

5 OCTOBER 2021

THAILAND / BANKS

KASIKORNBANK KBANK TB

BUY

UNCHANGED

| | |
|-----------------|-----------|
| TARGET PRICE | THB168.00 |
| CLOSE | THB137.00 |
| UP/DOWNSIDE | +22.6% |
| PRIOR TP | THB150.00 |
| CHANGE IN TP | +12.0% |
| TP vs CONSENSUS | +7.3% |

In full swing to a transformation

What is KBANK's hidden value?

We believe that KBANK's business is almost running parallel with SCB's. KBANK is one of the leading banks in terms of digital platforms and technologies, and its retail lending market share is always ranked among the top three spots. Retail lending in Thailand has high growth potential, with the most attractive risk-reward vs other segments, in our view. As a result, investors typically give premium valuations to retail lending-oriented stocks. We believe that there is a lot of hidden value in KBANK. It has not officially announced its new transformation roadmap, though we have a strong conviction that after SCB's restructuring, KBANK is probably the most prepared bank to reform itself to effectively manage its capital and uplift its ROE. Assessing KBANK's hidden value through the lens of SCB, we have come up with an accretion value, if KBANK reforms itself, of at least THB20.3/shr, consisting of 17.3/shr from credit cards and personal loans, 2.1/shr from KLeasing and 0.9/shr from LINE BK.

Looking beyond the potentially weak results in 3Q-4Q21

We expect KBANK to report weak results in 3Q-4Q21, with a 3Q21E net profit of THB7.2b (+8% y-y, -19% q-q) due to the prolonged pandemic, leading to higher provisions and softer fee income. However, we think that investors should look past this to the solid recovery we expect in 2022. We think the market will prioritise opportunities for restructuring to counter competitors for a potential increase in shareholders' returns.

Largest beneficiary of BoT's loan classification guidance

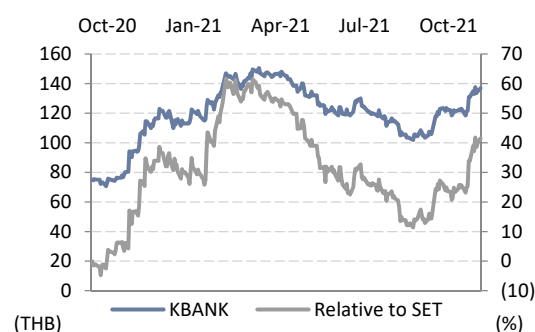
We think KBANK should benefit the most from the BoT's guidance. This should protect it from a cliff effect and give the bank more time to deal with its clients. Based on our calculation, KBANK's 2022 loan yield would decline by 0.44% from its current yield of 4.7%. This should be offset by 1) the extension of the FIDF fee at 0.23%; and 2) its credit cost in 2022 should decline to 160 bps from our projected 180 bps in 2021. Accordingly, we increase our 2022-23E net profit by 9%/11%.

Turning more bullish on KBANK; upgrade to a top pick

We increase our 2022 GGM TP to THB168. After recommending KBANK as a safe investment in [Thailand Banks and Diversified Financials – "One movement shakes the whole circle," 23 September 2021](#), we now choose KBANK as one of our top picks. We believe that it will deliver strong growth in 2022. We also think that it is in full swing to transform itself to unlock its value and increase shareholders' returns.

KEY STOCK DATA

| YE Dec (THB m) | 2020 | 2021E | 2022E | 2023E |
|----------------------|--------|--------|--------|--------|
| Operating profit | 41,540 | 46,806 | 52,697 | 57,595 |
| Net profit | 29,487 | 33,139 | 37,321 | 40,797 |
| EPS (THB) | 12.45 | 13.99 | 15.75 | 17.22 |
| vs Consensus (%) | - | (1.0) | 0.6 | (4.2) |
| Core net profit | 29,487 | 33,139 | 37,321 | 40,797 |
| Core EPS (THB) | 12.45 | 13.99 | 15.75 | 17.22 |
| Chg. In EPS est. (%) | - | 5.8 | 9.1 | 11.3 |
| EPS growth (%) | (23.1) | 12.4 | 12.6 | 9.3 |
| Core P/E (x) | 11.0 | 9.8 | 8.7 | 8.0 |
| Dividend yield (%) | 1.8 | 2.0 | 2.6 | 2.9 |
| Price/book (x) | 0.7 | 0.7 | 0.6 | 0.6 |
| ROE (%) | 7.0 | 7.2 | 7.5 | 7.7 |
| ROA (%) | 1.0 | 1.0 | 1.1 | 1.2 |



| Share price performance | 1 Month | 3 Month | 12 Month |
|--------------------------------|---------|---------|-----------------|
| Absolute (%) | 11.8 | 15.6 | 80.9 |
| Relative to country (%) | 14.3 | 13.0 | 38.6 |
| Mkt cap (USD m) | | | 9,608 |
| 3m avg. daily turnover (USD m) | | | 106.5 |
| Free float (%) | | | 50 |
| Major shareholder | | | Thai NVDR (18%) |
| 12m high/low (THB) | | | 153.00/70.00 |
| Issued shares (m) | | | 2,393 |

Sources: Bloomberg consensus; FSSIA estimates



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Investment thesis

We turn more bullish view on KBANK and choose it as one of our top picks, as we believe that the extension of the relaxed loan classification and provision setup rules will allow the bank to have more time to deal with its trouble debts.

Moreover, once the Covid-19 dust has settled, we expect KBANK to post sustainable long-term growth, as it has laid a strong foundation for such. First, KBANK has been heavily investing in digital platforms for more than a decade – we believe it will utilise its digital platform to generate more revenue while reducing operating and funding costs. Second, KBANK is one of the first movers to have expanded into the Asean Economic Community +3. Therefore, its digital investment and international expansion should be a game changer, helping it to become a regional digital bank.

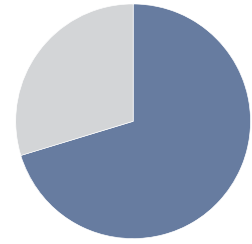
Company profile

Established on 8 June 1945, Kasikornbank was listed on the Stock Exchange of Thailand in 1976. At the end of 2020, KBANK operated 860 branches, down from 886 in 2019 and 10,981 ATMs, up from 8,168 in 2019. In addition, the bank has an international network that includes 16 establishments in eight countries.

www.kasikornbank.com

Principal activities (revenue, 2020)

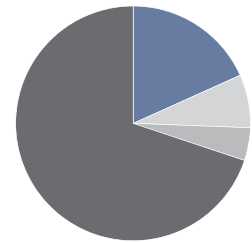
- Net interest income - 70.3 %
- Non-interest income - 29.7 %



Source: Kasikornbank

Major shareholders

- Thai NVDR - 18.3 %
- State Street Europe Ltd. - 7.3 %
- South East Asia UK (Type C) Nominees - 4.5 %
- Others - 69.9 %



Source: Kasikornbank

Catalysts

Potential share price catalysts for KBANK include:

- Lower credit cost from fewer new NPLs;
- Faster expansion in the digital lending space than expected;
- The return of foreign fund flows into the Thai stock market.

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 NIM and potential new regulations from the Bank of Thailand on debt-servicing programs.

Event calendar

| Date | Event |
|-------------|---------------------------|
| 21 Oct 2021 | 3Q21 results announcement |

Key assumptions

| | 2021E | 2022E | 2023E |
|--------------------|--------|--------|--------|
| | (%) | (%) | (%) |
| Net profit (THB m) | 33,139 | 37,321 | 40,797 |
| Net profit growth | 12.4 | 12.6 | 9.3 |
| NIM | 3.19 | 3.00 | 3.02 |
| Loan growth | 7.0 | 5.0 | 5.0 |
| Fee growth | 4.7 | 5.0 | 5.0 |
| Non-NII growth* | (0.0) | 9.8 | 6.5 |
| Credit cost (bp) | 180 | 160 | 150 |
| Cost to income* | 44.9 | 44.0 | 43.8 |

*Including share of profits from associates

Source: FSSIA estimates

Earnings sensitivity

| | | 2021E | | |
|------------------------|-------|-------|------|-------|
| Loan growth | ±2ppt | 5.0 | 7.0 | 9.0 |
| % change in net profit | | (1.2) | - | 1.2 |
| NIM (%) | ±5bp | 3.14 | 3.19 | 3.24 |
| % change in net profit | | (4.1) | - | 4.1 |
| Credit cost (bp) | ±10bp | 170 | 180 | 190 |
| % change in net profit | | 3.4 | - | (3.4) |

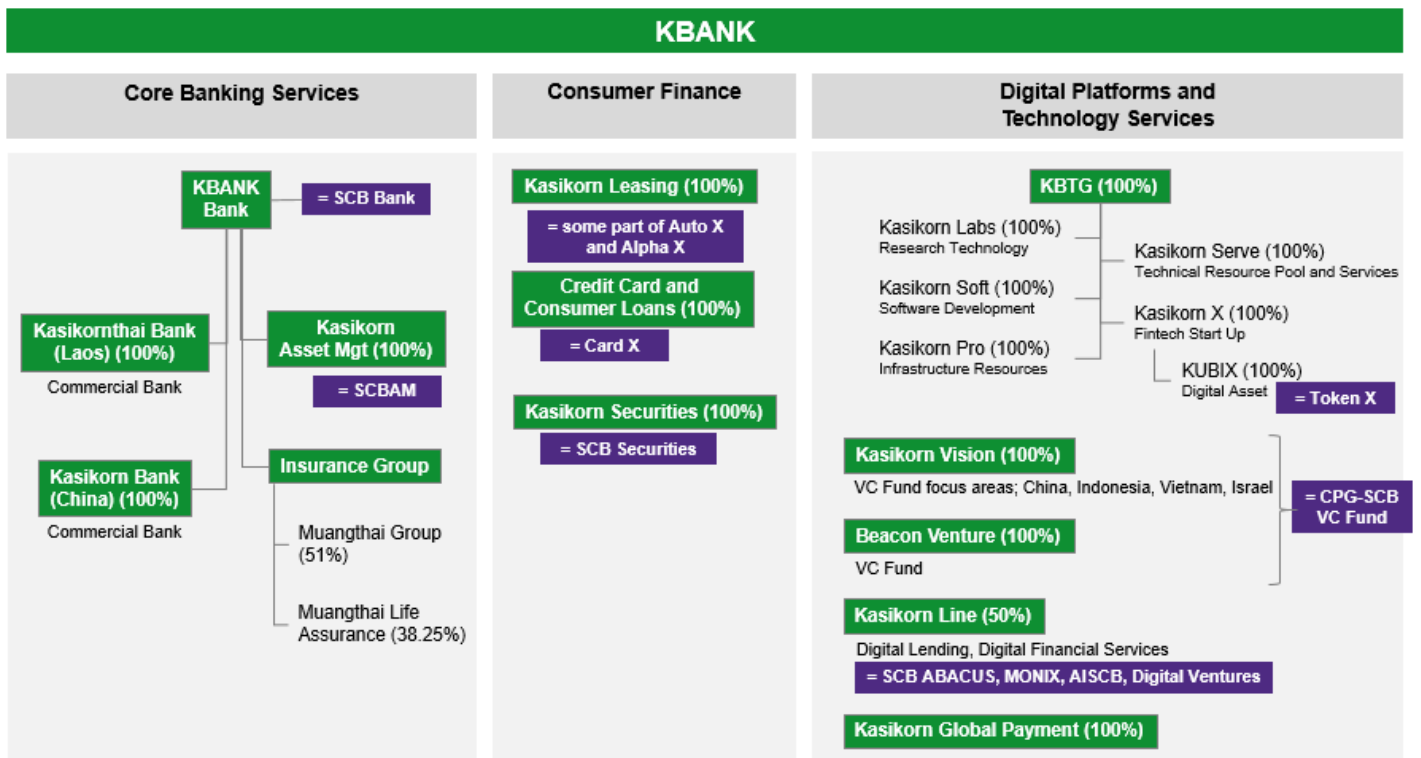
Source: FSSIA estimates

What is KBANK's hidden value?

After the reimagining of Siam Commercial Bank (SCB TB, BUY, TP THB158) caused a surge in its share price, we recommended that investors without a long position in SCB accumulate KBANK as a safe investment strategy in our report, [Thailand Banks and Diversified Financials – “One movement shakes the whole circle”, dated 23 September 2021](#). We will expand upon why we believe KBANK could be the safest investment in the banking sphere.

We believe that KBANK's business is almost running parallel with SCB's (see Exhibits 1 and 2). First, KBANK is one of the leading banks in terms of digital platforms and technologies. Accordingly, we believe that it is one of the best positioned banks to benefit from the country's digital age. Second, KBANK's retail lending market share is always ranked among the top three spots. Retail lending in Thailand has high growth potential, with the most attractive risk-reward vs other segments, in our view. As a result, investors typically give premium valuations to retail lending-oriented stocks. For example, the average P/BV of Krungthai Card (KTC TB, HOLD, TP THB73), the leader in credit card and personal loans, is 4.7x vs the average of 0.6-0.7x P/BV for the banking sector. We are convinced that there is a lot of hidden value in KBANK.

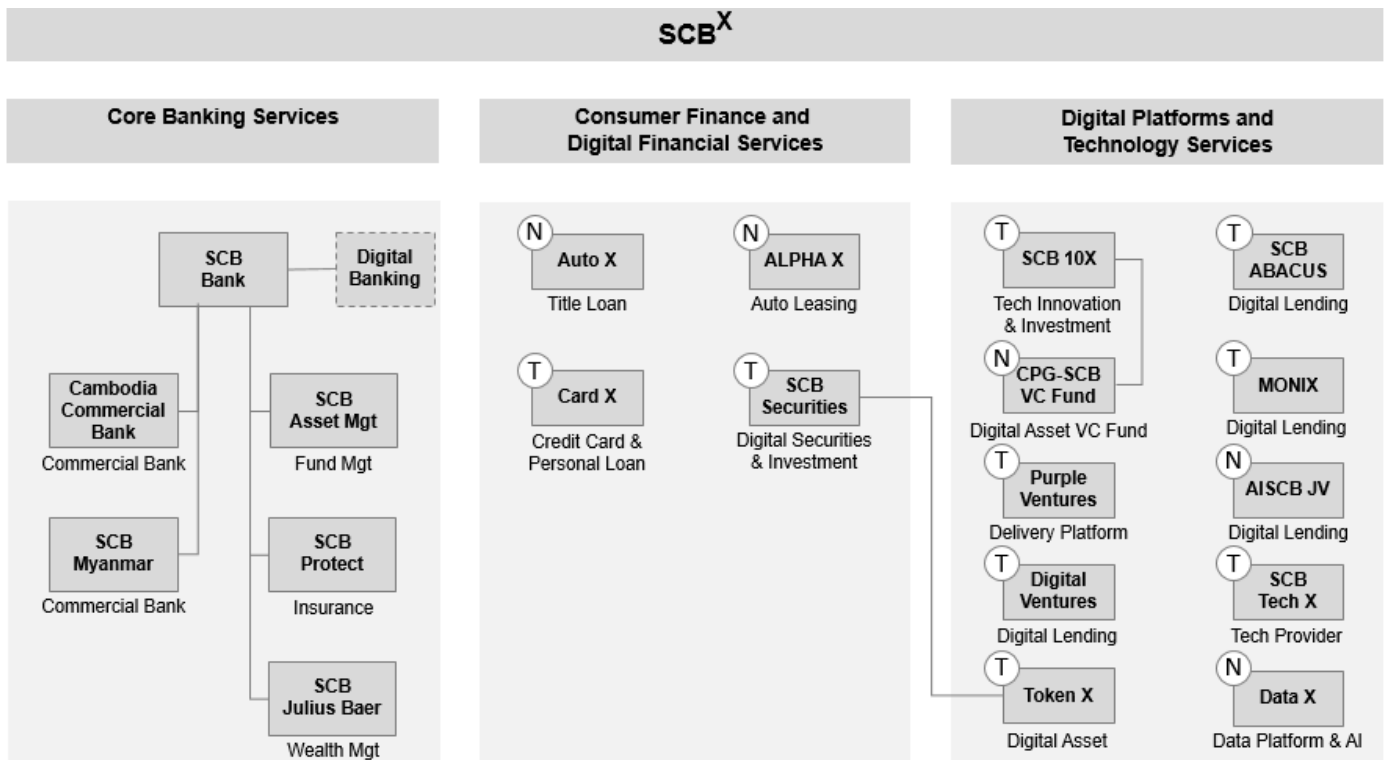
Exhibit 1: KBANK's potential new business structure – FSSIA's view



*Percentages in parentheses are the current percentage holding by KBANK

Source: FSSIA estimates

Exhibit 2: SCBX's structure




N = newly established company, T = transferred from SCB bank
 Sources: SCB; FSSIA's compilation

1) Technology-driven bank

KBANK has invested in technology platforms and IT foundations for many decades. With the world entering the digital age where everything is changing rapidly, the bank has already set up Kasikorn Business-Technology Group (KBTG) to develop modern, world-class technologies. KBTG has four technology development units, e.g. Kasikorn Soft, Kasikorn Labs, etc., and Kasikorn X as its own fintech startup. Additionally, KBTG has a digital asset unit named KUBIX.

KBANK also has its own venture capital funds named Kasikorn Vision and Beacon Venture to explore high-growth businesses.

Exhibit 3: Example of KBTG’s innovative technologies

| | | |
|---|--|---|
| <p>MAKE by KBank</p> <p>A mobile banking application designed specifically for a new generation increasingly reliant on mobile banking for the freedom it gives to personalize financial management.</p>  | <p>LINE BK</p> <p>Customers can open an account, make funds transfers, and receive real-time notifications on transactions; includes integration of risk-assessment for instant loan service approval via LINE application.</p>  | <p>KUBIX</p> <p>Kubix Digital Asset Company Limited was established to operate as an Initial Coin Offering (ICO) portal for offering digital tokens in the primary market, aiming to develop investment markets via blockchain, while helping to promote technological literacy among investors, especially in digital token investment.</p>  |
| <p>KhunThong</p> <p>Social chatbot helping friends settle expenses within a chat for a seamless payment experience.</p>  | <p>Alternative Vaccine Registration</p> <p>Jointly developed with Thonburi Healthcare Group to serve as a channel to register for appointments and make advance payment for the Moderna vaccination via LINE application.</p>  | <p>COVID-19 Hospital Management Solution</p> <p>Worked with Praram 9 Hospital in creating a registration system for asymptomatic COVID-19 patients and those with minor symptoms.</p>  |

Source: KBANK

2) Among the top three banks for retail segment market share

Apart from being a technology-driven bank, KBANK also ranks among the top three banks for retail segment market share, including housing loans, credit cards and personal loans. Recently, it has expanded its business to the small ticket size retail segment under LINE BK. The outstanding portfolio was at cTHB8b in 1H21.

Exhibit 4: KBANK’s retail loan portfolio – among the top three banks for retail segment market share

| Outstanding loans | 2019 (THB b) | 2020 (THB b) | 2021E (THB b) | 2022E (THB b) | 2023E (THB b) |
|-------------------|-----------------|-----------------|------------------|------------------|------------------|
| Housing loans | 326 | 390 | 429 | 472 | 519 |
| Credit cards | 86 | 91 | 96 | 100 | 105 |
| Consumer loans | 78 | 91 | 100 | 110 | 121 |
| KLeasing | 115 | 115 | 121 | 127 | 133 |
| Change y-y | (%) | (%) | (%) | (%) | (%) |
| Housing loans | 14.4 | 19.6 | 10 | 10 | 10 |
| Credit cards | 8.7 | 5.8 | 5 | 5 | 5 |
| Consumer loans | 24.9 | 16.7 | 10 | 10 | 10 |
| KLeasing | 6.2 | - | 5 | 5 | 5 |

Sources: KBANK; FSSIA’s compilation

Hidden value of KBANK

KBANK has not officially announced its new transformation roadmap, though we have a strong conviction that after SCB's restructuring, KBANK is probably the most prepared bank to reform itself to effectively manage its capital and uplift its ROE.

Assessing KBANK's hidden value through the lens of SCB, we have come up with an accretion value, if KBANK reforms itself, of at least THB20.3/shr, consisting of 17.3/shr from credit cards and personal loans, 2.1/shr from KLeasing and 0.9/shr from LINE BK. This accretion value does not yet factor in its digital platforms and technology services, as KBANK has still not provided many details.

Exhibit 5: Total accretion value

| Incremental value | (THB/share) | Note |
|--|--------------|--------------------------|
| - Accretion value from card and consumer loans | 17.31 | Applying 15.5x 2022E P/E |
| - Accretion value from KLeasing | 2.09 | Applying 12x 2022E P/E |
| - Accretion value from LINE BK | 0.86 | Applying 15.5x 2022E P/E |
| Total net incremental value | 20.26 | |

Source: FSSIA estimates

Exhibit 6: Card and consumer loan (CC) assumptions

| | 2019 | 2020 | 2021E | 2022E | 2023E |
|---|---------|---------|--------------|--------------|--------------|
| Assumptions | | | | | |
| Total outstanding loans (THB m) | 164,000 | 182,000 | 195,650 | 210,438 | 226,465 |
| - Credit cards | 86,000 | 91,000 | 95,550 | 100,328 | 105,344 |
| - Consumer loans | 78,000 | 91,000 | 100,100 | 110,110 | 121,121 |
| <i>Total outstanding loans change y-y (%)</i> | | 11.0 | 7.5 | 7.6 | 7.6 |
| <i>Net yield on average port (%)</i> | | | 4.0 | 4.0 | 4.0 |
| Net profit (THB m) | | | 7,553 | 8,122 | 8,738 |

Source: FSSIA estimates

Exhibit 7: Incremental value of CC in case of valuing CC separately

| Value of CC operating under | |
|--|--------------|
| KBANK | |
| - 2022E net profit (THB m) | 8,122 |
| - 2022E average P/E of KBANK (x) | 10.4 |
| - Total current value of CC (THB m) | 84,466 |
| CC value/share (THB/share) | 35.65 |
| Separate entity | |
| - 2022E net profit (THB m) | 8,122 |
| - 2022E average P/E of KTC and AEONTS (x) | 15.5 |
| - Total current value of CC (THB m) | 125,481 |
| CC value/share (THB/share) | 52.96 |
| Net incremental CC value in case of valuing CC separately (THB/share) | 17.31 |

Source: FSSIA estimates

Exhibit 8: KLeasing assumptions

| | 2019 | 2020 | 2021E | 2022E | 2023E |
|---|---------|---------|--------------|--------------|--------------|
| Assumptions | | | | | |
| Total outstanding loans (THB m) | 115,000 | 115,000 | 120,750 | 126,788 | 133,127 |
| <i>Total outstanding loans change y-y (%)</i> | | - | 5.0 | 5.0 | 5.0 |
| <i>Net yield on average port (%)</i> | | | 2.0 | 2.0 | 2.0 |
| Net profit (THB m) | | | 2,358 | 2,475 | 2,599 |

Source: FSSIA estimates

Exhibit 9: Incremental value of KLeasing in case of valuing KLeasing separately

| Value of KLeasing operating under | |
|--|--------------|
| KBANK | |
| - 2022E net profit (THB m) | 2,475 |
| - 2022E average P/E of KBANK (x) | 10.4 |
| - Total current value of KLeasing (THB m) | 25,744 |
| KLeasing value/share (THB/share) | 10.9 |
| Separate entity | |
| - 2022E net profit (THB m) | 2,475 |
| - 2022E average P/E of THANI and ASK* (x) | 12 |
| - Total current value of KLeasing (THB m) | 30,695 |
| KLeasing value/share (THB/share) | 12.96 |
| Net incremental KLeasing value in case of valuing KLeasing separately (THB/share) | 2.09 |

*We use THANI and ASK's average P/E as most of KLeasing's loans are hire purchase lending not auto title loans
Source: FSSIA estimates

Exhibit 10: LINE BK assumptions

| | 2021E | 2022E | 2023E |
|--|------------|------------|------------|
| Assumptions | | | |
| Total outstanding loans (THB m) | 10,000 | 13,000 | 15,600 |
| Total outstanding loans change y-y (%) | | 30.0 | 20.0 |
| Net yield on average port (%) | 1 | 3.5 | 5 |
| Net profit (THB m) | 100 | 403 | 715 |

Source: FSSIA estimates

Exhibit 11: Incremental value of LINE BK in case of valuing LINE BK separately

| Value of LINE BK operating under | |
|--|-------------|
| KBANK | |
| - 2022E net profit (THB m) | 403 |
| - 2022E average P/E of KBANK (x) | 10.4 |
| - Total current value of LINE BK (THB m) | 4,186 |
| LINE BK value/share (THB/share) | 1.8 |
| Separate entity | |
| - 2022E net profit (THB m) | 403 |
| - 2022E average P/E of KTC and AEONTS (x) | 15 |
| - Total current value of LINE BK (THB m) | 6,219 |
| LINE BK value/share (THB/share) | 2.62 |
| Net incremental LINE BK value in case of valuing LINE BK separately (THB/share) | 0.86 |

Source: FSSIA estimates

Looking beyond the potentially weak results in 3Q-4Q21

We expect KBANK to report weak results in 3Q-4Q21 due to the prolonged Covid pandemic, leading to higher provisions and softer fee income. However, we think that investors should look past this to the solid recovery we expect in 2022. We think the market will prioritise opportunities for restructuring to counter competitors for a potential increase in shareholders' returns. We expect KBANK to report a 3Q21 net profit of THB7,210m (+8% y-y, -19% q-q). KBANK could deliver solid NII in 3Q21, in our view, for two reasons. First, we expect KBANK to post the second highest YTD loan growth at 7.8%, driven by 1) the rehabilitation loans and forbearance program; and 2) the new credit demand from clients. Second, we think KBANK might partially overstate its EIR recognition due to the forbearance program. Accordingly, we think the bank will continue to set aside extra expected credit losses (ECL) to offset the overstated EIR. Moreover, we think its non-performing loans (NPLs) should increase slightly by 3% q-q in 3Q21. This would result in a rise in its credit cost to 195 bps in 3Q21 from 185 bps in 2Q21, exceeding its 2021 target of less than 160 bps. For its fee income, we expect KBANK to suffer from the slow business activities due to the lockdowns, in line with other banks.

Exhibit 12: KBANK – 3Q21E results preview

| Year-end Dec 31 | 3Q20 | 2Q21 | 3Q21E | | 9M21E | | | 2021E | | Comments | |
|----------------------------|---------------|---------------|---------------|----------|-------------|----------------|-----------|-----------|----------------|-----------|--|
| | (THBm) | (THBm) | (THBm) | (y-y%) | (q-q%) | (THBm) | (y-y%) | %21E | (THB m) | (y-y%) | 3Q21E |
| Net interest income | 27,255 | 29,717 | 29,957 | 10 | 1 | 87,806 | 7 | 77 | 114,513 | 5 | |
| Non-interest income* | 9,498 | 11,138 | 9,987 | 5 | (10) | 33,020 | (2) | 72 | 45,847 | (0) | Lower fee income q-q from lockdown measures |
| Operating income* | 36,754 | 40,855 | 39,943 | 9 | (2) | 120,826 | 4 | 75 | 160,360 | 4 | |
| Operating expenses | 16,447 | 17,069 | 17,811 | 8 | 4 | 51,411 | 3 | 71 | 71,945 | 3 | |
| PPOP before tax* | 20,306 | 23,786 | 22,132 | 9 | (7) | 69,414 | 5 | 79 | 88,415 | 4 | |
| Provision | 10,815 | 10,807 | 11,706 | 8 | 8 | 31,163 | (27) | 75 | 41,821 | (4) | |
| Income tax | 2,048 | 2,548 | 1,971 | (4) | (23) | 7,553 | 76 | 86 | 8,806 | 15 | |
| Minority interest | 765 | 1,537 | 1,246 | | | 3,968 | 39 | | 4,648 | 11 | |
| Normalised profit | 6,679 | 8,894 | 7,210 | 8 | (19) | 26,731 | 65 | 81 | 33,139 | 12 | |
| Extraordinary items | 0 | 0 | 0 | | | 0 | | | 0 | | |
| Net profit | 6,679 | 8,894 | 7,210 | 8 | (19) | 26,731 | 65 | 81 | 33,139 | 12 | |
| EPS (THB) | 2.82 | 3.75 | 3.04 | 8 | (19) | 11.28 | 66 | 81 | 13.99 | 12 | |
| Asset quality ratio | | | | | | | | | | | |
| Gross NPLs | 96,743 | 106,920 | 110,662 | 14 | 3 | | | | 112,118 | 11 | |
| NPL ratios (%) | 3.95 | 3.95 | 4.03 | | | | | | 4.08 | | |
| LLR/NPLs (%) | 142 | 136 | 137 | | | | | | 131 | | |
| Credit cost (bp) | 202 | 185 | 195 | | | | | | 180 | | |
| Profitability ratio | | | | | | | | | | | |
| Cost to income ratio* | 44.7 | 41.8 | 44.6 | | | | | | 44.9 | | |
| Average yield | 3.7 | 3.7 | 3.6 | | | | | | 3.6 | | |
| Cost of fund | 0.7 | 0.6 | 0.6 | | | | | | 0.6 | | |
| NIM | 3.2 | 3.2 | 3.2 | | | | | | 3.2 | | |
| Non-int inc/total income | 25.8 | 27.3 | 25.0 | | | | | | 28.6 | | |
| Liquidity ratio | | | | | | | | | | | |
| Loan/deposit ratio | 94.8 | 96.1 | 96.5 | | | | | | 96.1 | | |
| Capital adequacy | | | | | | | | | | | |
| CAR | 18.4 | 18.2 | 18.6 | | | | | | 18.5 | | |
| CET 1/ Risk assets | 15.7 | 15.3 | 16.1 | | | | | | 16.0 | | |
| Tier 2 / Risk assets | 2.7 | 2.3 | 2.5 | | | | | | 2.5 | | |
| Loan growth | | | | | | | | | | | |
| Year-to-date | 7.7 | 6.2 | 7.8 | | | | | | | | Second highest loan growth from both new demand and support measures |
| y-y | 10.7 | 12.1 | 12.2 | | | | | | 7.0 | | |
| q-q | 1.4 | 3.5 | 1.5 | | | | | | | | |

*Including share of profits from associates

Sources: KBANK; FSSIA estimates

The largest beneficiary of BoT's new guidance

The Bank of Thailand (BoT) is encouraging banks to provide comprehensive debt restructuring (CDR) to their clients by extending the relaxed loan classification and provision setup rules to Dec-23 and extending the reduction of the Financial Institutions Development Fund (FIDF) fee at 0.23% to Dec-22.

Currently, most banks have still not provided any clues about their CDR plans, except for SCB which will offer c20% of its total portfolio to its clients. We think it is still difficult to quantify the precise impact that CDR could have on banks' net profits, and will mostly depend on the CDR that they choose to apply. Accordingly, we have 1) collected forbearance program data and previous debt restructuring program data; and 2) followed up with each bank's management. Thus, we assess the impact on banks' bottom lines using the following assumptions:

Assumptions:

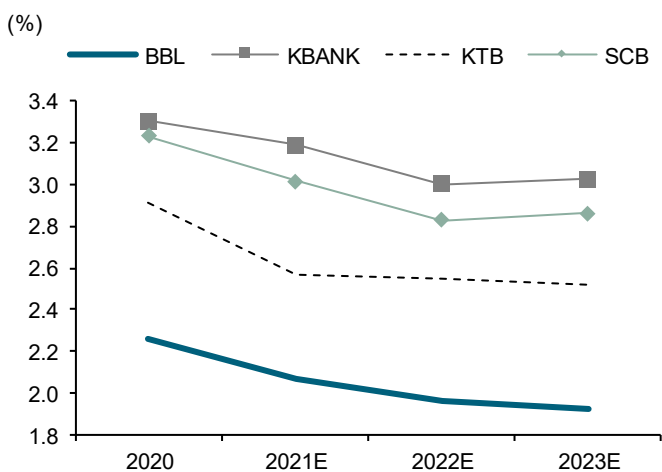
- 2021 forbearance programs should increase slightly to moderately from the current level as of 2Q21, depending on each bank's portfolio makeup and client profiles;
- Banks will likely offer CDR at 60% of their 2021 forbearance programs;
- Banks will also offer CDR for some of their trouble loans which are not classified under the forbearance program, depending on each bank's portfolio makeup and client profiles;
- The CDR EIR would be 50% lower than that of each bank's current level;
- Banks will set credit costs in 2022-23 close to their normal rat.

Exhibit 13: CDR impact on loan yield

| | Forbearance program (FB) | | Banks will offer CDR | | | Net negative impact on 2022E EIR (%) |
|--------------|--------------------------|--------------------------|----------------------|---|--|--------------------------------------|
| | 2Q21 (% total loans) | 2021E (% total loans) | 60% of FB | Other trouble loans (% of total loans) | Total expected CDR (% of total loans) | |
| BBL | 12 | 12 | 7 | 3 | 10 | (0.20) |
| KBANK | 14 | 18 | 11 | 8 | 19 | (0.44) |
| KKP | 13 | 15 | 9 | 3 | 12 | (0.39) |
| KTB | 4 | 7 | 4 | 5 | 9 | (0.20) |
| SCB | 16 | 20 | 12 | 8 | 20 | (0.46) |
| TISCO | 3 | 7 | 4 | 3 | 7 | (0.24) |
| TTB | 14 | 16 | 10 | 5 | 15 | (0.33) |

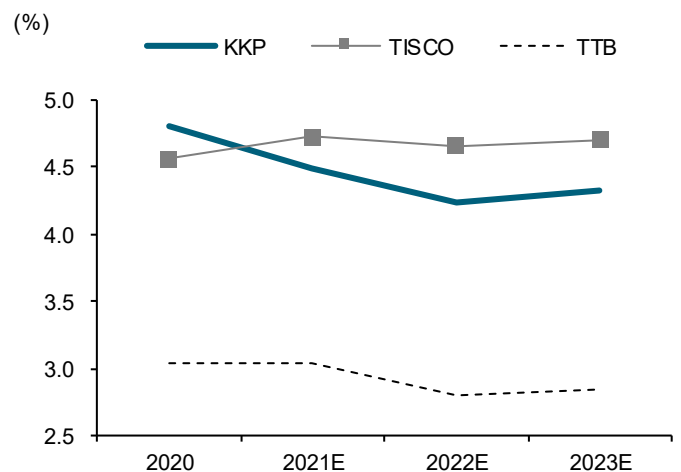
Sources: Company data; FSSIA estimates

Exhibit 14: NIM assumptions for big banks



Sources: Company data; FSSIA estimates

Exhibit 15: NIM assumptions for auto lenders



Sources: Company data; FSSIA estimates

Exhibit 16: Credit cost assumptions

| | Credit cost | | | | Expected normal credit cost (bps) |
|--------------|-------------|-------------|-------------|-------------|-----------------------------------|
| | 2020 (bps) | 2021E (bps) | 2022E (bps) | 2023E (bps) | |
| BBL | 141 | 117 | 88 | 84 | 80-100 |
| KBANK | 205 | 180 | 160 | 150 | 120-140 |
| KKP | 163 | 193 | 120 | 110 | 100-120 |
| KTB | 203 | 140 | 140 | 130 | 120-140 |
| SCB | 214 | 188 | 140 | 135 | 120-140 |
| TISCO | 142 | 115 | 90 | 90 | 90-110 |
| TTB | 178 | 175 | 145 | 138 | 120-140 |

Sources: Company data; FSSIA estimates

We think KBANK should benefit the most from the BoT's guidance. This should protect it from a cliff effect and give the bank more time to deal with its clients. Based on our calculation, KBANK's 2022 loan yield would decline by 0.44% from its current yield of 4.7%. This should be offset by 1) the extension of the FIDF fee at 0.23%; and 2) its credit cost in 2022 should decline to 160 bps from our projected 180 bps in 2021, close to its normal rate of 120-140 bps. Accordingly, we increase our 2022-23 net profit forecasts by 9%/11%. We also increase our 2021 earnings forecast by 6%, mainly due to the higher-than-expected loan growth and loan yield.

Exhibit 17: KBANK – change of key assumptions

| | 2020 (THB m) | 2021E | | | 2022E | | | 2023E | | |
|----------------------------------|----------------|----------------|----------------|------------|----------------|----------------|------------|----------------|----------------|-------------|
| | | Old (THB m) | New (THB m) | Change (%) | Old (THB m) | New (THB m) | Change (%) | Old (THB m) | New (THB m) | Change (%) |
| Net interest income | 109,022 | 111,801 | 114,513 | 2.4 | 110,160 | 113,616 | 3.1 | 114,769 | 117,376 | 2.3 |
| Non-interest income* | 45,869 | 45,847 | 45,847 | (0.0) | 50,357 | 50,357 | (0.0) | 53,646 | 53,646 | 0.0 |
| Operating income* | 154,891 | 157,647 | 160,360 | 1.7 | 160,517 | 163,973 | 2.2 | 168,415 | 171,022 | 1.5 |
| Operating expenses | 69,997 | 71,945 | 71,945 | 0.0 | 72,107 | 72,107 | 0.0 | 74,885 | 74,885 | (0.0) |
| PPOP before tax* | 84,895 | 85,702 | 88,415 | 3.2 | 88,409 | 91,865 | 3.9 | 93,531 | 96,137 | 2.8 |
| Expected credit loss (Reversal) | 43,548 | 41,659 | 41,821 | 0.4 | 41,541 | 39,392 | (5.2) | 42,335 | 38,777 | (8.4) |
| Tax expenses | 7,656 | 8,324 | 8,806 | 5.8 | 7,874 | 9,917 | 26.0 | 9,414 | 10,841 | 15.2 |
| Minority interest | 4,203 | 4,393 | 4,648 | 5.8 | 4,796 | 5,234 | 9.1 | 5,139 | 5,722 | 11.3 |
| Normalised profit | 29,487 | 31,325 | 33,139 | 5.8 | 34,198 | 37,321 | 9.1 | 36,642 | 40,797 | 11.3 |
| Extraordinary items | - | - | - | | - | - | | - | - | |
| Net profit | 29,487 | 31,325 | 33,139 | 5.8 | 34,198 | 37,321 | 9.1 | 36,642 | 40,797 | 11.3 |
| EPS (THB) | 12.45 | 13.22 | 13.99 | 5.8 | 14.43 | 15.75 | 9.2 | 15.47 | 17.22 | 11.3 |
| Key statistics and ratios | | | | | | | | | | |
| Asset quality ratio | | | | | | | | | | |
| Gross NPLs (THB m) | 101,007 | 121,208 | 112,118 | (7.5) | 113,936 | 117,724 | 3.3 | 117,354 | 121,255 | 3.3 |
| Gross NPLs / Loans (%) | 3.93 | 4.44 | 4.08 | | 3.98 | 4.08 | | 3.90 | 4.00 | |
| Loan loss reserve/NPLs (%) | 133 | 122 | 131 | | 122 | 129 | | 124 | 126 | |
| Credit cost (bps) | 205 | 180 | 180 | | 170 | 160 | | 165 | 150 | |
| Profitability ratio (%) | | | | | | | | | | |
| Cost to income ratio* | 45.2 | 45.6 | 44.9 | | 44.9 | 44.0 | | 44.5 | 43.8 | |
| Average yield | 3.86 | 3.54 | 3.60 | | 3.51 | 3.40 | | 3.65 | 3.58 | |
| Cost of funds | 0.78 | 0.59 | 0.58 | | 0.76 | 0.55 | | 0.77 | 0.77 | |
| Net interest margin (NIM) | 3.30 | 3.12 | 3.19 | | 2.97 | 3.00 | | 3.10 | 3.02 | |
| Loan growth (%) | | | | | | | | | | |
| y-y | 12.1 | 6.2 | 7.0 | | 5.0 | 5.0 | | 5.0 | 5.0 | |

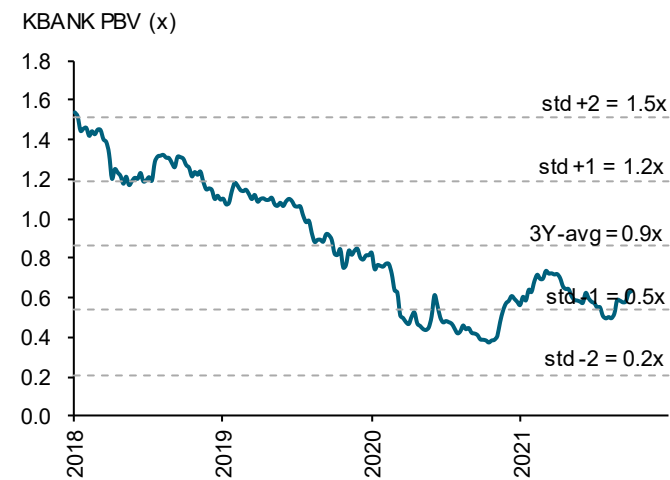
*Including share of profits from associates

Source: FSSIA estimates

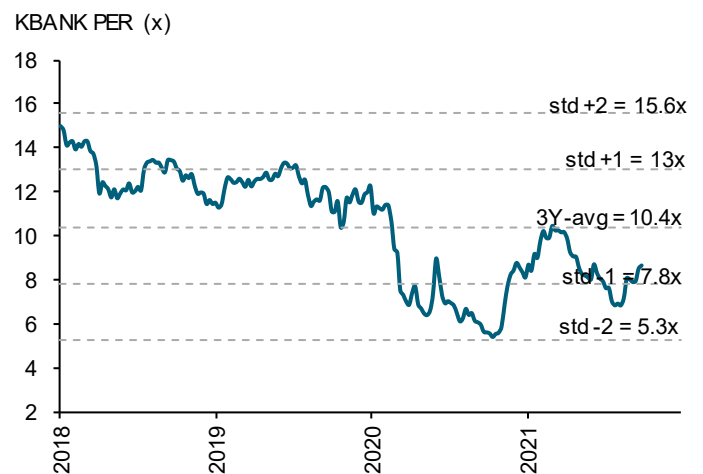
Exhibit 18: KBANK – GGM-derived target price

| Target price | THB 168 (from THB150) |
|-------------------------|--|
| Recommendation | BUY (unchanged) |
| Risk-free rate (%) | 3.0 (unchanged) |
| Market risk premium (%) | 8.0 (unchanged) |
| Cost to equity (%) | 8.4 (unchanged) |
| Terminal growth (%) | 4.5 (from 4.0) |
| ROE target (%) | 7.6 (from 7.2) |
| Risk to TP | 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

Exhibit 19: KBANK – one-year forward rolling P/BV

Sources: Bloomberg; FSSIA estimates

Exhibit 20: KBANK – one-year forward rolling P/E

Sources: Bloomberg; FSSIA estimates

Exhibit 21: Peers comparison

| Company name | BBG code | Rec | --- Share price --- | | Up side (%) | Market Cap (USD m) | EPS growth | | ----- PE ----- | | ---- ROE ---- | | --- PBV --- | |
|----------------------|----------|------|---------------------|--------------|-------------|--------------------|------------|-------------|----------------|------------|---------------|------------|-------------|------------|
| | | | Current (THB) | Target (THB) | | | 21E (%) | 22E (%) | 21E (x) | 22E (x) | 21E (%) | 22E (%) | 21E (x) | 22E (x) |
| Bangkok Bank | BBL TB | HOLD | 116.50 | 128.00 | 10 | 6,582 | 17.2 | 9.9 | 9.0 | 8.2 | 5.5 | 5.8 | 0.5 | 0.5 |
| Kasikornbank | KBANK TB | BUY | 137.00 | 168.00 | 23 | 9,608 | 12.4 | 12.6 | 9.8 | 8.7 | 7.2 | 7.5 | 0.7 | 0.6 |
| Kiatnakin Bank | KKP TB | BUY | 55.25 | 68.00 | 23 | 1,385 | 8.2 | 20.9 | 8.4 | 7.0 | 11.6 | 13.0 | 0.9 | 0.9 |
| Krung Thai Bank | KTB TB | HOLD | 11.10 | 12.20 | 10 | 4,592 | 21.5 | 5.5 | 7.6 | 7.2 | 5.8 | 5.8 | 0.4 | 0.4 |
| Siam Commercial Bank | SCB TB | BUY | 124.00 | 158.00 | 27 | 12,463 | 18.1 | 14.2 | 13.1 | 11.5 | 7.6 | 8.4 | 1.0 | 1.0 |
| Tisco Financial | TISCO TB | BUY | 92.25 | 110.00 | 19 | 2,186 | 6.7 | 9.0 | 11.4 | 10.5 | 16.1 | 16.7 | 1.8 | 1.7 |
| TMBThanachart | TTB TB | BUY | 1.12 | 1.40 | 25 | 3,199 | (1.1) | 32.1 | 10.8 | 8.2 | 4.8 | 6.1 | 0.5 | 0.5 |
| Coverage | | | | | | 40,015 | 0.8 | 13.6 | 10.6 | 9.3 | 7.3 | 7.9 | 0.8 | 0.7 |

Share prices as of 4 Oct 2021

Sources: Company data; FSSIA estimates

Financial Statements

Kasikornbank

| Profit and Loss (THB m) Year Ending Dec | 2019 | 2020 | 2021E | 2022E | 2023E |
|---|----------|----------|----------|----------|----------|
| Interest Income | 130,178 | 127,592 | 129,592 | 128,574 | 138,948 |
| Interest expense | (27,490) | (18,570) | (15,079) | (14,958) | (21,573) |
| Net interest income | 102,688 | 109,022 | 114,513 | 113,616 | 117,376 |
| Net fees & commission | 36,740 | 33,004 | 34,548 | 36,276 | 38,090 |
| Foreign exchange trading income | 8,362 | 0 | 0 | 0 | 0 |
| Securities trading income | 8,412 | 9,428 | 7,939 | 8,986 | 9,809 |
| Dividend income | 2,817 | 2,384 | 2,623 | 2,754 | 2,892 |
| Other income | 1,428 | 1,246 | 949 | 2,564 | 3,090 |
| Non interest income | 57,759 | 46,063 | 46,059 | 50,580 | 53,881 |
| Total income | 160,447 | 155,085 | 160,572 | 164,196 | 171,256 |
| Staff costs | (33,261) | (32,143) | (32,786) | (31,803) | (33,393) |
| Other operating costs | (39,468) | (37,853) | (39,159) | (40,305) | (41,492) |
| Operating costs | (72,729) | (69,997) | (71,945) | (72,107) | (74,885) |
| Pre provision operating profit | 87,718 | 85,088 | 88,627 | 92,089 | 96,371 |
| Provision for bad and doubtful debt | (34,012) | (43,548) | (41,821) | (39,392) | (38,777) |
| Other provisions | - | - | - | - | - |
| Operating profit | 53,706 | 41,540 | 46,806 | 52,697 | 57,595 |
| Recurring non operating income | 44 | (193) | (213) | (223) | (234) |
| Associates | 44 | (193) | (213) | (223) | (234) |
| Goodwill amortization | - | - | - | - | - |
| Non recurring items | 0 | 0 | 0 | 0 | 0 |
| Profit before tax | 53,750 | 41,347 | 46,594 | 52,473 | 57,360 |
| Tax | (10,309) | (7,656) | (8,806) | (9,917) | (10,841) |
| Profit after tax | 43,441 | 33,690 | 37,787 | 42,556 | 46,519 |
| Minority interests | (4,714) | (4,203) | (4,648) | (5,234) | (5,722) |
| Preferred dividends | - | - | - | - | - |
| Other items | - | - | - | - | - |
| Reported net profit | 38,727 | 29,487 | 33,139 | 37,321 | 40,797 |
| Non recurring items & goodwill (net) | - | - | 0 | 0 | 0 |
| Recurring net profit | 38,727 | 29,487 | 33,139 | 37,321 | 40,797 |
| Per share (THB) | | | | | |
| Recurring EPS * | 16.18 | 12.45 | 13.99 | 15.75 | 17.22 |
| Reported EPS | 16.18 | 12.45 | 13.99 | 15.75 | 17.22 |
| DPS | 5.00 | 2.50 | 2.70 | 3.50 | 4.00 |
| Growth | | | | | |
| Net interest income (%) | 4.2 | 6.2 | 5.0 | (0.8) | 3.3 |
| Non interest income (%) | 1.5 | (20.3) | 0.0 | 9.8 | 6.5 |
| Pre provision operating profit (%) | 0.7 | (3.0) | 4.2 | 3.9 | 4.7 |
| Operating profit (%) | (1.6) | (22.7) | 12.7 | 12.6 | 9.3 |
| Reported net profit (%) | 0.7 | (23.9) | 12.4 | 12.6 | 9.3 |
| Recurring EPS (%) | 0.7 | (23.1) | 12.4 | 12.6 | 9.3 |
| Reported EPS (%) | 0.7 | (23.1) | 12.4 | 12.6 | 9.3 |
| Income Breakdown | | | | | |
| Net interest income (%) | 64.0 | 70.3 | 71.3 | 69.2 | 68.5 |
| Net fees & commission (%) | 22.9 | 21.3 | 21.5 | 22.1 | 22.2 |
| Foreign exchange trading income (%) | 5.2 | - | - | - | - |
| Securities trading income (%) | 5.2 | 6.1 | 4.9 | 5.5 | 5.7 |
| Dividend income (%) | 1.8 | 1.5 | 1.6 | 1.7 | 1.7 |
| Other income (%) | 0.9 | 0.8 | 0.6 | 1.6 | 1.8 |
| Operating performance | | | | | |
| Gross interest yield (%) | 4.20 | 3.86 | 3.60 | 3.40 | 3.58 |
| Cost of funds (%) | 1.24 | 0.78 | 0.58 | 0.55 | 0.77 |
| Net interest spread (%) | 2.96 | 3.08 | 3.02 | 2.85 | 2.81 |
| Net interest margin (%) | 3.3 | 3.3 | 3.2 | 3.0 | 3.0 |
| Cost/income(%) | 45.3 | 45.1 | 44.8 | 43.9 | 43.7 |
| Cost/assets(%) | 2.3 | 2.0 | 1.9 | 1.8 | 1.9 |
| Effective tax rate (%) | 19.2 | 18.5 | 18.9 | 18.9 | 18.9 |
| Dividend payout on recurring profit (%) | 30.9 | 20.1 | 19.3 | 22.2 | 23.2 |
| ROE (%) | 9.9 | 7.0 | 7.2 | 7.5 | 7.7 |
| ROE - COE (%) | (0.1) | (3.0) | (2.7) | (2.4) | (2.2) |
| ROA (%) | 1.3 | 1.0 | 1.0 | 1.1 | 1.2 |
| RORWA (%) | 2.0 | 1.5 | 1.5 | 1.6 | 1.7 |

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Kasikornbank; FSSIA estimates

Financial Statements

Kasikornbank

| Balance Sheet (THB m) Year Ending Dec | 2019 | 2020 | 2021E | 2022E | 2023E |
|--|------------------|------------------|------------------|------------------|------------------|
| Gross customer loans | 2,001,956 | 2,244,821 | 2,401,958 | 2,522,056 | 2,648,159 |
| Total provisions | (124,879) | (134,393) | (147,391) | (151,474) | (153,176) |
| interest in suspense | 2,830 | 11,272 | 16,814 | 20,176 | 21,185 |
| Net customer loans | 1,879,907 | 2,121,700 | 2,271,382 | 2,390,759 | 2,516,168 |
| Bank loans | 385,940 | 417,420 | 436,899 | 383,155 | 363,053 |
| Government securities | - | - | - | - | - |
| Trading securities | - | - | - | - | - |
| Investment securities | 776,700 | 777,790 | 910,776 | 919,415 | 928,153 |
| Cash & equivalents | 61,385 | 61,962 | 57,818 | 93,342 | 65,485 |
| Other interesting assets | - | - | - | - | - |
| Tangible fixed assets | 77,686 | 85,664 | 87,471 | 89,928 | 93,034 |
| Associates | - | - | - | - | - |
| Goodwill | - | - | - | - | - |
| Other intangible assets | - | - | - | - | - |
| Other assets | 112,272 | 194,261 | 116,423 | 119,895 | 122,656 |
| Total assets | 3,293,889 | 3,658,798 | 3,880,769 | 3,996,493 | 4,088,550 |
| Customer deposits | 2,072,049 | 2,344,998 | 2,500,005 | 2,575,005 | 2,626,505 |
| Bank deposits | - | - | - | - | - |
| Other interest bearing liabilities | 185,132 | 183,631 | 205,628 | 211,797 | 216,033 |
| Non interest bearing liabilities | 582,994 | 638,883 | 638,883 | 638,883 | 638,883 |
| Hybrid Capital | - | - | - | - | - |
| Total liabilities | 2,840,174 | 3,167,512 | 3,344,516 | 3,425,685 | 3,481,421 |
| Share capital | 23,933 | 23,693 | 23,693 | 23,693 | 23,693 |
| Reserves | 382,425 | 415,976 | 456,219 | 487,144 | 519,648 |
| Total equity | 406,358 | 439,670 | 479,913 | 510,837 | 543,342 |
| Minority interests | 47,357 | 51,616 | 56,341 | 59,971 | 63,787 |
| Total liabilities & equity | 3,293,889 | 3,658,798 | 3,880,769 | 3,996,493 | 4,088,550 |
| Supplementary items | | | | | |
| Risk weighted assets (RWA) | 2,210,881 | 2,404,276 | 2,572,575 | 2,701,204 | 2,836,264 |
| Average interest earning assets | 3,101,614 | 3,302,313 | 3,594,832 | 3,787,130 | 3,881,996 |
| Average interest bearing liabilities | 2,214,536 | 2,368,844 | 2,590,381 | 2,718,755 | 2,786,523 |
| Tier 1 capital | 357,975 | 387,854 | 412,059 | 440,893 | 471,659 |
| Total capital | 433,753 | 452,095 | 476,300 | 505,134 | 535,900 |
| Gross non performing loans (NPL) | 84,038 | 101,007 | 112,118 | 117,724 | 121,255 |
| Per share (THB) | | | | | |
| Book value per share | 169.79 | 185.57 | 202.55 | 215.60 | 229.32 |
| Tangible book value per share | 169.79 | 185.57 | 202.55 | 215.60 | 229.32 |
| Growth | | | | | |
| Gross customer loans | 4.6 | 12.1 | 7.0 | 5.0 | 5.0 |
| Average interest earning assets | 6.9 | 6.5 | 8.9 | 5.3 | 2.5 |
| Total asset (%) | 4.4 | 11.1 | 6.1 | 3.0 | 2.3 |
| Risk weighted assets (%) | 6.2 | 8.7 | 7.0 | 5.0 | 5.0 |
| Customer deposits (%) | 3.9 | 13.2 | 6.6 | 3.0 | 2.0 |
| Leverage & capital measures | | | | | |
| Customer loan/deposits (%) | 90.7 | 90.5 | 90.9 | 92.8 | 95.8 |
| Equity/assets (%) | 12.3 | 12.0 | 12.4 | 12.8 | 13.3 |
| Tangible equity/assets (%) | 12.3 | 12.0 | 12.4 | 12.8 | 13.3 |
| RWA/assets (%) | 67.1 | 65.7 | 66.3 | 67.6 | 69.4 |
| Tier 1 CAR (%) | 16.2 | 16.1 | 16.0 | 16.3 | 16.6 |
| Total CAR (%) | 19.6 | 18.8 | 18.5 | 18.7 | 18.9 |
| Asset Quality | | | | | |
| Change in NPL (%) | 13.0 | 20.2 | 11.0 | 5.0 | 3.0 |
| NPL/gross loans (%) | 4.2 | 4.5 | 4.7 | 4.7 | 4.6 |
| Total provisions/gross loans (%) | 6.2 | 6.0 | 6.1 | 5.7 | 5.8 |
| Total provisions/NPL (%) | 148.6 | 133.1 | 131.5 | 128.7 | 126.3 |
| Valuation | | | | | |
| Recurring P/E (x) * | 8.5 | 11.0 | 9.8 | 8.7 | 8.0 |
| Recurring P/E @ target price (x) * | 10.4 | 13.5 | 12.0 | 10.7 | 9.8 |
| Reported P/E (x) | 8.5 | 11.0 | 9.8 | 8.7 | 8.0 |
| Dividend yield (%) | 3.6 | 1.8 | 2.0 | 2.6 | 2.9 |
| Price/book (x) | 0.8 | 0.7 | 0.7 | 0.6 | 0.6 |
| Price/tangible book (x) | 0.8 | 0.7 | 0.7 | 0.6 | 0.6 |
| Price/tangible book @ target price (x) | 1.0 | 0.9 | 0.8 | 0.8 | 0.7 |

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Kasikornbank; 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 | ICI | 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 | SCC | 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 | TQM | TRC | TRC | TSC | TSR | TSTE | TSTH |
| TTCL | TTW | TU | TVD | TVI | TVO | TWPC | U | UAC | UBIS | UV |
| VGI | VIH | WACOAL | WAVE | WHA | WHAUP | WICE | WINNER | TRUE | | |

| VERY GOOD LEVEL | | | | | | | | | | |
|-----------------|---------|--------|-------|--------|-------|--------|--------|--------|--------|-------|
| 2S | ABM | ACE | ACG | ADB | AEC | AEONTS | AGE | AH | AHC | AIT |
| ALLA | AMANAHA | AMARIN | APCO | APCS | APURE | AQUA | ASAP | ASEFA | ASIA | ASIAN |
| ASIMAR | ASK | ASN | ATP30 | AUCT | AWC | AYUD | B | BA | BAM | BBL |
| BFIT | BGC | BJC | BJCHI | BROOK | BTW | CBG | CEN | CGH | CHARAN | CHAYO |
| CHG | CHOTI | CHOW | CI | CIG | CMC | COLOR | COM7 | CPL | CRC | CRD |
| CSC | CSP | CWT | DCC | DCON | DDD | DOD | DOHOME | EASON | EE | ERW |
| ESTAR | FE | FLOYD | FN | FORTH | FSS | FTE | FVC | GENCO | GJS | GL |
| GLAND | GLOBAL | GLOCON | GPI | GULF | GYT | HPT | HTC | ICN | IFS | ILM |
| IMH | INET | INSURE | IRC | IRCP | IT | ITD | ITEL | J | JAS | JCK |
| JCKH | JMART | JMT | KBS | KCAR | KGI | KIAT | KOOL | KTIS | KWC | KWM |
| L&E | LALIN | LDC | LHK | LOXLEY | LPH | LRH | LST | M | MACO | MAJOR |
| MBAX | MEGA | META | MFC | MGT | MILL | MITSIB | MK | MODERN | MTI | MVP |
| NETBAY | NEX | NINE | NTV | NWR | OCC | OGC | OSP | PATO | PB | PDG |
| PDI | PICO | PIMO | PJW | PL | PM | PPP | PRIN | PRINC | PSTC | PT |
| QLT | RCL | RICHY | RML | RPC | RWI | S11 | SALEE | SAMCO | SANKO | SAPPE |
| SAWAD | SCI | SCP | SE | SEG | SFP | SGF | SHR | SIAM | SINGER | SKE |
| SKR | SKY | SMIT | SMT | SNP | SPA | SPC | SPCG | SR | SRICHA | SSC |
| SSF | STANLY | STI | STPI | SUC | SUN | SYNEX | T | TAE | TAKUNI | TBSP |
| TCC | TCMC | TEAM | TEAMG | TFG | TIGER | TITLE | TKN | TKS | TM | TMC |
| TMD | TMI | TMT | TNITY | TNP | TNR | TOG | TPA | TPAC | TPCORP | TPOLY |
| TPS | TRITN | TRT | TRU | TSE | TVT | TWP | UEC | UMI | UOBKH | UP |
| UPF | UPOIC | UT | UTP | UWC | VL | VNT | VPO | WIJK | WP | XO |
| YUASA | ZEN | ZIGA | ZMICO | | | | | | | |

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

Description

Score Range

Excellent

90-100

Very Good

80-89

Good

70-79

Disclaimer:

The disclosure of the survey results of the Thai Institute of Directors Association ("IOD") regarding corporate governance is made pursuant to the policy of the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of a company listed on the Stock Exchange of Thailand and the Market for Alternative Investment disclosed to the public and able to be accessed by a general public investor. The result, therefore, is from the perspective of a third party. It is not an evaluation of operation and is not based on inside information.

The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey results may be changed after that date. FSS International Investment Advisory Company Limited does not confirm nor certify the accuracy of such survey results.

* CGR scoring should be considered with news regarding wrong doing of the company or director or executive of the company such unfair practice on securities trading, fraud, and corruption SEC imposed a civil sanction against insider trading of director and executive; ** delisted

Source: Thai Institute of Directors Association (IOD); FSSIA's compilation

Anti-corruption Progress Indicator 2020

| CERTIFIED | | | | | | | | | | |
|-----------|--------|--------|--------|-------|--------|--------|---------|--------|--------|--------|
| 2S | ADVANC | AI | AIE | AIRA | AKP | AMA | AMANAHA | AP | AQUA | ARROW |
| ASK | ASP | AYUD | B | BAFS | BANPU | BAY | BBL | BCH | BCP | BCPG |
| BGC | BGRIM | BJCHI | BKI | BLA | BPP | BROOK | BRR | BSBM | BTS | BWG |
| CEN | CENTEL | CFRESH | CGH | CHEWA | CHOTI | CHOW | CIG | CIMBT | CM | CMC |
| COL | COM7 | CPALL | CPF | CPI | CPN | CSC | DCC | DELTA | DEMCO | DIMET |
| DRT | DTAC | DTC | EASTW | ECL | EGCO | FE | FNS | FPI | FPT | FSS |
| FTE | GBX | GC | GCAP | GEL | GFPT | GGC | GJS | GPSC | GSTEEL | GUNKUL |
| HANA | HARN | HMPRO | HTC | ICC | ICHI | IFS | INET | INSURE | INTUCH | IRPC |
| ITEL | IVL | K | KASET | KBANK | KBS | KCAR | KCE | KGI | KKP | KSL |
| KTB | KTC | KWC | L&E | LANNA | LHFG | LHK | LPN | LRH | M | MAKRO |
| MALEE | MBAX | MBK | MBKET | MC | MCOT | MFC | MFEC | MINT | MONO | MOONG |
| MPG | MSC | MTC | MTI | NBC | NEP | NINE | NKI | NMG | NNCL | NSI |
| NWR | OCC | OCEAN | OGC | ORI | PAP | PATO | PB | PCSGH | PDG | PDI |
| PDJ | PE | PG | PHOL | PL | PLANB | PLANET | PLAT | PM | PPP | PPPM |
| PPS | PREB | PRG | PRINC | PRM | PSH | PSL | PSTC | PT | PTG | PTT |
| PTTEP | PTTGC | PYLON | Q-CON | QH | QLT | QTC | RATCH | RML | RWI | S & J |
| SABINA | SAT | SC | SCB | SCC | SCCC | SCG | SCN | SEAOIL | SE-ED | SELIC |
| SENA | SGP | SIRI | SITHAI | SMIT | SMK | SMPC | SNC | SNP | SORKON | SPACK |
| SPC | SPI | SPRC | SRICHA | SSF | SSSC | SST | STA | SUSCO | SVI | SYNTEC |
| TAE | TAKUNI | TASCO | TBSP | TCAP | TCMC | TFG | TFI | TFMAMA | THANI | THCOM |
| THIP | THRE | THREL | TIP | TIPCO | TISCO | TKT | 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 | 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 |
|----------------------|----------|------------|--------|--|
| Kasikornbank | KBANK TB | THB 137.00 | 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. |
| Bangkok Bank | BBL TB | THB 116.50 | 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 Permata synergies. |
| Kiatnakin Bank | KKP TB | THB 55.25 | BUY | Downside risks to our GGM-based target price include weakening asset quality and lower fee income. |
| Krung Thai Bank | KTB TB | THB 11.10 | 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 124.00 | 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. |
| Tisco Financial | TISCO TB | THB 92.25 | 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; 2) the impact of new regulations from the Bank of Thailand on debt-servicing programs; and 3) the slow expansion of its high-yield auto cash portfolio. |
| TMBThanachart Bank | TTB TB | THB 1.12 | BUY | Downside risks to our GGM-based TP are 1) prolonged economic sluggishness and 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. |
| Krungthai Card | KTC TB | THB 55.25 | 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. |

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 04-Oct-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.