

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%

## ปฏิรูปเต็มตัว

### อะไรคือมูลค่าที่ซ่อนอยู่ของ KBANK?

เราเชื่อว่าธุรกิจของ KBANK เกือบจะวิ่งเป็นคู่ขนานกับของ SCB โดย KBANK เป็นหนึ่งในธนาคารชั้นนำในด้านแพลตฟอร์มดิจิทัลและเทคโนโลยี นอกจากนี้ส่วนแบ่งตลาดสินเชื่อรายย่อยยังมักจะอยู่ใน 3 อันดับแรก เราเห็นว่าสินเชื่อรายย่อยในประเทศไทยมีศักยภาพในการเติบโตในระดับสูง พร้อมอัตราความเสี่ยงต่อผลตอบแทนที่น่าพอใจที่สุดเมื่อเทียบกับกลุ่มอื่น ทำให้โดยปกตินักลงทุนจะให้ระดับการประเมินมูลค่าในระดับสูงแก่หุ้นที่มุ่งเน้นในด้านสินเชื่อรายย่อย เราเชื่อว่ามูลค่าแฝงอยู่มากใน KBANK ธนาคารฯ ยังไม่ได้ประกาศแผนปฏิรูปอย่างเป็นทางการ แต่เรามีความเชื่ออย่างแรงกล้าว่าหลังการปรับโครงสร้างของ SCB เป็นไปได้ว่า KBANK จะเป็นธนาคารที่มีความพร้อมสูงสุดในการปรับเปลี่ยนตัวเองเพื่อบริหารเงินทุนให้มีประสิทธิภาพและเพิ่มอัตราผลตอบแทนต่อส่วนผู้ถือหุ้น จากการประเมินมูลค่าแฝงของ KBANK ผ่านวิธีคิดของ SCB ถ้า KBANK ปฏิรูปตัวเอง เราจะได้มูลค่าเพิ่มอย่างน้อย 20.3 บาท/หุ้น ประกอบด้วย 17.3 บาท/หุ้นจากธุรกิจบัตรเครดิตและสินเชื่อส่วนบุคคล, 2.1 บาท/หุ้นจาก KLeasing และ 0.9 บาท/หุ้นจาก LINE BK

### มองผ่านผลประกอบการที่คาดว่าจะอ่อนแอใน 3Q-4Q21

เราคาดว่า KBANK จะรายงานผลประกอบการที่อ่อนแอใน 3Q-4Q21 โดยคาดว่าจะกำไรสุทธิ 3Q21 ไร่ที่ 7.2 พัน ลบ. (+8% y-y, -19% q-q) จากปัญหาโรคระบาดที่ยืดเยื้อ ซึ่งจะทำให้สำรองเพิ่มขึ้นและรายได้ค่าธรรมเนียมลดลง อย่างไรก็ตามเราก็คำนวณว่านักลงทุนน่าจะมองผ่านปัจจัยดังกล่าวไปยังการฟื้นตัวในระดับสูงที่เราคาดว่าจะเกิดขึ้นในปี 2022 เราคิดว่าตลาดจะเลือกให้ความสำคัญกับโอกาสในการปรับโครงสร้างเพื่อต่อสู้กับคู่แข่งเพื่อให้ผลตอบแทนของผู้ถือหุ้นมีโอกาสปรับเพิ่มขึ้นได้

### ผู้ได้ประโยชน์สูงสุดจากแนวทางในการจัดชั้นหนี้ของ ธปท.

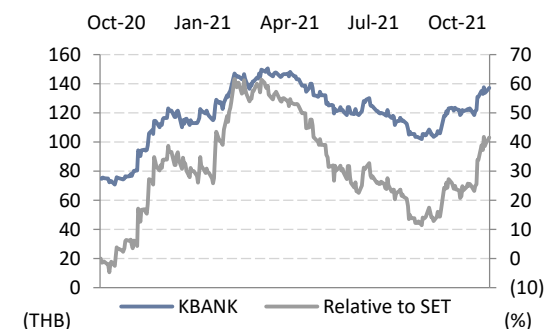
เราคิดว่า KBANK น่าจะได้ประโยชน์มากที่สุดจากแนวทางดังกล่าวของ ธปท. ปัจจัยดังกล่าวจะป้องกันธนาคารฯ จากการเสื่อมคุณภาพของสินทรัพย์อย่างรวดเร็วและให้เวลาที่มากขึ้นแก่ธนาคารฯ ในการจัดการกับลูกค้า จากการคำนวณของเราผลตอบแทนสินเชื่อของ KBANK ในปี 2022 จะลดลง 0.44% จากในปัจจุบันที่ 4.7% อย่างไรก็ตามปัจจัยดังกล่าวจะหักลบกับ 1) มาตรการขยายการลดเงินนำส่งเข้า FIDF มาอยู่ที่ 0.23%; และ 2) ต้นทุนความเสี่ยงในการปล่อยสินเชื่อ (Credit Cost) ในปี 2022 น่าจะลดลงเหลือ 160 bps จากที่เราคาดไว้ที่ 180 bps ในปี 2021 ซึ่งทำให้เราปรับเพิ่มประมาณการกำไรสุทธิปี 2022-23 ขึ้น 9%/11%

### หันมามอง KBANK เป็นบวกมากขึ้น เลือกเป็นหุ้นเด่น

เราปรับเพิ่มราคาเป้าหมายปี 2022 เป็น 168 บาท (GGM) หลังแนะนำ KBANK ในฐานะที่เป็นการลงทุนที่ปลอดภัยในรายงานกลุ่มธนาคารและการเงินของไทยในหัวข้อ "เดินตาเดียวเขย่าทั้งกระดาน" เมื่อวันที่ 23 ก.ย. 2021 ปัจจุบันเราเลือก KBANK เป็นหนึ่งในหุ้นเด่นของเรา เราเชื่อว่าธนาคารฯ จะให้การเติบโตที่ดีในปี 2022 นอกจากนี้เรายังคิดว่าธนาคารฯ กำลังปฏิรูปอย่างเต็มตัวเพื่อปลดข้อจำกัดที่มีต่อมูลค่าของตัวเองและเพิ่มผลตอบแทนของผู้ถือหุ้น

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

บทวิเคราะห์ฉบับนี้แปลมาจากบทวิเคราะห์ของ FSSIA ฉบับวันที่ 5 ตุลาคม 2021

## 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.

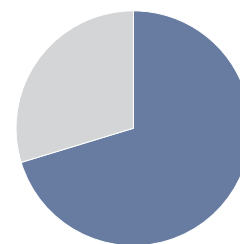
## Company profile

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](http://www.kasikornbank.com)

## Principal activities (revenue, 2020)

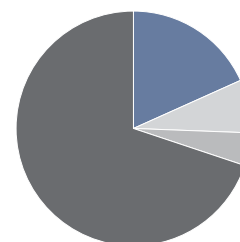
- Net interest income - 70.3 %
- Non-interest income - 29.7 %



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

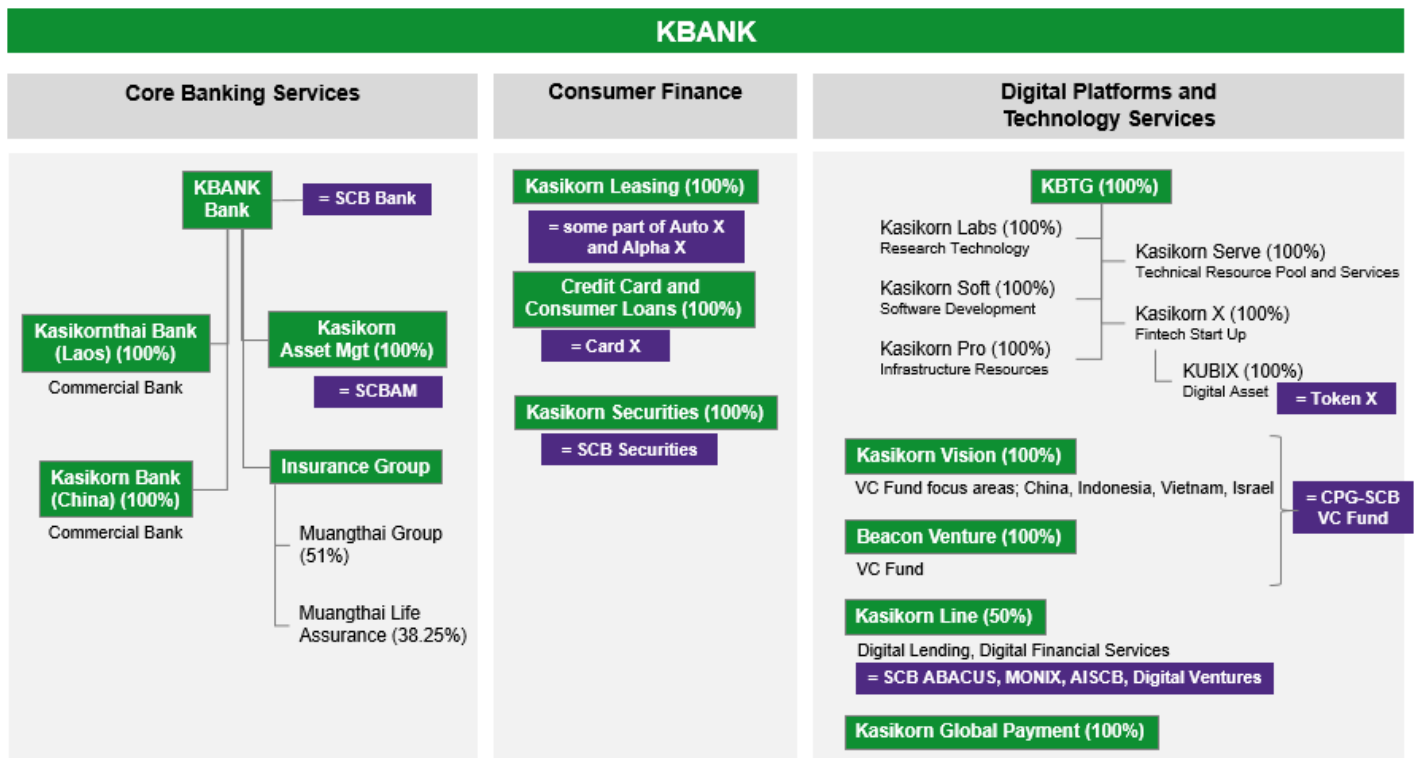


## What is KBANK's hidden value?

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.

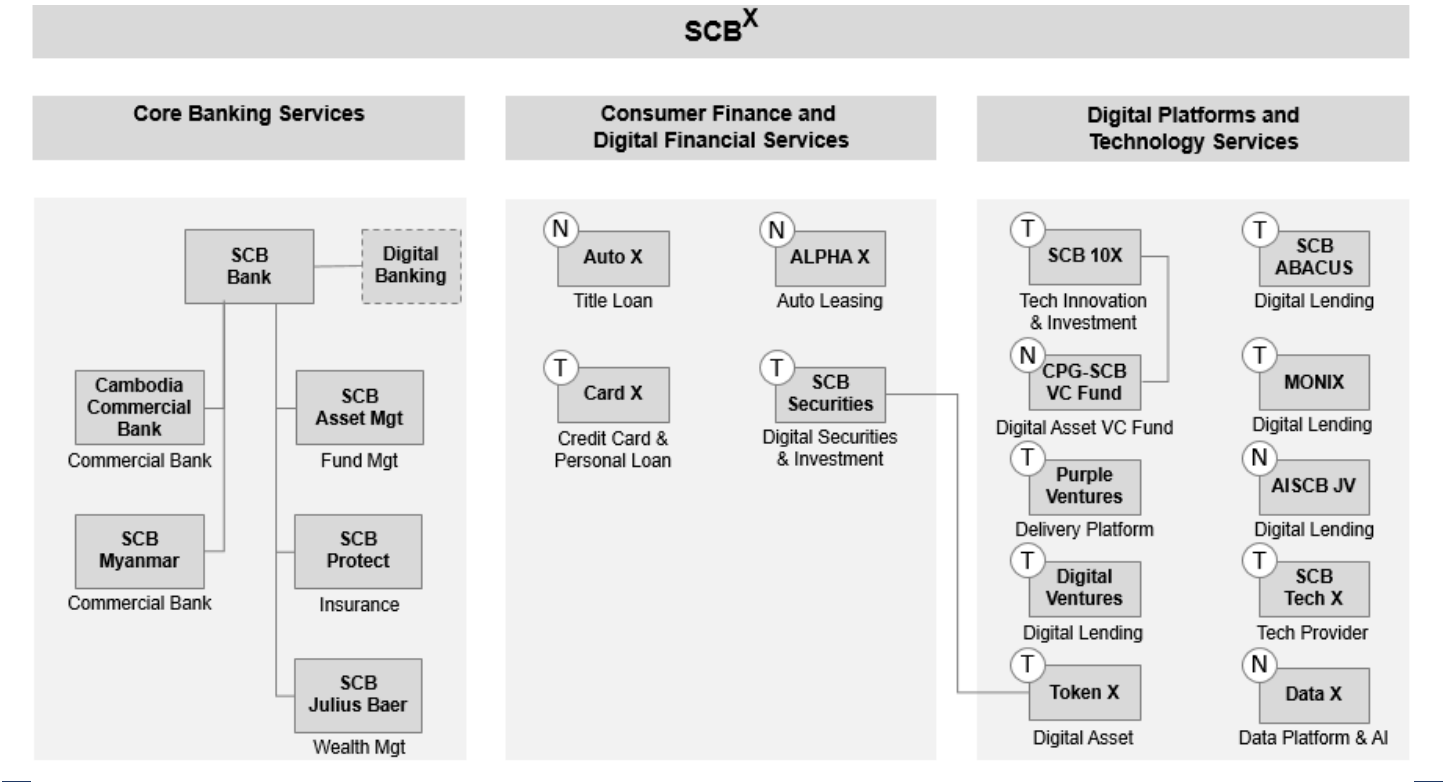
### Exhibit 1: KBANK's potential new business structure – FSSIA's view



\*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><b>MAKE by KBank</b></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><b>LINE BK</b></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><b>KUBIX</b></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><b>KhunThong</b></p> <p>Social chatbot helping friends settle expenses within a chat for a seamless payment experience.</p> 	<p><b>Alternative Vaccine Registration</b></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><b>COVID-19 Hospitel Management Solution</b></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	2020	2021E	2022E	2023E
	(THB b)	(THB b)	(THB b)	(THB b)	(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
<b>Change y-y</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>
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
<b>Total net incremental value</b>	<b>20.26</b>	

Source: FSSIA estimates

### Exhibit 6: Card and consumer loan (CC) assumptions

	2019	2020	2021E	2022E	2023E
<b>Assumptions</b>					
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
<b>Net profit (THB m)</b>			<b>7,553</b>	<b>8,122</b>	<b>8,738</b>

Source: FSSIA estimates

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

Value of CC operating under	
<b>KBANK</b>	
- 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
<b>CC value/share (THB/share)</b>	<b>35.65</b>
<b>Separate entity</b>	
- 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
<b>CC value/share (THB/share)</b>	<b>52.96</b>
<b>Net incremental CC value in case of valuing CC separately (THB/share)</b>	<b>17.31</b>

Source: FSSIA estimates

### Exhibit 8: KLeasing assumptions

	2019	2020	2021E	2022E	2023E
<b>Assumptions</b>					
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
<b>Net profit (THB m)</b>			<b>2,358</b>	<b>2,475</b>	<b>2,599</b>



Source: FSSIA estimates

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

Value of KLeasing operating under	
<b>KBANK</b>	
- 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
<b>KLeasing value/share (THB/share)</b>	<b>10.9</b>
<b>Separate entity</b>	
- 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
<b>KLeasing value/share (THB/share)</b>	<b>12.96</b>
<b>Net incremental KLeasing value in case of valuing KLeasing separately (THB/share)</b>	<b>2.09</b>

\*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
<b>Assumptions</b>			
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
<b>Net profit (THB m)</b>	<b>100</b>	<b>403</b>	<b>715</b>

Source: FSSIA estimates

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

Value of LINE BK operating under	
<b>KBANK</b>	
- 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
<b>LINE BK value/share (THB/share)</b>	<b>1.8</b>
<b>Separate entity</b>	
- 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
<b>LINE BK value/share (THB/share)</b>	<b>2.62</b>
<b>Net incremental LINE BK value in case of valuing LINE BK separately (THB/share)</b>	<b>0.86</b>

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	Lower fee income q-q from lockdown measures
Non-interest income*	9,498	11,138	9,987	5	(10)	33,020	(2)	72	45,847	(0)	
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:

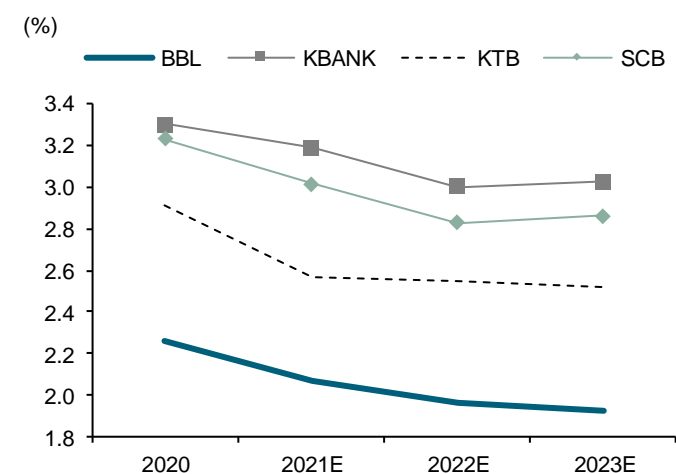
- 2021 forbearance programs should increase slightly to moderately from the current level as of 2Q21, depending on each bank's portfolio makeup and client profiles;
- Banks will likely offer CDR at 60% of their 2021 forbearance programs;
- Banks will also offer CDR for some of their trouble loans which 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)

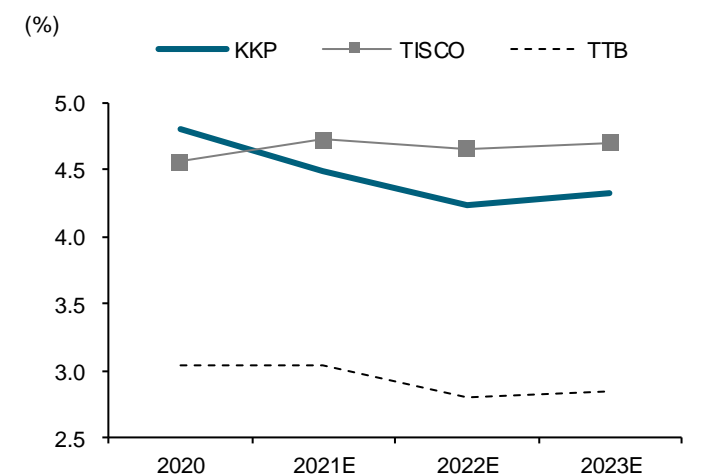
Sources: Company data; FSSIA estimates

### 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
	2020	2021E	2022E	2023E	credit cost
	(bps)	(bps)	(bps)	(bps)	(bps)
BBL	141	117	88	84	80-100
<b>KBANK</b>	<b>205</b>	<b>180</b>	<b>160</b>	<b>150</b>	<b>120-140</b>
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

	----- 2021E -----				----- 2022E -----			----- 2023E -----		
	2020	Old	New	Change	Old	New	Change	Old	New	Change
	(THB m)	(THB m)	(THB m)	(%)	(THB m)	(THB m)	(%)	(THB m)	(THB m)	(%)
Net interest income	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
<b>Operating income*</b>	<b>154,891</b>	<b>157,647</b>	<b>160,360</b>	<b>1.7</b>	<b>160,517</b>	<b>163,973</b>	<b>2.2</b>	<b>168,415</b>	<b>171,022</b>	<b>1.5</b>
Operating expenses	69,997	71,945	71,945	0.0	72,107	72,107	0.0	74,885	74,885	(0.0)
<b>PPOP before tax*</b>	<b>84,895</b>	<b>85,702</b>	<b>88,415</b>	<b>3.2</b>	<b>88,409</b>	<b>91,865</b>	<b>3.9</b>	<b>93,531</b>	<b>96,137</b>	<b>2.8</b>
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
<b>Normalised profit</b>	<b>29,487</b>	<b>31,325</b>	<b>33,139</b>	<b>5.8</b>	<b>34,198</b>	<b>37,321</b>	<b>9.1</b>	<b>36,642</b>	<b>40,797</b>	<b>11.3</b>
Extraordinary items	-	-	-		-	-		-	-	
<b>Net profit</b>	<b>29,487</b>	<b>31,325</b>	<b>33,139</b>	<b>5.8</b>	<b>34,198</b>	<b>37,321</b>	<b>9.1</b>	<b>36,642</b>	<b>40,797</b>	<b>11.3</b>
EPS (THB)	12.45	13.22	13.99	5.8	14.43	15.75	9.2	15.47	17.22	11.3
<b>Key statistics and ratios</b>										
<b>Asset quality ratio</b>										
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	
<b>Profitability ratio (%)</b>										
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	
<b>Loan growth (%)</b>										
y-y	12.1	6.2	7.0		5.0	5.0		5.0	5.0	

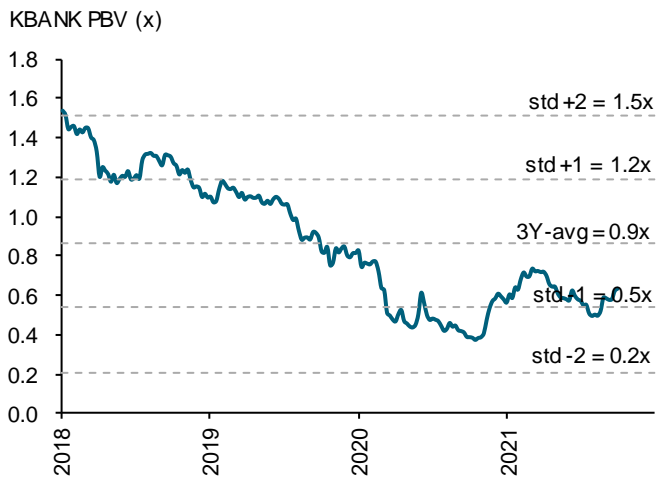
\*Including share of profits from associates

Source: FSSIA estimates

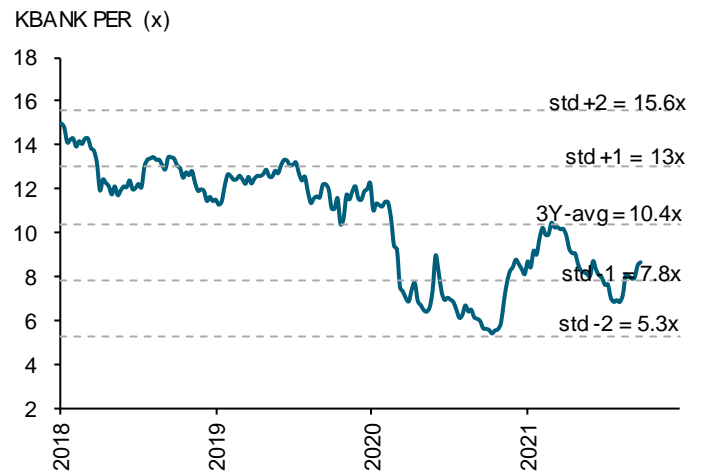
**Exhibit 18: KBANK – GGM-derived target price**

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	Rec	--- Share price ---		Up	Market	EPS growth		----- PE -----		---- ROE ----		--- PBV ---	
	code		Current	Target	side	Cap	21E	22E	21E	22E	21E	22E	21E	22E
			(THB)	(THB)	(%)	(USD m)	(%)	(%)	(x)	(x)	(%)	(%)	(x)	(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
<b>Coverage</b>						<b>40,015</b>	<b>0.8</b>	<b>13.6</b>	<b>10.6</b>	<b>9.3</b>	<b>7.3</b>	<b>7.9</b>	<b>0.8</b>	<b>0.7</b>

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
<b>Per share (THB)</b>					
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
<b>Growth</b>					
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
<b>Income Breakdown</b>					
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
<b>Operating performance</b>					
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
<b>Net customer loans</b>	<b>1,879,907</b>	<b>2,121,700</b>	<b>2,271,382</b>	<b>2,390,759</b>	<b>2,516,168</b>
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
<b>Total assets</b>	<b>3,293,889</b>	<b>3,658,798</b>	<b>3,880,769</b>	<b>3,996,493</b>	<b>4,088,550</b>
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	-	-	-	-	-
<b>Total liabilities</b>	<b>2,840,174</b>	<b>3,167,512</b>	<b>3,344,516</b>	<b>3,425,685</b>	<b>3,481,421</b>
Share capital	23,933	23,693	23,693	23,693	23,693
Reserves	382,425	415,976	456,219	487,144	519,648
<b>Total equity</b>	<b>406,358</b>	<b>439,670</b>	<b>479,913</b>	<b>510,837</b>	<b>543,342</b>
Minority interests	47,357	51,616	56,341	59,971	63,787
<b>Total liabilities &amp; equity</b>	<b>3,293,889</b>	<b>3,658,798</b>	<b>3,880,769</b>	<b>3,996,493</b>	<b>4,088,550</b>
<b>Supplementary items</b>					
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
<b>Per share (THB)</b>					
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
<b>Growth</b>					
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
<b>Leverage &amp; capital measures</b>					
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
<b>Asset Quality</b>					
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
<b>Valuation</b>					
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	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	TQM	TRC	TSC	TSR	TSTE	TSTH	TTA
TTCL	TTW	TU	TVD	TVI	TVO	TWPC	U	UAC	UBIS	UV
VGI	VIH	WACOAL	WAVE	WHA	WHAUP	WICE	WINNER	TRUE		

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

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