

23 SEPTEMBER 2021

THAILAND / BANKS

## SIAM COMMERCIAL BANK SCB TB

BUY

UNCHANGED

TARGET PRICE	THB158.00
CLOSE	THB109.50
UP/DOWNSIDE	+44.3%
PRIOR TP	THB136.00
CHANGE IN TP	+16.2%
TP vs CONSENSUS	+32.1%

## SCBX: the game changer

## The great transformation from traditional bank to fin-tech group

On 22 Sep-21, SCB announced three main reforms: 1) the establishment of SCBX as a parent company for SCB Group to manage its capital allocation and investments through a share swap between SCB Bank and SCBX; 2) the spin-off of its card business; and 3) setting up two JVs and one venture capital. Within five years, SCB aims to transform itself from a local bank to a regional fin-tech group in ASEAN. Management expects SCBX's long-term ROE to increase to 15-20% from SCB's c8% currently.

## 3 reasons why and 4 benefits to collect

To us, there are three reasons behind the reimagining: 1) to efficiently deploy capital and uplift its ROE; 2) to seek maximum growth for its growth businesses (consumer finance and digital platform services); and 3) to defend its cash cow business' (core banking services) market share from both banks and non-banks. We see four potential benefits from this transformation: 1) flexibility and independence; 2) less supervision from the Bank of Thailand (BoT); 3) unlocking subsidiaries' values; and 4) gaining more benefits from leveraging after listing SCBX's subsidiaries.

## THB17.1/shr value likely to occur; THB4.7/shr value to be proven

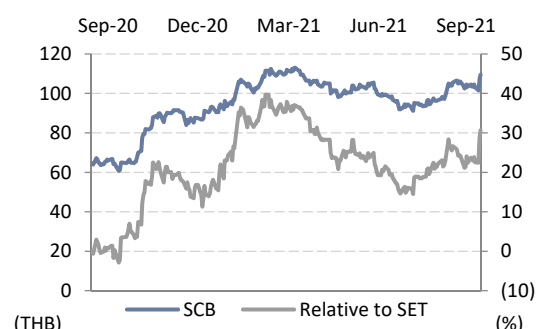
We like SCB's strategy to break out of the traditional way of doing business. This should enhance its valuation in terms of long-term growth, its dividend payout ratio, and ROE. We separate the value accretion from this restructuring into two forms. First, the value we think will likely be realised is from a special dividend payment (max THB6/share) and unlocking the value of Card X (max THB11.1/share). Second, the value to be proven (VBP) is for SCBX's subsidiaries. We expect it would take a longer time for the value of these subsidiaries to crystalize. Based on our calculation, we think the VBP for SCBX at this stage is THB4.7/share. So, the total potential value accretion would be THB21.8/share.

## In the best position to benefit from the region's digital age

We revise our SOTP TP up to THB158 from THB136, mostly on the value of Card X being unlocked and the higher ROE potential of SCB Bank. We retain SCB as our top pick. For long-term investors, we believe SCB should deliver solid performance in the next two years. We also expect its dividend payout ratio to increase, with shareholders benefitting from the potential ROE uplift. If its price surges over the additional THB17.1/shr value we estimate, short-term investors might also realise some profit.

## 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 (%)	-	(3.3)	(0.3)	(4.0)
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. (%)	-	-	-	-
EPS growth (%)	(7.0)	18.1	13.5	15.6
Core P/E (x)	13.7	11.6	10.2	8.8
Dividend yield (%)	2.1	7.0	3.2	4.3
Price/book (x)	0.9	0.9	0.8	0.8
ROE (%)	6.7	7.6	8.4	9.2
ROA (%)	0.9	1.0	1.1	1.3



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	10.9	9.8	69.8
Relative to country (%)	8.3	7.9	32.5
Mkt cap (USD m)	11,129		
3m avg. daily turnover (USD m)	35.3		
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 SCB's big move by transforming itself into a holding company will allow SCBX to enhance its capital effectively, generate a higher growth outlook, and potentially pay a higher dividend.

We think that SCB is in the best position in the banking sector to benefit from the region's digital age with its integrated digital platform. Moreover, we are convinced that the proactive long-term debt restructuring program it offers to its clients should solve the prolonged asset quality problem. Thus, we reiterate our BUY call and maintain SCB as our top pick.

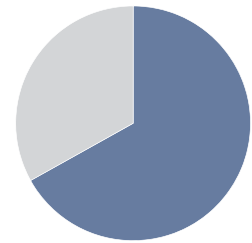
## Company profile

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](http://www.scb.co.th)

## Principal activities (revenue, 2020)

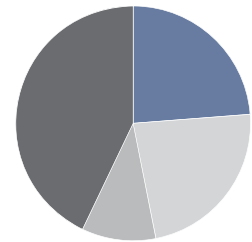
- Net interest income - 66.9 %
- Non-interest income - 33.1 %



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 The success of long-term comprehensive debt restructuring;
- 2 The success of its transformation plan.

## Risks to our call

Downside risks to our SOTP-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

Year-to-Dec	2021E (%)	2022E (%)	2023E (%)
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

## What did SCB do?

On 22 Sep-21, SCB announced its great transformation, including:

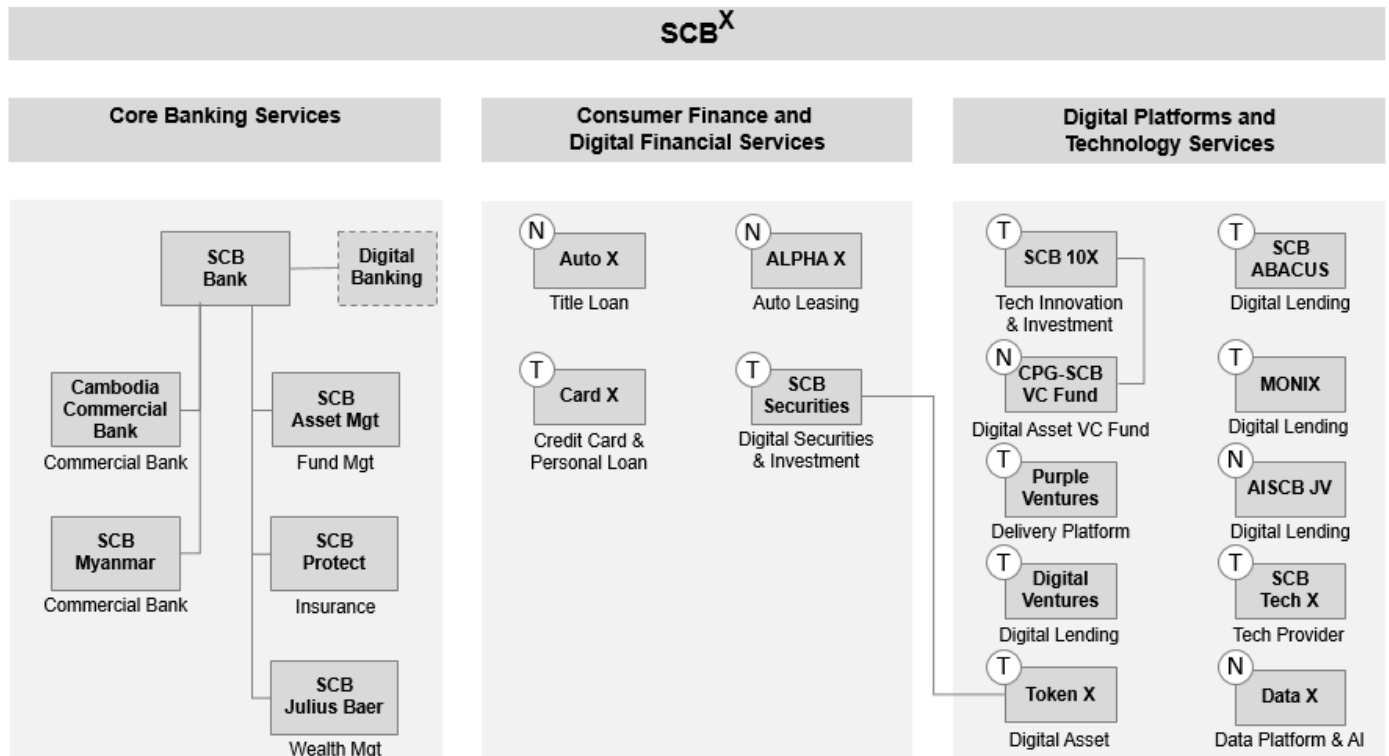
- Establishing SCBX as a parent company for SCB Group to manage the group's capital allocation and investments through a share swap between SCB Bank and SCBX;
- Transferring its unsecured lending business (called Card X) and selected companies under SCB Bank to SCBX (Ex.1)
- Setting up two joint ventures, one venture capital, and two new subsidiaries of SCBX (Ex.2)

### Exhibit 1: SCB's reimagining



Source: SCB

### Exhibit 2: SCBX's structure



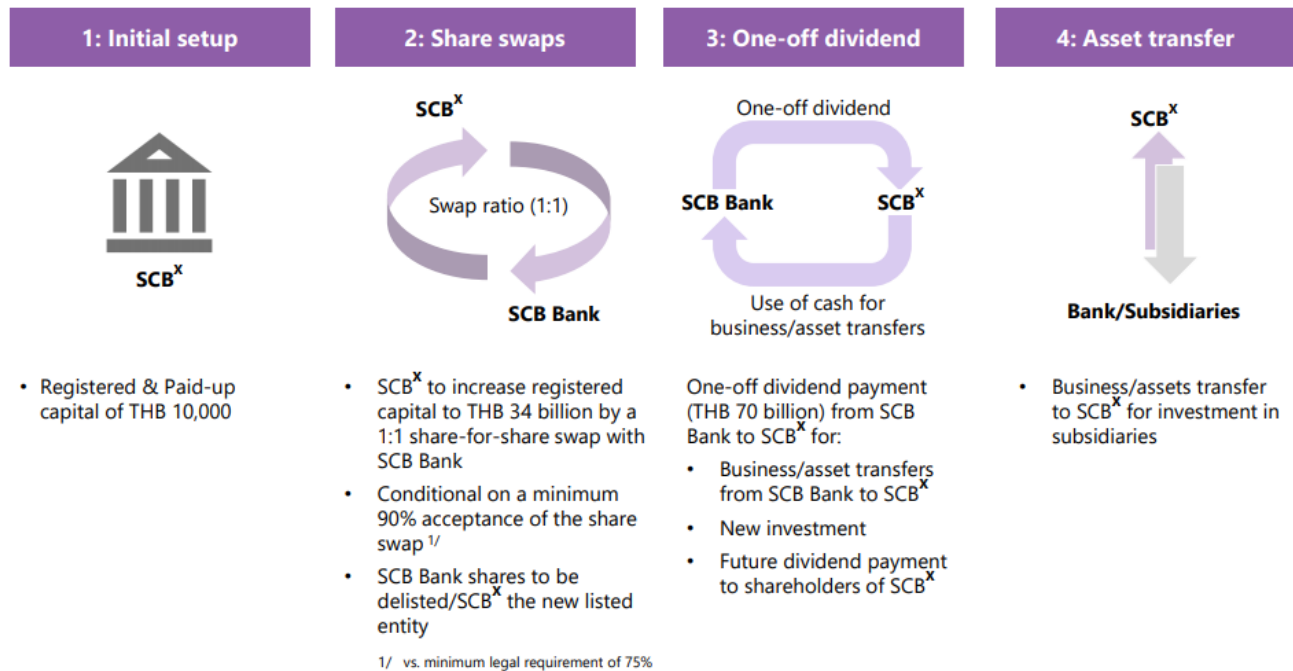
N = newly established company, T = transferred from SCB bank

Sources: SCB; FSSIA's compilation

**Exhibit 3: Two joint ventures and one venture capital**

JV/VC	Partner name	% holding	Registered capital	Objective
AISCB	ADVANC and SCB	50% each	THB600m	Digital lending
Alpha X	Millennium Group and SCB	50% each	THB1m, will increase to THB300m within 1 year	Hire purchase and leasing for cars, big bikes and watercraft
Venture capital fund	Charoen Pokphand Group and SCB10X	50% each	USD600m-800m	Invest in financial technology businesses e.g. DeFi

Sources: SCB; FSSIA's compilation

**Exhibit 4: Share swap process between SCB Bank and SCB<sup>x</sup>**

Source: SCB

**Exhibit 5: Key milestones for the transaction**

Indicative timeline	Key milestones
3Q21	<ul style="list-style-type: none"> <li>Board approval on September 22</li> </ul>
4Q21	<ul style="list-style-type: none"> <li>Shareholder approval at EGM on November 15</li> <li>SEC filing (mid-November)</li> </ul>
1Q22	<ul style="list-style-type: none"> <li>Tender offer (January)</li> <li>Listing of SCB<sup>x</sup>/Delisting of SCB (February)</li> </ul>
2Q22	<ul style="list-style-type: none"> <li>One-off dividend payment to SCB<sup>x</sup></li> <li>Business/asset transfer</li> </ul>

Source: SCB

What are SCB’s targets?

Within five years, SCB aims to transform itself from a local bank to be the most admired financial technology group in ASEAN, with more than 200m clients from 16m clients currently. Management expects SCBX’s long-term ROE to increase to 15-20% from SCB Bank’s c8% currently.

Management plans to list SCBX’s subsidiaries on the Thai stock exchange to capitalise on the benefits of leveraging. The first company is slated to be Card X in 2024, according to management. Then, SCB expects to list Auto X and Alpha X in the next couple of years.

Regarding its capital structure, SCBX will not be supervised by the BoT. SCB Bank will still be subject to the BoT’s regulations. SCB Bank is aiming for a CET1 ratio and CAR of 15% and 16-16.5%, respectively. These ratios are still above the BoT’s requirement of 8.0% and 12.0%, respectively.

Exhibit 6: Five-year aspirations

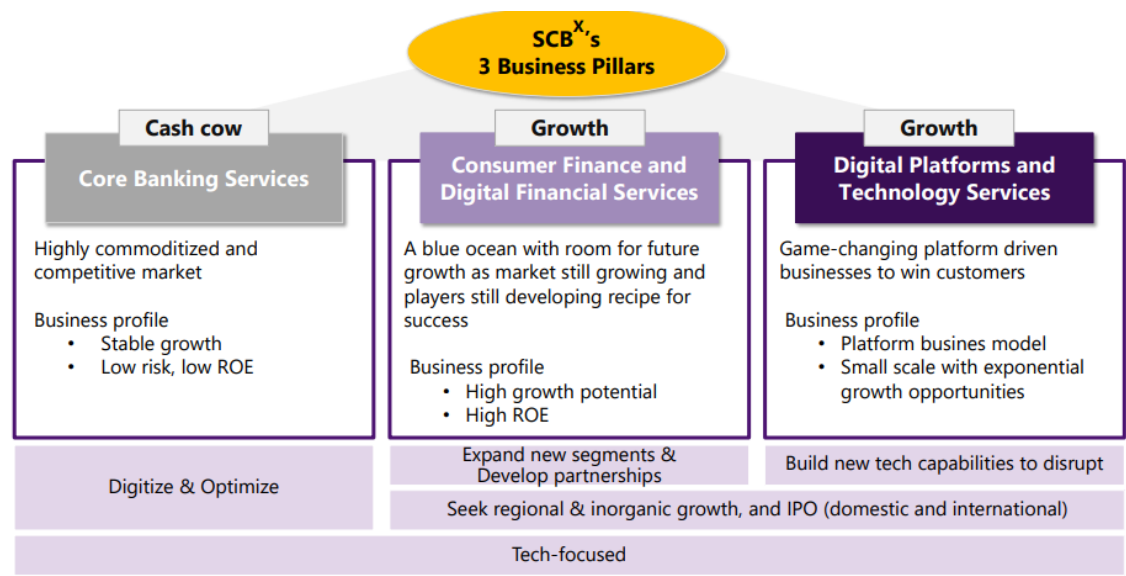
- ✔ 200 million customers with leading platforms across ASEAN through active partnerships and M&A
- ✔ Over THB 1 trillion market capitalization for SCB<sup>X</sup>; Subsidiary IPOs and start-up unicorns
- ✔ Quality earnings to increase 1.5x and growth business contribution > 1/3 of revenue
- ✔ Leader in digital asset space (crypto exchange, ICO portal, etc.) and relevant capabilities (blockchain, etc.)
- ✔ Fully fledged tech company as an undisputed leader in Tech & AI/data analytics

Source: SCB

Why does SCB have to reimagine itself?

To us, there are three reasons behind the reimagining: 1) to efficiently deploy capital and uplift its ROE; 2) to seek maximum growth for its growth businesses (consumer finance and digital platform services); and 3) to defend its cash cow business’ (core banking services) market share from both banks and non-banks.

Exhibit 7: 3 business pillars to increase capital efficiency



Source: SCB

## What are the benefits of the transformation?

We see four potential benefits from this transformation: 1) flexibility and independence; 2) less supervision from the BoT; 3) unlocking subsidiaries' values; and 4) gaining more benefits from leveraging after listing SCBX's subsidiaries.

First, we think the transformation will enable flexibility and independence in terms of strategic direction and execution for each portfolio company, resulting in more efficient operations. Second, the BoT will have less control over other non-banking businesses, e.g. Card X, Auto X, etc. Thus, operating these businesses under SCBX would allow them to have a higher competitive advantage than they would under the bank. Third, SCB normally trades at below its P/BV (0.8x 2022E P/BV currently). However, non-bank businesses in Thailand normally trade at premium valuations, such as Krungthai Card (KTC TB, HOLD, TP THB73) at 5.1x 2022E P/BV and Aeon Thana Sinsap (Thailand) (AEONTS TB, BUY, TP THB274) at 2.1x 2022E P/BV. Thus, this transformation and the listing of SCBX's subsidiaries should unlock both SCB Bank's and its subsidiaries' values. Fourth, the company should be able to realise the power of capital leveraging after listing SCBX's subsidiaries, allowing them to raise funds on their own.

## What are our views?

We like SCB's strategy to break out of the traditional way of doing business. This should enhance its long-term growth. We also believe that with this holding structure, SCB will increase its dividend payout ratio. We are convinced that its ROE will moderately increase over time.

We separate the value accretion from this restructuring into two forms: 1) the value that we think is likely to be realised; and 2) the value to be proven. Based on our assumptions, we have come up with total potential value accretion of THB21.8/share.

### Exhibit 8: Total potential value accretion

Total value accretion	(THB/share)	% of total
<b>1) Value likely to be realised</b>		
Special dividend	6.0	28
Unlocking the value of Card X	11.1	51
<b>Total value to be realised</b>	<b>17.1</b>	<b>79</b>
<b>2) Value to be proven</b>		
Auto X	1.2	5
Alpha X	0.3	1
Digital lending group	0.4	2
The rest of the tech and venture capital businesses	2.8	13
<b>Total value to be proven</b>	<b>4.7</b>	<b>21</b>
<b>Grand total value accretion</b>	<b>21.8</b>	<b>100</b>

Source: FSSIA estimates

To analyse the potential value accretion, we have compiled SCBX's business structure and compared it with its peers and their valuations as below.

### Exhibit 9: SCBX's business structure vs peers

Business structure	Company name	Services	Peers		
			Name	Valuation	
				Current 2022E P/E	Current 2022E P/BV
<b>1. Core banking services</b>	SCB Bank	Lending, insurance, wealth management, asset management	BBL, KBANK, KTB, KKP, TISCO, TTB	7.1-10x	0.5-1.7x
<b>2. Consumer finance and digital financial services</b>	SCB Securities	Digital securities & investment	XPG*, KUBIX (KBANK's subsidiary; not listed)	788.8x*	12.2x*
	Auto X	Title loans for low-income clients	MTC, SAWAD, TIDLOR, SAK	16.2-22.9x	3.3-4.4x
	Alpha X	Auto leasing for luxury cars	THANI (25% of port)		
	Card X	Credit card & p-loans; more mass vs middle to high income previously	AEONTS, KTC	9.9-21x	2.1-5.1x
<b>3. Digital platforms and technology services</b>	Digital ventures	Digital lending	KBANK and non-banks, e.g. AEONTS, KTC	8.4-22.9x	0.6-5.1x
	SCB ABACUS	Digital lending			
	MONIX	Digital lending			
	AISCB	Digital lending			
	SCB Tech X	Tech provider	Global players		
	Token X	Digital asset			
	Data X	Data platform & AI			
	SCB10X	Tech innovation & investment			
	CPG-SCB VC Fund	Digital asset venture capital fund			
	Purple ventures	Delivery platform			

\*Based on trailing P/E and P/BV of XPG

Source FSSIA estimates



## The value likely to be realised

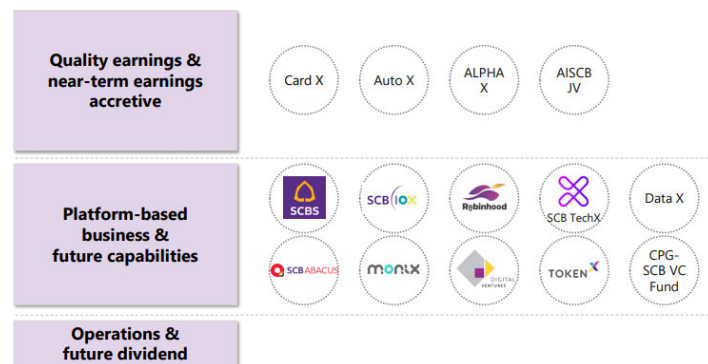
In our view, the tangible and probable benefits in the near term are a special dividend payment and unlocking the value of Card X.

### 1. Special dividend payment at a maximum of THB6/share

According to management, SCB will pay a THB70b one-off dividend to SCBX. Approximately 70% of this amount will be utilised for transferring assets from SCB Bank to SCBX, while c30% will be reserved for SCBX's operations and a special future dividend for SCBX's shareholders.

We expect that SCBX will pay the maximum special dividend payment at THB6b/share. However, the final special dividend payment will depend on the situation and SCBX's board of directors again. Note that the next dividend payment round is Apr-22.

#### Exhibit 10: One-off dividend of THB70b from SCB Bank to SCBX



Source: SCB

#### Exhibit 11: Special dividend payment at a maximum of THB6/share

Details	(THB b)
<b>One-off dividend from SCB bank to SCBX</b>	<b>70</b>
<b>SCBX will utilise</b>	
- 70% for asset transfers and investments	49
- 30% reserved for SCBX's operations and special dividend for SCBX's shareholders	21
SCBX's no. of shares (m shares)	3,399
<b>Expected maximum dividend/share (THB)</b>	<b>6</b>

Source: FSSIA estimates

### 2. Unlocking the value of Card X

We expect that the transformation and listing of Card X would increase its value from operating under SCB Bank by cTHB11.1/share. This is based on our assumptions that Card X's portfolio would increase by 10% per year and the net yield on its portfolio would be 5.5% in 2022. We use the average P/E multiples of KTC and AEONTS to derive the valuation for Card X. Our 2022E value of Card X operating under SCB Bank would be THB20.4/share and Card X operating under SCBX would be THB31.5/share. Thus, the potential value accretion from this transformation would be THB11.1/share.

#### Exhibit 12: Value unlocking of Card X

Assumptions	2021E	2022E	2023E
Expected portfolio (THB m)	120,000	132,000	145,200
Growth (%)	10	10	10
Net yield on average port (%)	5.00	5.50	6.00
Net profit (THB m)	6,058	6,930	8,316
<b>Data support</b>			
<b>Net yield (%) on port</b>			
KTC	7.7		
AEONTS	5.3		
<b>Current 2022E P/E multiple</b>			
SCB	10		
KTC	21		
AEONTS	9.9		
<b>Average P/E of KTC and AEONTS</b>	<b>15.5</b>		
<b>2022E value of Card X (THB/share) operating under</b>			
SCB Bank	20.39		
SCBX	31.50		
<b>Diff</b>	<b>11.11</b>		

Source: FSSIA estimates



## The value to be proven

We think that SCBX's other subsidiary businesses are in sunrise industries. We believe there is more room to grow with the support of SCB Bank and its partners. However, we think it might take a longer time for the value of these subsidiaries to crystalize. Thus, we term this the 'value to be proven'. Based on our calculation, we think the value to be proven for SCBX at this stage is cTHB4.7/share, consisting of THB1.2/share for Auto X, THB0.3/share for Alpha X, THB0.4/share for digital lending, and THB2.8/share for the tech and venture capital group. Details in Exhibits 13-16.

### Exhibit 13: Value accretion from Auto X

Assumptions	2022E	2023E
No. of cars to lend new loans (unit)	20,000	30,000
Value per car (THB m)	0.20	0.20
Expected accumulated portfolio (THB m)	4,000	10,000
Net yield on average port (%)	5.0	8.0
Net profit (THB m)	200	560

Data support		
Net yield (%) on port		
MTC	6.6	
SAWAD	13.7	
TIDLOR	5.8	
SAK	7.5	

Current 2022E P/E multiple		
SCB	10	
MTC	20	
SAWAD	16.2	
TIDLOR	21.3	
SAK	22.9	
Average P/E of MTC, SAWAD, TIDLOR, SAK	20.1	

2022E value accretion from new business (THB/share)	1.18
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Source: FSSIA estimates

### Exhibit 14: Value accretion from Alpha X

Assumptions	2022E	2023E
No. of cars to lend new loans (unit)	800	1200
Value per car (THB m)	3	3
Expected accumulated portfolio (THB m)	2,400	6,000
Net yield on average port (%)	3.5	3.5
Net profit (THB m)	84	147

Data support		
Net yield (%) on port of THANI	3.5	

Current 2022E P/E multiple		
SCB	10	
THANI	11.4	

2022E value accretion from new business (THB/share)	0.28
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Source: FSSIA estimates

**Exhibit 15: Value unlocking from digital lending group, including its digital venture, SCB ABACUS, MONIX, and AISC**

Assumptions	2022E	2023E
No. of clients to lend new loans (unit)	800,000	1,500,000
Ticket size per person (THB k)	10,000	10,000
Expected accumulated portfolio (THB m)	8,000	23,000
Net yield on average port (%)	3	5
Net profit (THB m)	240	775

Data support		
Net yield (%) on port		
KTC	7.7	
AEONTS	5.3	

Current 2022E P/E multiple		
SCB	10	
KTC	21	
AEONTS	9.9	
Average P/E of KTC and AEONTS	15.5	

Value of digital lending (THB/share) operating under		
SCB Bank	0.71	
SCBX	1.09	
Diff	0.38	

Source: FSSIA estimates

**Exhibit 16: Value accretion from tech and venture capital group**

Assumptions	
Total investment (THB m)	6,400
Multiple of capital investments based on 'Invent' portfolio of INTUCH	1.5
<b>2022E value accretion from new business (THB/share)</b>	<b>2.82</b>

Source: FSSIA estimates

## Target price revision

We change our methodology to value SCB from a GGM valuation to a sum-of-the-parts valuation due to its transformation into a holding company. We derive a new SOTP-based target price for SCBX of THB158, implying 1.2x 2022E P/BV vs 1.0x 2022E P/BV for our previous GGM-based target price of THB136. We maintain our net profit forecasts as based on our assumptions as mentioned in Exhibits 13-16. We see an immaterial change to our 2022-23 net profit forecasts. Faster revenue and bottom-line accretion could possibly be seen in 2024-25.

### Exhibit 17: Sum-of-the-parts valuation

	Valuation method	(Implied) Multiple (x)	2022 valuation (THB m)	Value (THB/shr)
SCB Bank*	GGM	1.1	412,890	121.5
Card X*	PE	15.5	107,069	31.5
Auto X*	PE	20.1	4,020	1.2
Alpha X*	PE	11.4	958	0.3
Digital lending business group*	PE	15.5	3,708	1.1
Tech and venture capital businesses**	Investment capital multiple	1.5	9,600	2.8
<b>SCBX</b>		<b>1.2</b>	<b>538,244</b>	<b>158</b>

\*Implied P/BV multiple for SCB bank and SCBX. P/E multiple for Card X, Auto X, Alpha X and digital lending group

\*\*Investment capital multiple for tech and venture capital businesses

Source: FSSIA estimates

## What should investors do?

We retain SCB as our top pick. We think that SCB has the best position in the banking sector to benefit from the region's digital age with its integrated digital platform. Moreover, we are convinced that the proactive long-term debt restructuring program it offers to its clients should solve the prolonged asset quality problem.

For short-term investors, we think the most solid maximum accretive value from its big move would be cTHB17b/ share. Thus, if its price surges over this level, investors might realise some profit in the short term.

For long-term investors, we believe SCB should deliver solid performance in the next two years. We also expect its dividend payout ratio to increase. Thus, shareholders would benefit from the expected ROE uplift.

### Exhibit 18: Banks under coverage – summary of key valuations

	BBG code	Rec	---Share price---		Up side	Market Cap (USD m)	EPS growth		---- P/E ----		---- ROE ----		---- PBV ----	
			Current (THB)	Target (THB)			21E (%)	22E (%)	21E (x)	22E (x)	21E (%)	22E (%)	21E (x)	22E (x)
<b>Banks</b>						<b>37,662</b>	<b>11.5</b>	<b>14.0</b>	<b>9.7</b>	<b>8.5</b>	<b>6.6</b>	<b>7.2</b>	<b>0.6</b>	<b>0.6</b>
Bangkok Bank	BBL TB	BUY	113.50	146.00	29	6,485	14.5	13.2	8.9	7.9	5.4	5.9	0.5	0.5
Kasikornbank	KBANK TB	BUY	122.00	150.00	23	8,652	6.2	9.2	9.2	8.5	6.9	7.2	0.6	0.6
Kiatnakin Bank	KKP TB	BUY	54.50	65.00	19	1,381	11.2	12.6	8.1	7.2	11.9	12.5	0.9	0.9
Krung Thai Bank	KTB TB	HOLD	11.20	12.70	13	4,685	15.0	14.1	8.2	7.1	5.5	5.9	0.4	0.4
Siam Commercial Bank	SCB TB	BUY	109.50	158.00	44	11,129	18.1	13.5	11.6	10.2	7.6	8.4	0.9	0.8
Tisco Financial	TISCO TB	BUY	92.25	122.00	32	2,211	9.1	13.7	11.2	9.8	16.4	17.8	1.8	1.7
TMBThanachart Bank	TTB TB	BUY	1.08	1.40	30	3,119	(1.1)	33.6	10.4	7.8	4.8	6.2	0.5	0.5

Share prices as of 22 Sep 2021

Sources: Bloomberg; 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
<b>Per share (THB)</b>					
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	7.70	3.50	4.75
<b>Growth</b>					
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
<b>Income Breakdown</b>					
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
<b>Operating performance</b>					
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	81.4	32.6	38.2
ROE (%)	7.5	6.7	7.6	8.4	9.2
ROE - COE (%)	(3.3)	(4.1)	(3.2)	(2.4)	(1.6)
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
<b>Net customer loans</b>	<b>1,999,339</b>	<b>2,130,308</b>	<b>2,188,042</b>	<b>2,279,773</b>	<b>2,376,358</b>
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	48,252	11,722
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	150,301	154,547
<b>Total assets</b>	<b>2,960,624</b>	<b>3,278,383</b>	<b>3,183,462</b>	<b>3,227,591</b>	<b>3,318,767</b>
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	-	-	-	-	-
<b>Total liabilities</b>	<b>2,562,900</b>	<b>2,866,554</b>	<b>2,751,640</b>	<b>2,784,600</b>	<b>2,844,578</b>
Share capital	33,992	33,992	33,956	33,956	33,956
Reserves	366,366	377,438	397,448	408,607	439,773
<b>Total equity</b>	<b>400,358</b>	<b>411,430</b>	<b>431,404</b>	<b>442,563</b>	<b>473,729</b>
Minority interests	489	399	419	429	460
<b>Total liabilities &amp; equity</b>	<b>2,963,746</b>	<b>3,278,384</b>	<b>3,183,462</b>	<b>3,227,591</b>	<b>3,318,767</b>
<b>Supplementary items</b>					
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	401,988	429,465
Total capital	375,206	400,892	417,669	425,844	453,321
Gross non performing loans (NPL)	85,212	101,462	111,608	100,447	100,447
<b>Per share (THB)</b>					
Book value per share	117.89	121.16	126.91	130.19	139.36
Tangible book value per share	117.89	121.16	126.91	130.19	139.36
<b>Growth</b>					
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)	1.4	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
<b>Leverage &amp; capital measures</b>					
Customer loan/deposits (%)	92.6	88.0	93.2	96.1	98.2
Equity/assets (%)	13.5	12.5	13.6	13.7	14.3
Tangible equity/assets (%)	13.5	12.5	13.6	13.7	14.3
RWA/assets (%)	70.1	67.0	71.1	72.9	73.8
Tier 1 CAR (%)	17.0	17.2	17.4	17.1	17.5
Total CAR (%)	18.1	18.2	18.5	18.1	18.5
<b>Asset Quality</b>					
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
<b>Valuation</b>					
Recurring P/E (x) *	12.7	13.7	11.6	10.2	8.8
Recurring P/E @ target price (x) *	18.3	19.7	16.7	14.7	12.7
Reported P/E (x)	11.1	13.7	11.6	10.2	8.8
Dividend yield (%)	5.7	2.1	7.0	3.2	4.3
Price/book (x)	0.9	0.9	0.9	0.8	0.8
Price/tangible book (x)	0.9	0.9	0.9	0.8	0.8
Price/tangible book @ target price (x)	1.3	1.3	1.2	1.2	1.1

\* 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	TTB	TMILL	TNDT
TNL	TOA	TOP	TPBI	TRC	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	WIJK	WP	XO
YUASA	ZEN	ZIGA	ZMICO							

GOOD LEVEL										
7UP	A	ABICO	AJ	ALL	ALUCON	AMC	APP	ARIN	AS	AU
B52	BC	BCH	BEAUTY	BGT	BH	BIG	BKD	BLAND	BM	BR
BROCK	BSBM	BSM	BTNC	CAZ	CCP	CGD	CITY	CMAN	CMO	CMR
CPT	CPW	CRANE	CSR	D	EKH	EP	ESSO	FMT	GIFT	GREEN
GSC	GTB	HTECH	HUMAN	IHL	INOX	INSET	IP	JTS	JUBILE	KASET
KCM	KKC	KUMWEL	KUN	KWG	KYE	LEE	MATCH	MATI	M-CHAI	MCS
MDX	MJD	MM	MORE	NC	NDR	NER	NFC	NNCL	NPK	NUSA
OCEAN	PAF	PF	PK	PLE	PMTA	POST	PPM	PRAKIT	PRECHA	PRIME
PROUD	PTL	RBF	RCI	RJH	ROJNA	RP	RPH	RSP	SF	SFLEX
SGP	SISB	SKN	SLP	SMART	SOLAR	SPG	SQ	SSP	STARK	STC
SUPER	SVOA	TC	TCCC	THMUI	TIW	TNH	TOPP	TPCH	TPIPP	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	TTB	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	WIIK	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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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



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### ANALYST(S) CERTIFICATION

#### Yuvanart Suwanumphai FSS International Investment Advisory Securities Co., Ltd

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Company	Ticker	Price	Rating	Valuation & Risks
Siam Commercial Bank	SCB TB	THB 109.50	BUY	Downside risks to our SOTP-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.
Krungthai Card	KTC TB	THB 60.75	HOLD	Upside risks to our GGM-derived TP include 1) stronger-than-expected KTBL growth; and 2) a better-than-expected bad debt recovery. Downside risks are 1) regulatory actions to curb industry growth; and 2) deteriorating asset quality.
Aeon Thana Sinsap (Thailand)	AEONTS TB	THB 199.00	BUY	Downside risks to our GGM-derived TP include 1) intense competition that could push marketing expenses higher; 2) regulatory actions to curb industry growth; and 3) deteriorating asset quality.
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.
Kiatnakin Bank	KKP TB	THB 54.50	BUY	Downside risks to our GGM-based target price include weakening asset quality and lower fee income.
Kasikornbank	KBANK TB	THB 122.00	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.
Krung Thai Bank	KTB TB	THB 11.20	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 92.25	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 1.08	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-Sep-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.