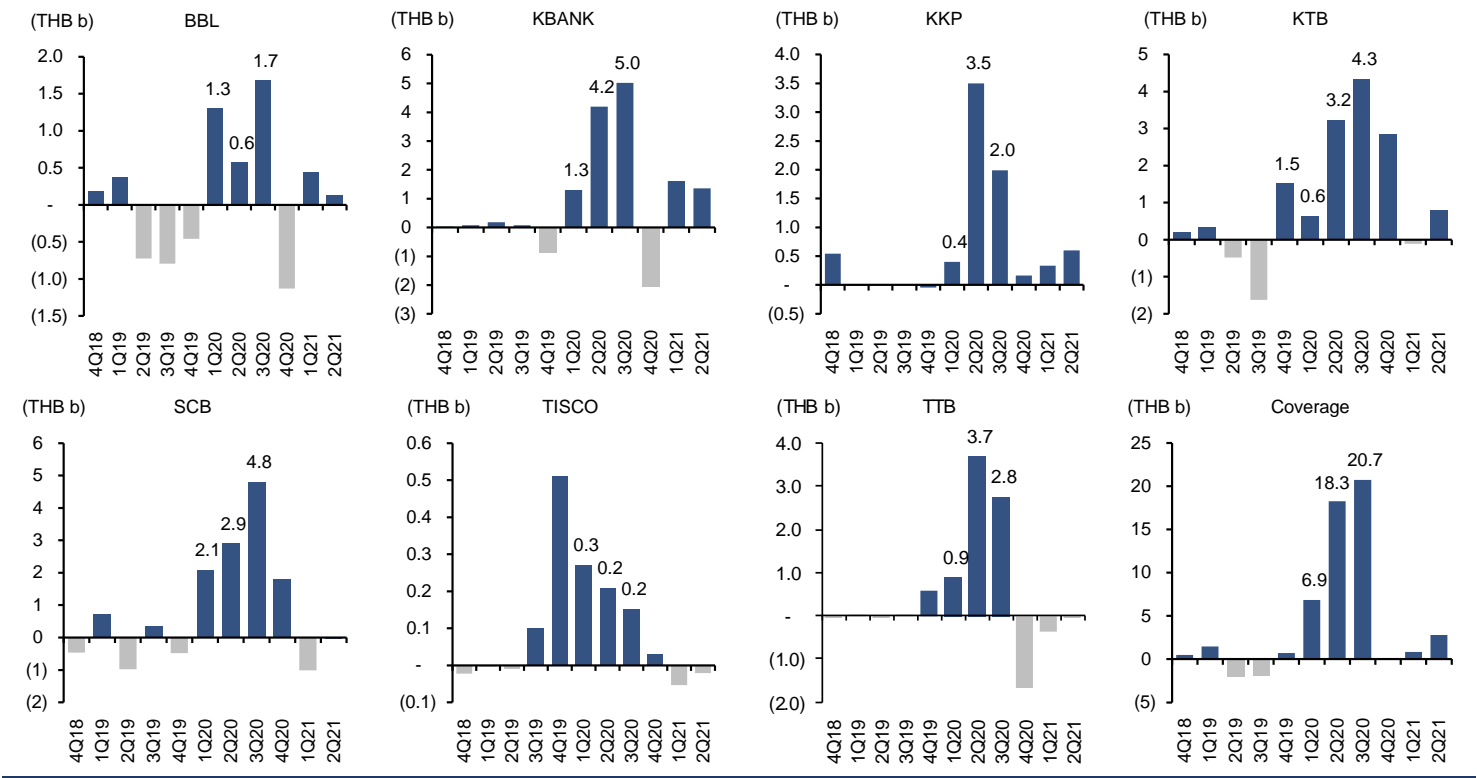


Sources: BoT; FSSIA's compilation

5) Slower accrued interest rate increase

Accrued interest will be another key focus, especially during the forbearance programs. Accrued interest in 2Q21 continued to increase, however, at a slower pace than in 2020. We have the most concern over KBANK. its accrued interest continued to increase in 2Q21 at a moderate rate, while only slightly increasing or even declining for other banks. According to KBANK's management, 70% of the increase in its accrued interest came from new lending, especially housing loans – which normally have a lower interest rate charge in the first three years compared to the total contract – with the rest coming from relief measures. The slow economic recovery could reduce these clients' ability to repay interest. Eventually, this might be a burden for the bank as it might need to set aside provisions in the future.

Exhibit 12: Increase in accrued interest q-q



Note: Accrued interest of KKP and BBL are FSSIA's calculation. The banks will announce actual numbers in Aug-21
Source: FSSIA estimates

Exhibit 13: Thailand banks under coverage – 2Q21 operations summary

2Q21	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	20,027	29,717	3,793	20,916	23,475	3,149	12,782	113,859
Change (y-y %)	10.6	9.7	5.0	(10.8)	(1.3)	0.7	(2.0)	1.5
Change (q-q %)	1.6	5.6	(0.9)	4.7	0.4	1.2	(0.7)	2.6
Non-interest Income	13,796	11,138	1,941	7,934	12,994	1,566	3,118	52,487
Change (y-y %)	(2.7)	(21.0)	56.9	(11.7)	4.0	26.9	(11.5)	(5.8)
Change (q-q %)	23.6	(6.4)	8.8	(8.8)	(9.6)	(21.4)	(21.5)	(2.6)
Net fee income	6,896	8,575	1,614	4,892	9,812	1,225	2,198	35,213
Change (y-y %)	22.7	6.6	82.5	(7.2)	27.7	12.7	1.9	14.5
Change (q-q %)	(6.0)	(9.1)	12.5	(6.2)	(6.0)	(20.6)	(27.5)	(8.4)
Operating income	33,823	40,855	5,734	28,850	36,469	4,715	15,899	166,346
Change (y-y %)	4.8	(0.8)	18.2	(11.1)	0.5	8.1	(4.0)	(1.0)
Change (q-q %)	9.6	2.1	2.2	0.6	(3.4)	(7.6)	(5.6)	0.9
Operating expenses	16,289	17,069	2,678	12,235	15,376	2,070	7,402	73,120
Change (y-y %)	8.4	8.1	2.1	(1.0)	(4.7)	14.1	(4.8)	2.2
Change (q-q %)	3.4	3.3	3.7	(3.6)	1.8	0.3	(6.6)	0.6
Pre-provision profit	17,534	23,786	3,056	16,616	21,093	2,645	8,497	93,227
Change (y-y %)	1.6	(6.3)	37.2	(17.3)	4.8	3.8	(3.4)	(3.3)
Change (q-q %)	16.0	1.2	0.9	4.0	(6.9)	(12.9)	(4.7)	1.1
Expected credit loss	9,810	10,807	1,378	8,097	10,028	565	5,491	46,174
Change (y-y %)	(25.9)	(46.5)	85.2	(45.0)	3.0	(35.9)	10.4	(28.4)
Change (q-q %)	55.1	24.9	11.6	0.5	0.2	(32.2)	0.2	13.8
Income tax	1,263	2,548	322	1,657	2,304	413	472	8,979
Normalised profit	6,357	8,894	1,354	6,011	8,815	1,666	2,534	35,631
Change (y-y %)	105.4	308.9	14.4	60.1	5.4	25.3	(18.1)	55.0
Change (q-q %)	(8.2)	(16.3)	(7.4)	7.8	(12.6)	(5.5)	(8.9)	(9.2)
% of 2021E	26.2	28.4	23.8	31.3	27.4	25.2	25.3	27.6
Net profit	6,357	8,894	1,354	6,011	8,815	1,666	2,534	35,631
Change (y-y %)	105.4	308.9	14.4	60.1	5.4	25.3	(18.1)	55.0
Change (q-q %)	(8.2)	(16.3)	(7.4)	7.8	(12.6)	(5.5)	(8.9)	(9.2)
% of 2021E	26.2	28.4	23.8	31.3	27.4	25.2	25.3	27.6
Actual vs FSSIA 2Q21E (%)	6	1	(11)	31	18	2	6	10
Actual vs Bloomberg 2Q21E(%)	5	(5)	(8)	23	15	3	16	7
Loan (q-q %)	2.2	3.5	4.4	5.3	0.8	(3.1)	(1.6)	2.3
Loan (y-y %)	2.8	12.1	14.0	8.8	7.1	(6.2)	(1.7)	6.2
Loan (ytd %)	2.2	6.2	6.6	6.5	1.8	(4.8)	(2.5)	3.2
Deposit (q-q %)	4.9	3.3	(1.2)	2.2	0.8	(8.6)	(4.3)	1.8
Deposit (y-y %)	6.8	7.5	1.0	6.1	5.1	(9.6)	(8.2)	4.2
Deposit (ytd %)	8.4	5.8	(0.9)	1.2	(2.1)	(11.0)	(3.6)	2.3
Loan/Deposits (LDR %)	79.4	96.1	113.2	99.7	96.9	118.2	102.6	94.2
Loan/Deposits & Borrowing (%)	75.8	93.3	96.6	94.7	94.1	109.3	97.1	90.1
Key ratios	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)
Net interest margin	2.02	3.23	4.33	2.55	3.04	4.79	2.96	2.79
Credit cost (bp/total loans)	1.64	1.85	2.00	1.34	1.75	1.04	1.60	1.63
Cost to income	48.16	41.78	46.70	42.41	42.16	43.91	46.55	43.96
Loan-loss-coverage	182	136	149	155	139	214	125	151
Absolute NPL (THB m)	111,035	106,920	10,339	105,737	104,110	5,867	43,543	487,551
Change (y-y %)	2.2	13.2	11.8	(8.1)	30.8	(21.6)	12.2	7.6
Change (q-q %)	2.4	4.5	9.8	(0.2)	(0.2)	6.1	0.3	1.7
Change (ytd %)	6.4	5.9	22.3	(1.3)	2.6	4.4	10.0	4.2
NPL ratio	4.59	4.49	3.66	4.25	4.53	2.74	3.20	4.26
Reported NPL ratio	3.70	3.95	3.60	3.54	3.79	2.74	2.89	
CAR	18.4	18.2	17.4	19.4	17.9	22.5	19.6	
CET1	15.1	15.3	13.4	15.0	16.8	18.0	14.5	

Sources: Company data; Bloomberg consensus; FSSIA estimates

Exhibit 14: Thailand banks under coverage – 1H21 operations summary

	BBL (THB m)	KBANK (THB m)	KKP (THB m)	KTB (THB m)	SCB (THB m)	TISCO (THB m)	TTB (THB m)	Coverage (THB m)
FSSIA 2021E net profit	24,245	31,325	5,695	19,233	32,171	6,613	10,002	129,283
1H20 net profit	10,765	9,550	2,668	10,223	17,610	2,815	7,258	60,891
1H21 net profit	13,280	19,521	2,817	11,589	18,902	3,430	5,316	74,856
% of 2021E	55	62	49	60	59	52	53	58
Change y-y	23	104	6	13	7	22	(27)	23
FSSIA 2021E PPOP	59,321	85,702	12,089	67,558	82,545	10,814	36,308	354,338
1H20 PPOP	32,276	45,950	4,468	37,577	41,384	5,473	18,987	186,114
1H21 PPOP	32,646	47,282	6,086	32,600	43,744	5,682	17,414	185,453
% of 2021E	55	55	50	48	53	53	48	52
Change y-y	1	3	36	(13)	6	4	(8)	(0)
FSSIA 2021E ECL	29,058	41,659	4,968	40,239	43,035	2,617	24,254	185,831
1H20 ECL	18,325	32,064	1,000	23,235	19,460	1,955	9,732	105,771
1H21 ECL	16,137	19,457	2,612	16,154	20,036	1,398	10,971	86,764
% of 2021E	56	47	53	40	47	53	45	47
Change y-y	(12)	(39)	161	(30)	3	(28)	13	(18)

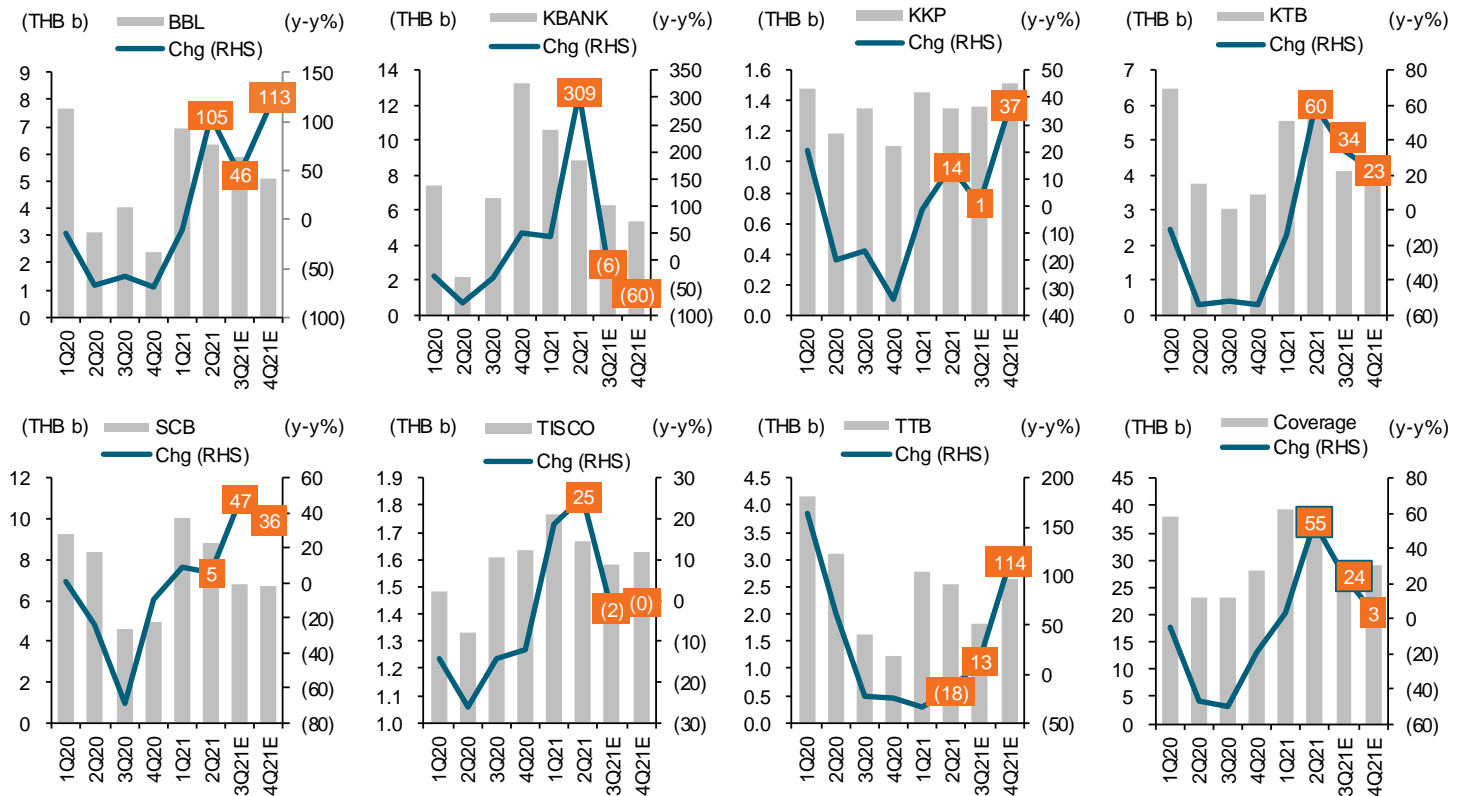
PPOP = pre-provision profit; ECL = expected credit loss

Sources: Company data; FSSIA estimates

Potentially weaker quarter to come in 3Q21

The tone of the analyst briefings post-results was quite cautious, especially on asset quality and fee income. Most banks maintained their credit cost targets, with the potential to revise upward. KBANK is at the highest risk, in our view. Only TISCO and SCB assured us that they have sufficient cushions. Moreover, fee income will be pressured by the slow business activities and the bank branch closures in shopping malls in 13 red zone provinces. We, therefore, expect the 3Q21 aggregate NP of the BUC to continue to decline q-q. We believe that a stronger earnings momentum recovery should be seen in 4Q21, after the front-loaded ECL in 3Q21.

Exhibit 15: Quarterly earnings momentum



Source: FSSIA estimates

Muted near-term catalysts

SETBANK has declined by 18% from its peak in Apr-21. 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. It is currently trading at an attractive valuation of 0.56x 2022E P/BV. We think the earliest likely positive factor to drive share prices will be the interim dividend announcement in late Aug. In the medium term, we expect the BoT to extend the FIDF fee at 23 bps, as well as the relaxed loan classifications measure. However, in the next one to two months, the positive factors are muted, in our view. We think BBG consensus will gradually revise down their forecasts to reflect the impact from Covid-19. Moreover, we think the vaccination rate in Thailand will still remain lower than 30% of total population for the next couple of months.

Exhibit 16: Potential catalyst to impact banks' share prices

Catalysts	Expected degree to impact share price (out of 5)	Expected timing	Expected chance to occur (out of 100%)
			(%)
Positive			
Interim dividend	2	end Aug-21	80
Extension of FIDF reduction	4	4Q21	80
Extension of relaxed loan classification	4	1Q22	50
Negative			
Extension of debt holiday for Covid-impacted clients	2	end Aug-21	50
Control banking fee charged	2	3Q21	30
Reduction of ceiling rate for retail segment	2	3Q21	30
Resume general debt holiday	4	4Q21	20

Source: FSSIA estimates

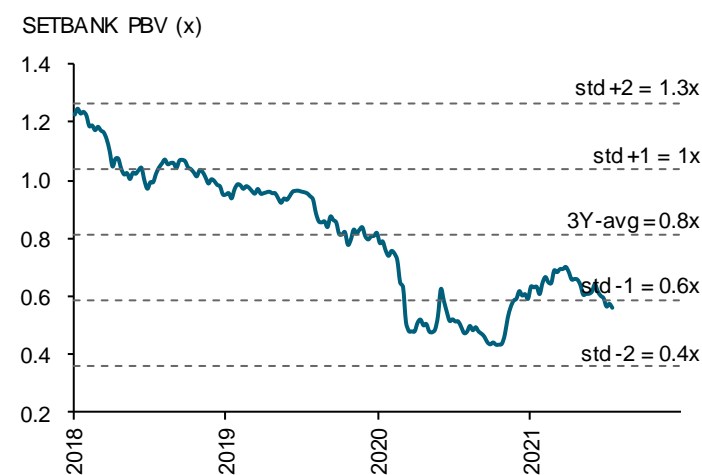
Exhibit 17: Dividend payments

	----- Payout ratio -----			----- DPS -----				----- Dividend yield -----	
	2019	2020	2021E	2019	2020	----- 2021E -----		----- 2021E -----	
	(%)	(%)	(%)	(THB/share)	(THB/share)	Interim	Full year	Interim	Full year
						(THB/share)	(THB/share)	(%)	(%)
BBL	37.3	27.8	31.5	7.00	2.50	1.25	4.00	1.20	3.85
KBANK	30.9	20.1	20.4	5.00	2.50	1.25	2.70	1.18	2.56
KKP	60.1	37.2	37.2	4.25	2.25	1.20	2.50	2.30	4.78
KTB	35.9	23.0	35.0	0.75	0.28		0.48	-	4.59
SCB	52.5	28.7	28.5	6.25	2.30	1.25	2.70	1.32	2.84
TISCO*	85.3	83.2	79.9	7.75	6.30		6.60	-	7.50
TTB	26.9	42.9	40.0	0.040	0.045		0.042	-	4.15

*Based on holding company basis

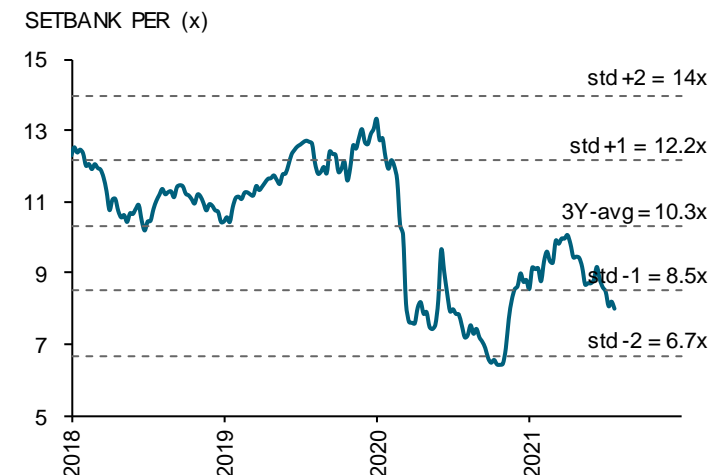
Sources: Company data; FSSIA estimates

Exhibit 18: SETBANK one-year rolling forward P/BV



Sources: Bloomberg; FSSIA estimates

Exhibit 19: SETBANK one-year rolling forward P/E



Sources: Bloomberg; FSSIA estimates

Recommendation and top picks

We maintain our Overweight view on Thai banks due to their cheap valuations. However, we think share prices will not perform well until the Covid storm has settled. The positive factors should manifest in late 3Q21. Thus, we recommend to re-accumulate at that time. We continue to prefer TISCO and SCB. TTB could outperform its peers next year, when the synergies from merging with TBANK start to bear fruit. Our least preferred are KTB and KBANK.

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.

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.

For TTB, due to its weak earnings outlook in the short term, its share price might be rangebound in the next one to two months. However, we believe TTB should deliver strong net profit growth of 34% in 2022 after the merger synergies start to clearly bear fruit, along with its undemanding valuation. We like TTB due to its superior performance that we expect to see in 2H21 and 2022 after the merger synergies manifest.

Exhibit 20: 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	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 TB	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 TB	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 TB	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 TB	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 TB	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	TTB TB	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
Coverage						34,518	11.5	14.0	8.8	7.7	3.6	4.6	6.6	7.1	0.6	0.5

Share prices as of 22 Jul 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	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	IHL	INOX	INSET	IP	JTS	JUBILE	KASET
KCM	KKC	KUMWEL	KUN	KWG	KYE	LEE	MATCH	MATI	M-CHAI	MCS
MDX	MJD	MM	MORE	NC	NDR	NER	NFC	NNCL	NPK	NUSA
OCEAN	PAF	PF	PK	PLE	PMTA	POST	PPM	PRAKIT	PRECHA	PRIME
PROUD	PTL	RBF	RCI	RJH	ROJNA	RP	RPH	RSP	SF	SFLEX
SGP	SISB	SKN	SLP	SMART	SOLAR	SPG	SQ	SSP	STARK	STC
SUPER	SVOA	TC	TCCC	THMUI	TIW	TNH	TOPP	TPCH	TIPIP	TPLAS
TTI	TYCN	UKEM	UMS	VCOM	VRANDA	WIN	WORK	WPH		

Description

Score Range

Excellent

90-100

Very Good

80-89

Good

70-79

Disclaimer:

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* 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	WIIC	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)

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Source: The Securities and Exchange Commission, Thailand; * FSSIA's compilation

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Yuvanart Suwanumphai FSS International Investment Advisory Securities Co., Ltd

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Company	Ticker	Price	Rating	Valuation & Risks
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.
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
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

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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.