

5 OCTOBER 2021

THAILAND / BANKS

SIAM COMMERCIAL BANK SCB TB

BUY

UNCHANGED

TARGET PRICE	THB158.00
CLOSE	THB124.00
UP/DOWNSIDE	+27.4%
PRIOR TP	THB158.00
CHANGE IN TP	UNCHANGED
TP vs CONSENSUS	+23.7%

The waking giant

Best position to benefit from the region's digital age

SCB is a first mover, disrupting itself and the whole lending industry and breaking through the old banking framework. We believe its great transformation will allow it to penetrate a digital industry with high risk-reward lending. Accordingly, we think that SCB is in the best position in the banking sector to benefit from the region's digital age. Moreover, we are convinced that the proactive comprehensive long-term debt restructuring programs (CDR) it offers to its clients should solve its prolonged asset quality problem.

3Q21: soft top line but good (operating and credit) cost control

We expect SCB to report a 3Q21 net profit of THB6,831m (+47% y-y, -22% q-q). We think its performance will be a mixed bag. Its core operations should still be soft in 3Q21 while its loan volume is likely to increase by 1% q-q. We forecast its fee income to decline q-q due to a drop in its wealth-related fees following the partial lockdown measures. However, on the positive side, we believe SCB will be able to efficiently control its OPEX. We expect the bank to set aside provisions in line with management's guidance – cTHB10b quarterly. This implies a significant drop y-y in its ECL, as SCB had already set aside pro-cyclical extra ECL in the previous quarters. Regarding asset quality, there should be a small q-q rise in its 3Q21 NPLs due to the CDR it provided to its clients.

Fine-tuning net profit following BoT's new guidance

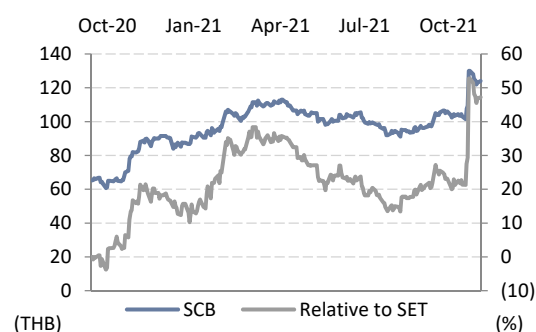
The BoT is encouraging banks to provide CDR to their clients. The negative impact from offering CDR would be a reduction in loan yields, depending on the CDR program. Based on our calculation, SCB's 2022 loan yield would decline by 0.46% from its current yield of 4.6%. However, we think that 1) the extension of the FIDF fee at 0.23% should mitigate the impact on its NII; and 2) its credit cost in 2022 should decline to 140 bps vs our projected 188 bps in 2021, close to its normal rate of 120-140 bps. Accordingly, we only fine-tune our 2022-23 net profit forecasts by +0.6%/-0.4%.

Weak 3Q21E priced-in; strong growth expected in next 2 years

We maintain our 2022 SoTP TP of THB158. SCB remains one of our top picks. In our view, the potential softening in its 3Q21 performance has been partly priced-in. We think the market will look to its strong growth outlook and potential ROE uplift in the next two years. To us, the key focus would be its great reforms and potential special dividend in 1H22.

KEY STOCK DATA

YE Dec (THB m)	2020	2021E	2022E	2023E
Operating profit	33,866	39,011	44,613	51,109
Net profit	27,218	32,171	36,753	42,064
EPS (THB)	8.02	9.46	10.81	12.37
vs Consensus (%)	-	(4.1)	(1.4)	(3.2)
Core net profit	27,218	32,171	36,753	42,064
Core EPS (THB)	8.02	9.46	10.81	12.37
Chg. In EPS est. (%)	-	-	0.6	(0.4)
EPS growth (%)	(7.0)	18.1	14.2	14.4
Core P/E (x)	15.5	13.1	11.5	10.0
Dividend yield (%)	1.9	6.2	2.8	3.8
Price/book (x)	1.0	1.0	1.0	0.9
ROE (%)	6.7	7.6	8.4	9.2
ROA (%)	0.9	1.0	1.1	1.3



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	17.0	28.2	94.5
Relative to country (%)	19.6	25.3	49.1
Mkt cap (USD m)	12,463		
3m avg. daily turnover (USD m)	54.2		
Free float (%)	53		
Major shareholder	King Rama X (24%)		
12m high/low (THB)	137.00/60.00		
Issued shares (m)	3,399		

Sources: Bloomberg consensus; FSSIA estimates


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Investment thesis

We believe SCB's big move by transforming itself into a holding company will allow SCBX to enhance its capital effectively, generate a higher growth outlook, and potentially pay a higher dividend.

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

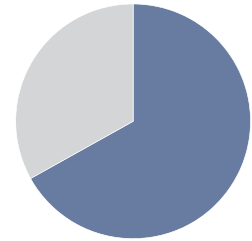
Company profile

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

www.scb.co.th

Principal activities (revenue, 2020)

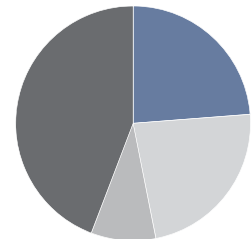
- Net interest income - 66.9 %
- Non-interest income - 33.1 %



Source: Siam Commercial Bank

Major shareholders

- King Rama X - 23.8 %
- Vayupak Fund - 23.1 %
- Thai NVDR - 8.9 %
- Others - 44.2 %



Source: Siam Commercial Bank

Catalysts

Potential share price catalysts for SCB include:

- 1 The success of long-term comprehensive debt restructuring;
- 2 The success of its transformation plan;
- 3 The announcement of a special dividend.

Risks to our call

Downside risks to our SOTP-based TP are 1) prolonged economic sluggishness and further waves of the Covid-19 pandemic affecting loan growth and asset quality; and 2) the impact of further interest rate cuts on its NIM.

Event calendar

Date	Event
Oct 2021	3Q21 results announcement

Key assumptions

	2021E	2022E	2023E
Year-to-Dec	(%)	(%)	(%)
Net profit (THB m)	32,171	36,753	42,064
Net profit growth	18.2	14.2	14.4
NIM	3.01	2.83	2.86
Loan growth	3.0	4.0	4.0
Fee growth	5.4	9.9	8.7
Non-NII growth*	4.1	3.9	8.0
Credit cost (bp)	188	140	135
Cost to income*	42.5	43.7	42.1

*Including share of profits from associates

Source: FSSIA estimates

Earnings sensitivity

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

Source: FSSIA estimates

3Q21: soft top line but good cost control expected

We expect SCB to report a 3Q21 net profit of THB6,831m (+47% y-y, -22% q-q). We think its performance will be a mixed bag. Its core operations should still be soft in 3Q21 while its loan volume is likely to increase by 1% q-q. We forecast its fee income to decline q-q due to a drop in its bancassurance and mutual fund fees following the partial lockdown measures. However, on the positive side, we believe SCB will be able to efficiently control its OPEX. We expect the bank to set aside provisions in line with management's guidance – cTHB10b quarterly. This implies a significant drop y-y in its expected credit loss (ECL), as SCB had already set aside pro-cyclical extra ECL in the previous quarters. Regarding asset quality, there should be a small q-q rise in its 3Q21 non-performing loans (NPLs) due to the CDR programs it provided to its clients.

Exhibit 1: SCB – 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	23,724	23,475	23,309	(2)	(1)	70,159	(4)	75	93,769	(3)	Slow loan growth
Non-interest income*	10,761	12,994	11,173	4	(14)	38,545	10	77	49,839	4	Fee income up y-y but down q-q
Operating income*	34,484	36,469	34,482	(0)	(5)	108,704	0	76	143,608	(1)	
Operating expenses	15,747	15,376	15,425	(2)	0	45,902	(5)	75	61,063	(5)	
PPOP before tax*	18,738	21,093	19,058	2	(10)	62,802	4	76	82,545	3	
Provision	12,955	10,028	10,675	(18)	6	30,711	(5)	71	43,035	(8)	
Income tax	1,204	2,304	1,593	32	(31)	6,493	15	85	7,595	12	
Minority interest	(62)	(54)	(41)			(136)	(23)		(255)	n/a	
Normalised profit	4,641	8,815	6,831	47	(22)	25,734	16	80	32,171	18	
Extraordinary items		0	0			0			0	n/a	
Net profit	4,641	8,815	6,831	47	(22)	25,734	16	80	32,171	18	
EPS (THB)	1.37	2.60	2.01	47	(22)	8	16	80	9.46	18	
Asset quality ratio											
Gross NPLs	89,909	104,110	107,233	19	3				108,564	7	
NPL ratios (%)	3.32	3.79	3.87						3.82		
LLR/NPLs (%)	143	139	137						136		
Credit cost (bp)	240	175	185						188		
Profitability ratio											
Cost to income ratio*	45.7	42.2	44.7						42.5		
Average yield	3.8	3.6	3.6						3.6		
Cost of fund	0.7	0.6	0.6						0.6		
NIM	3.1	3.0	3.0						3.0		
Non-int inc/total income	31.2	35.6	32.4						34.7		
Liquidity ratio											
Loan/deposit ratio	90.2	96.9	97.4						98.9		
Capital adequacy											
CAR	18.7	18.2	18.3						18.5		
CET 1/ Risk assets	17.6	17.1	17.2						17.4		
Tier 2 / Risk assets	1.1	1.1	1.1						1.1		
Loan growth											
Year-to-date	2.7	1.8	2.9								
y-y	1.0	7.1	6.9						3.0		
q-q	1.2	0.8	1.0								

*Including share of profits from associates

Sources: SCB; FSSIA estimates

Fine-tuning net profit following 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:

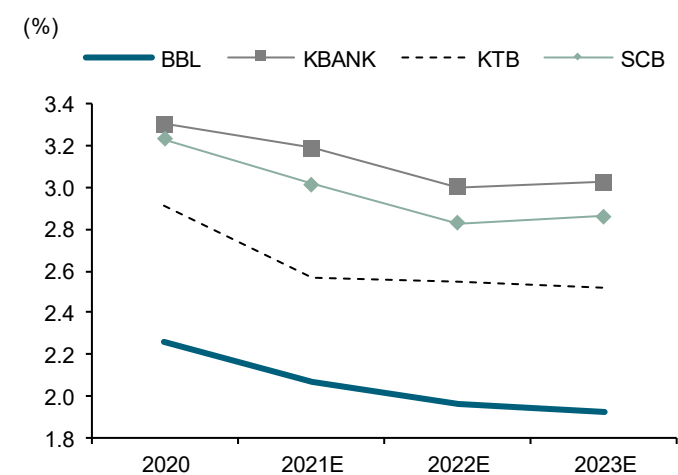
- 2021 forbearance programs should increase slightly to moderately from the current level as of 2Q21, depending on each bank's portfolio makeup and client profiles;
- Banks will likely offer CDR at 60% of their 2021 forbearance programs;
- Banks will also offer CDR for some of their trouble loans which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

Exhibit 2: CDR impact on loan yield

	Forbearance program (FB)		Banks will offer CDR			Net negative impact on 2022E EIR (bps)
	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)

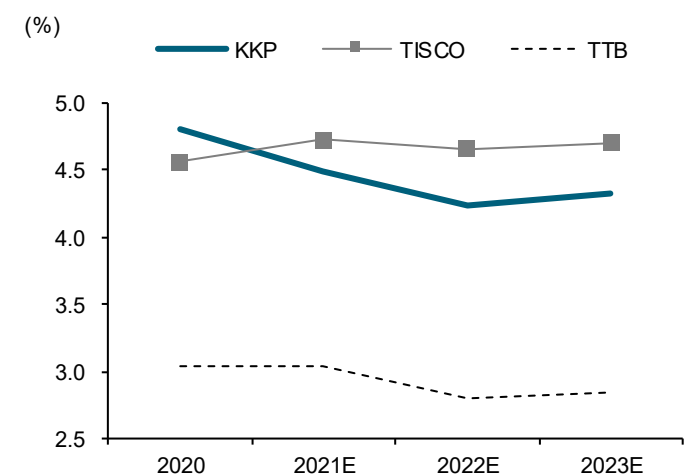
Sources: Company data; FSSIA's estimates

Exhibit 3: NIM assumptions for big banks



Sources: Company data; FSSIA estimates

Exhibit 4: NIM assumptions for auto lenders



Sources: Company data; FSSIA estimates

Exhibit 5: 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

Based on our calculation, SCB's 2022 loan yield would decline by 0.46% from its current yield of 4.6%. However, we think that 1) the extension of the FIDF fee at 0.23% should mitigate the impact on its NII; and 2) its credit cost in 2022 should decline to 140 bps vs our projected 188 bps in 2021, close to its normal rate of 120-140 bps. Accordingly, we only fine-tune our 2022-23 net profit forecasts by +0.6%/-0.4%.

Exhibit 6: SCB – 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	96,899	93,769	93,769	-	90,727	87,451	(3.6)	94,666	90,776	(4.1)
Non-interest income*	47,869	49,839	49,839	-	51,760	51,760	-	55,905	55,905	-
Operating income*	144,768	143,608	143,608	-	142,488	139,212	(2.3)	150,571	146,681	(2.6)
Operating expenses	64,330	61,063	61,063	-	60,902	60,902	-	61,755	61,755	-
PPOP before tax*	80,437	82,545	82,545	-	81,585	78,309	(4.0)	88,816	84,927	(4.4)
Expected credit loss (Reversal)	46,649	43,035	43,035	-	36,725	33,171	(9.7)	36,962	33,266	(10.0)
Tax expenses	6,794	7,595	7,595	-	8,623	8,677	0.6	9,968	9,931	(0.4)
Minority interest	(224)	(255)	(255)	-	(290)	(292)	0.6	(335)	(334)	(0.4)
Normalised profit	27,218	32,171	32,171	-	36,527	36,753	0.6	42,222	42,064	(0.4)
Extraordinary items	-	-	-	-	-	-	-	-	-	-
Net profit	27,218	32,171	32,171	-	36,527	36,753	0.6	42,222	42,064	(0.4)
EPS (THB)	8.02	9.46	9.46	-	10.75	10.81	0.6	12.42	12.37	(0.4)
Key statistics and ratios										
Asset quality ratio										
Gross NPLs (THB m)	101,462	111,608	108,564	(2.7)	100,447	99,879	(0.6)	100,447	101,877	1.4
Gross NPLs / Loans (%)**	3.68	3.93	3.82		3.40	3.38		3.27	3.32	
Loan loss reserve/NPLs (%)	137	132	136		147	145		147	138	
Credit cost (bps)	214	188	188		155	140		150	135	
Profitability ratio (%)										
Cost to income ratio*	44.4	42.5	42.5		42.7	43.7		41.0	42.1	
Average yield	3.94	3.56	3.56		3.64	3.34		3.70	3.56	
Cost of funds	0.85	0.64	0.64		0.84	0.61		0.86	0.83	
Net interest margin (NIM)	3.23	3.01	3.01		2.93	2.83		2.98	2.86	
Loan growth (%)										
y-y	6.7	3.0	3.0		4.0	4.0		4.0	4.0	

*Including share of profits from associates

Source: FSSIA estimates

Exhibit 7: SCB – sum-of-the-parts valuation

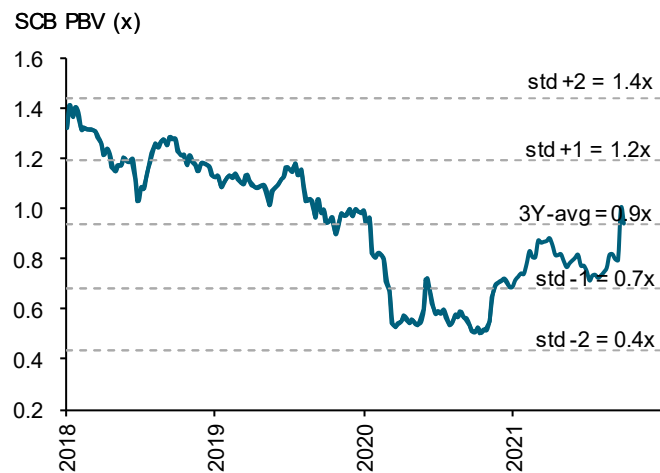
	Valuation method	(Implied) multiple (x)	2022 valuation (THB m)	Value (THB/shr)
SCB Bank*	GGM with L-T ROE 8.8%, CAPM 8.3%	1.1	412,890	121.5
Card X*	P/E	15.5	107,069	31.5
Auto X*	P/E	20.1	4,020	1.2
Alpha X*	P/E	11.4	958	0.3
Digital lending business group*	P/E	15.5	3,708	1.1
Tech and venture capital businesses**	Investment capital multiple	1.5	9,600	2.8
SCBX		1.2	538,244	158

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

**Investment capital multiple for tech and venture capital businesses

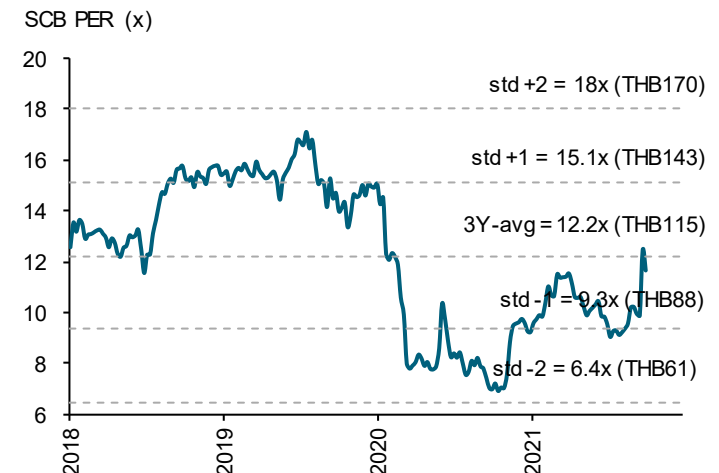
Source: FSSIA estimates

Exhibit 8: SCB – one-year forward rolling P/BV



Sources: Bloomberg; FSSIA estimates

Exhibit 9: SCB – one-year forward rolling P/E



Sources: Bloomberg; FSSIA estimates

Exhibit 10: 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

Siam Commercial Bank

Profit and Loss (THB m) Year Ending Dec	2019	2020	2021E	2022E	2023E
Interest Income	135,025	118,371	110,645	103,405	112,957
Interest expense	(35,624)	(21,472)	(16,876)	(15,954)	(22,181)
Net interest income	99,401	96,899	93,769	87,451	90,776
Net fees & commission	29,670	36,586	38,564	42,371	46,047
Foreign exchange trading income	0	0	0	0	0
Securities trading income	5,383	9,365	9,500	7,525	7,901
Dividend income	627	155	171	180	189
Other income	145	1,840	1,104	1,159	1,217
Non interest income	35,825	47,947	49,339	51,235	55,354
Total income	135,226	144,846	143,108	138,687	146,130
Staff costs	(33,281)	(31,344)	(30,404)	(30,404)	(31,316)
Other operating costs	(37,257)	(32,986)	(30,659)	(30,498)	(30,439)
Operating costs	(70,538)	(64,330)	(61,063)	(60,902)	(61,755)
Pre provision operating profit	64,688	80,516	82,045	77,784	84,375
Provision for bad and doubtful debt	(27,111)	(46,649)	(43,035)	(33,171)	(33,266)
Other provisions	-	-	-	-	-
Operating profit	37,577	33,866	39,011	44,613	51,109
Recurring non operating income	31	(78)	500	525	551
Associates	31	(78)	500	525	551
Goodwill amortization	-	-	-	-	-
Non recurring items	4,364	0	0	0	0
Profit before tax	41,972	33,788	39,511	45,138	51,661
Tax	(8,538)	(6,794)	(7,595)	(8,677)	(9,931)
Profit after tax	33,434	26,994	31,916	36,461	41,730
Minority interests	185	224	255	292	334
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	33,619	27,218	32,171	36,753	42,064
Non recurring items & goodwill (net)	-	-	0	0	0
Recurring net profit	29,255	27,218	32,171	36,753	42,064
Per share (THB)					
Recurring EPS *	8.62	8.02	9.46	10.81	12.37
Reported EPS	9.90	8.02	9.46	10.81	12.37
DPS	6.26	2.30	7.70	3.50	4.75
Growth					
Net interest income (%)	3.1	(2.5)	(3.2)	(6.7)	3.8
Non interest income (%)	(14.3)	33.8	2.9	3.8	8.0
Pre provision operating profit (%)	(12.0)	24.5	1.9	(5.2)	8.5
Operating profit (%)	(24.1)	(9.9)	15.2	14.4	14.6
Reported net profit (%)	(16.1)	(19.0)	18.2	14.2	14.4
Recurring EPS (%)	(26.9)	(7.0)	18.1	14.2	14.4
Reported EPS (%)	(16.0)	(19.0)	18.1	14.2	14.4
Income Breakdown					
Net interest income (%)	73.5	66.9	65.5	63.1	62.1
Net fees & commission (%)	21.9	25.3	26.9	30.6	31.5
Foreign exchange trading income (%)	-	-	-	-	-
Securities trading income (%)	4.0	6.5	6.6	5.4	5.4
Dividend income (%)	0.5	0.1	0.1	0.1	0.1
Other income (%)	0.1	1.3	0.8	0.8	0.8
Operating performance					
Gross interest yield (%)	4.54	3.94	3.56	3.34	3.56
Cost of funds (%)	1.49	0.85	0.64	0.61	0.83
Net interest spread (%)	3.05	3.09	2.92	2.73	2.73
Net interest margin (%)	3.3	3.2	3.0	2.8	2.9
Cost/income(%)	52.2	44.4	42.7	43.9	42.3
Cost/assets(%)	2.3	2.1	1.9	1.9	1.9
Effective tax rate (%)	20.3	20.1	19.2	19.2	19.2
Dividend payout on recurring profit (%)	72.6	28.7	81.4	32.4	38.4
ROE (%)	7.5	6.7	7.6	8.4	9.2
ROE - COE (%)	(3.3)	(4.1)	(3.2)	(2.4)	(1.6)
ROA (%)	0.9	0.9	1.0	1.1	1.3
RORWA (%)	1.4	1.3	1.4	1.6	1.7

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Siam Commercial Bank; FSSIA estimates

Financial Statements

Siam Commercial Bank

Balance Sheet (THB m) Year Ending Dec	2019	2020	2021E	2022E	2023E
Gross customer loans	2,113,787	2,255,242	2,322,899	2,415,815	2,512,448
Total provisions	(117,395)	(139,442)	(147,633)	(144,567)	(140,146)
interest in suspense	2,946	14,508	12,776	12,079	11,306
Net customer loans	1,999,339	2,130,308	2,188,042	2,283,327	2,383,608
Bank loans	433,510	547,504	477,953	411,868	428,034
Government securities	-	-	-	-	-
Trading securities	-	-	-	-	-
Investment securities	312,143	339,828	278,871	282,837	294,459
Cash & equivalents	47,615	51,632	34,858	44,914	4,537
Other interesting assets	-	-	-	-	-
Tangible fixed assets	57,418	56,445	55,492	54,560	53,647
Associates	-	-	-	-	-
Goodwill	-	-	-	-	-
Other intangible assets	-	-	-	-	-
Other assets	110,599	152,667	148,246	150,312	154,550
Total assets	2,960,624	3,278,383	3,183,462	3,227,818	3,318,836
Customer deposits	2,159,425	2,420,455	2,347,842	2,371,320	2,418,747
Bank deposits	-	-	-	-	-
Other interest bearing liabilities	235,592	275,993	267,713	270,390	275,798
Non interest bearing liabilities	167,882	170,106	136,085	142,889	150,034
Hybrid Capital	-	-	-	-	-
Total liabilities	2,562,900	2,866,554	2,751,640	2,784,600	2,844,578
Share capital	33,992	33,992	33,956	33,956	33,956
Reserves	366,366	377,438	397,448	408,833	439,842
Total equity	400,358	411,430	431,404	442,789	473,798
Minority interests	489	399	419	430	460
Total liabilities & equity	2,963,746	3,278,384	3,183,462	3,227,818	3,318,836
Supplementary items					
Risk weighted assets (RWA)	2,075,492	2,197,568	2,263,495	2,354,035	2,448,196
Average interest earning assets	2,973,403	3,001,007	3,111,149	3,095,121	3,172,730
Average interest bearing liabilities	2,396,471	2,534,701	2,645,888	2,618,624	2,657,968
Tier 1 capital	352,691	377,036	393,813	402,101	429,612
Total capital	375,206	400,892	417,669	425,957	453,468
Gross non performing loans (NPL)	85,212	101,462	108,564	99,879	101,877
Per share (THB)					
Book value per share	117.89	121.16	126.91	130.26	139.38
Tangible book value per share	117.89	121.16	126.91	130.26	139.38
Growth					
Gross customer loans	(1.3)	6.7	3.0	4.0	4.0
Average interest earning assets	(1.0)	0.9	3.7	(0.5)	2.5
Total asset (%)	(7.1)	10.7	(2.9)	1.4	2.8
Risk weighted assets (%)	(4.2)	5.9	3.0	4.0	4.0
Customer deposits (%)	0.0	12.1	(3.0)	1.0	2.0
Leverage & capital measures					
Customer loan/deposits (%)	92.6	88.0	93.2	96.3	98.5
Equity/assets (%)	13.5	12.5	13.6	13.7	14.3
Tangible equity/assets (%)	13.5	12.5	13.6	13.7	14.3
RWA/assets (%)	70.1	67.0	71.1	72.9	73.8
Tier 1 CAR (%)	17.0	17.2	17.4	17.1	17.5
Total CAR (%)	18.1	18.2	18.5	18.1	18.5
Asset Quality					
Change in NPL (%)	21.1	19.1	7.0	(8.0)	2.0
NPL/gross loans (%)	4.0	4.5	4.7	4.1	4.1
Total provisions/gross loans (%)	5.6	6.2	6.4	5.8	5.6
Total provisions/NPL (%)	137.8	137.4	136.0	144.7	137.6
Valuation					
Recurring P/E (x) *	14.4	15.5	13.1	11.5	10.0
Recurring P/E @ target price (x) *	18.3	19.7	16.7	14.6	12.8
Reported P/E (x)	12.5	15.5	13.1	11.5	10.0
Dividend yield (%)	5.0	1.9	6.2	2.8	3.8
Price/book (x)	1.1	1.0	1.0	1.0	0.9
Price/tangible book (x)	1.1	1.0	1.0	1.0	0.9
Price/tangible book @ target price (x)	1.3	1.3	1.2	1.2	1.1

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Siam Commercial Bank; FSSIA estimates

Corporate Governance report of Thai listed companies 2020

EXCELLENT LEVEL										
AAV	ADVANC	AF	AIRA	AKP	AKR	ALT	AMA	AMATA	AMATAV	ANAN
AOT	AP	ARIP	ARROW	ASP	BAFS	BANPU	BAY	BCP	BCPG	BDMS
BEC	BEM	BGRIM	BIZ	BKI	BLA	BOL	BPP	BRR	BTS	BWG
CENTEL	CFRESH	CHEWA	CHO	CIMBT	CK	CKP	CM	CNT	COL	COMAN
COTTO	CPALL	CPF	CPI	CPN	CSS	DELTA	DEMCO	DRT	DTAC	DTC
DV8	EA	EASTW	ECF	ECL	EGCO	EPG	ETE	FNS	FPI	FPT
FSMART	GBX	GC	GCAP	GEL	GFPT	GGC	GPSC	GRAMMY	GUNKUL	HANA
HARN	HMPRO	ICC	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	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	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 Suwanumchai FSS International Investment Advisory Securities Co., Ltd

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Company	Ticker	Price	Rating	Valuation & Risks
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.
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.
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.
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.
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.

Source: FSSIA estimates

Additional Disclosures

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

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

All share prices are as at market close on 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.