

25 OCTOBER 2021

THAILAND / BANKS

SIAM COMMERCIAL BANK SCB TB

BUY

UNCHANGED

TARGET PRICE	THB160.00
CLOSE	THB124.00
UP/DOWNSIDE	+29.0%
PRIOR TP	THB158.00
CHANGE IN TP	+1.3%
TP vs CONSENSUS	+22.4%

Moonshot missions at the doorstep

3Q21 results beat due to Non-NII

SCB reported a solid 3Q21 net profit of THB8,818m (+90% y-y, flat q-q), supported by three factors. First, its non-recurring Non-NII increased significantly. Second, SCB was able to control its costs effectively, with relatively stable OPEX growth. Third, its wealth management business performed well, resulting in stable q-q fee income amid the lockdown measures. Regarding asset quality, we think it is still at a manageable level. Its NPLs went up slightly by 3% q-q due to its proactive qualitative downgrade of the corporate segment. Its forbearance program increased to c20% of total loans from 16% in 2Q21, due largely to the 2-month debt holiday program. We expect this to decline in 4Q21.

Striving to improve asset quality with digital growth

SCB stated that it is aiming to provide THB500b (22% of total loans) in comprehensive debt restructuring (CDR) to its clients; c50% of the CDR will be completed in 2021. Management assured that the CDR would have a net positive impact on its bottom line. SCB will continue to set a high credit cost of c175 bps in 4Q21. Its 2022 credit cost could range between c130-175 bps, depending on the success of the CDR program. In 3Q21, its digital users surged 46% y-y to 18m. Its digital revenue made up 4.4% of its total revenue. SCB aims to increase its digital revenue noticeably in the next couple of years. We have a neutral view.

Solid performance and reimagining could support its share price

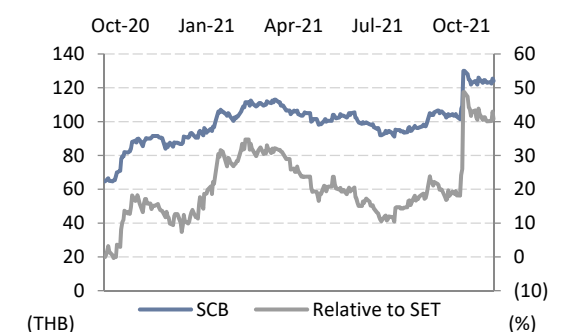
We expect SCB to deliver a solid net profit in 4Q21 with a 50% y-y increase and a seasonal drop q-q, supported by a lower provision, a rise in fee income, and good cost control. We also expect its net profit to continue to grow by 9% y-y in 2022. Moreover, we expect investors will pay more attention to its reimagining. The EGM for shareholder approval will be held on 15 Nov 2021, the listing of SCBX is scheduled for Feb 2022, and the business transfer will be in 2Q22. These positive events should support its share price momentum in the medium term.

Maintain as top pick with 2022 GGM-based TP of THB160

We revise up our TP to THB160 on our EPS forecast increases for 2021-23 by 9.0%/3.9%/1.3%. We reiterate SCB as our top pick as we believe its great transformation will allow it to penetrate the high risk-reward lending industry and high growth potential digital industry. Thus, we think that SCB is in the best position in the banking sector to benefit from the region's digital age. Also, its ROE should be in an improving trend.

KEY STOCK DATA

YE Dec (THB m)	2020	2021E	2022E	2023E
Operating profit	33,866	43,160	47,310	52,512
Net profit	27,218	35,068	38,181	42,621
EPS (THB)	8.02	10.32	11.23	12.54
vs Consensus (%)	-	5.4	2.8	(2.8)
Core net profit	27,218	35,068	38,181	42,621
Core EPS (THB)	8.02	10.32	11.23	12.54
Chg. In EPS est. (%)	-	9.0	3.9	1.3
EPS growth (%)	(7.0)	28.7	8.9	11.6
Core P/E (x)	15.5	12.0	11.0	9.9
Dividend yield (%)	1.9	5.4	2.8	3.8
Price/book (x)	1.0	1.0	0.9	0.9
ROE (%)	6.7	8.3	8.6	9.1
ROA (%)	0.9	1.1	1.2	1.3



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	15.3	35.9	90.8
Relative to country (%)	13.7	28.4	40.9
Mkt cap (USD m)			12,609
3m avg. daily turnover (USD m)			57.6
Free float (%)			53
Major shareholder		King Rama X (24%)	
12m high/low (THB)		137.00/61.75	
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.

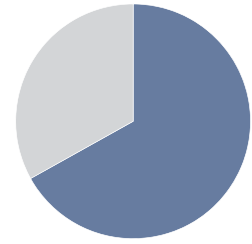
Company profile

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)

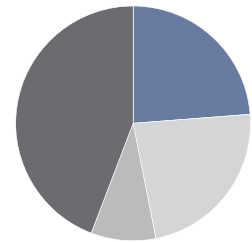
- Net interest income - 66.9 %
- Non-interest income - 33.1 %



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:

- The success of long-term comprehensive debt restructuring;
- The success of its transformation plan;
- 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
Jan 2022	4Q21 results announcement

Key assumptions

	2021E	2022E	2023E
Year-to-Dec	(%)	(%)	(%)
Net profit (THB m)	35,068	38,181	42,621
Net profit growth	28.8	8.9	11.6
NIM	2.99	2.91	2.85
Loan growth	2.0	4.0	4.0
Fee growth	9.7	8.5	9.2
Non-NII growth*	9.1	1.4	8.4
Credit cost (bp)	176	148	135
Cost to income*	42.8	43.1	42.5

*Including share of profits from associates

Source: FSSIA estimates

Earnings sensitivity

		----- 2021E -----		
Loan growth	±2ppt	0.00	2.00	4.00
% change in net profit		(1.2)	0.0	1.2
NIM (%)	±5bp	2.94	2.99	3.04
% change in net profit		(3.9)	0.0	3.9
Credit cost (bp)	±10bp	166	176	186
% change in net profit		2.7	0.0	(2.7)

Source: FSSIA estimates

3Q21 results beat due to Non-NII

SCB reported a 3Q21 net profit of THB8,818m (+90% y-y, flat q-q), which was higher than Bloomberg consensus' estimate by 17% and our forecast by 29% due to the better-than-expected fee income and other Non-NII. The strong results were supported by three factors. First, its non-recurring Non-NII increased significantly due to a gain on the sale of written-off unsecured loans and a gain from the sale of non-performing assets, as well as a higher net gain on financial instruments. Second, SCB was able to control its costs effectively, with relatively stable OPEX growth. Third, its wealth management business performed well. This was able to minimise the lower bancassurance and loan-related fees due to the lockdown measures. Thus, its fee income was relatively stable q-q. These positives were able to offset 1) the slow 3Q21 loan growth (-0.8% q-q, 1.1% YTD) due to its conservative lending strategy; 2) a decline in its NIM due to the relief program; and 3) an elevated provision in 3Q21. Regarding asset quality, we think it is still at a manageable level. Its non-performing loans (NPLs) went up slightly by 3% q-q due to its proactive qualitative downgrade of the corporate segment. Its forbearance program increased to THB464b, or c20% of total loans from 16% in 2Q21, due largely to the 2-month debt holiday program (cTHB124b). We expect this to decline in 4Q21 when the program ends.

Exhibit 1: SCB – 3Q21/9M21 results summary

Year-end Dec 31	3Q20	2Q21	3Q21		9M21			2021E		3Q21 comments	
	(THB m)	(THB m)	(THB m)	(y-y%)	(q-q%)	(THB m)	(y-y %)	%21E	(THB m)		(y-y %)
Net interest income	23,724	23,475	23,533	(1)	0	70,384	(4)	75	94,281	(3)	
Non-interest income*	10,761	12,994	13,377	24	3	40,748	16	78	52,222	9	Increased from recurring and non-recurring Non-NII
Operating income*	34,484	36,469	36,910	7	1	111,132	3	76	146,503	1	
Operating expenses	15,747	15,376	15,813	0	3	46,290	(4)	74	62,754	(2)	
PPOP before tax*	18,738	21,093	21,097	13	0	64,841	8	77	83,749	4	
Provision	12,955	10,028	10,035	(23)	0	30,071	(7)	75	40,089	(14)	
Income tax	1,204	2,304	2,286	90	(1)	7,186	28	82	8,732	29	
Minority interest	(62)	(54)	(42)			(136)	(23)		(140)	n/a	
Normalised profit	4,641	8,815	8,818	90	0	27,720	25	79	35,068	29	Higher than BBG's consensus estimate by 17%
Extraordinary items		0	0			0			0	n/a	
Net profit	4,641	8,815	8,818	90	0	27,720	25	79	35,068	29	
EPS (THB)	1.37	2.60	2.60	90	0	8.16	25	79	10.32	29	
Asset quality ratio											
Gross NPLs (THB m)	89,909	104,110	107,071	19	3				109,579	8	Qualitative downgrade of corporate segment
NPL ratios (%)	3.32	3.79	3.89						3.90		
LLR/NPLs (%)	143	139	138						132		
Credit cost (bp)	240	175	175						176		
Profitability ratio											
Cost to income ratio*	45.7	42.2	42.8						42.8		
Average yield	3.76	3.59	3.56						3.5		
Cost of fund	0.75	0.64	0.63						0.6		
Net interest margin (NIM)	3.12	3.04	3.02						3.0		
Non-int inc/total income	31.2	35.6	36.2						35.6		
Liquidity ratio											
Loan to deposit ratio	90.2	96.9	94.6						95.0		
Capital adequacy ratio											
CAR	18.7	17.9	18.4						18.7		
CET 1/Risk assets	17.6	16.8	17.3						17.6		
Tier 2/Risk assets	1.1	1.1	1.1						1.1		
Loan growth											
Year-to-date	2.7	1.8	1.1								
y-y	1.0	7.1	5.0						2.0		
q-q	1.2	0.8	(0.8)								

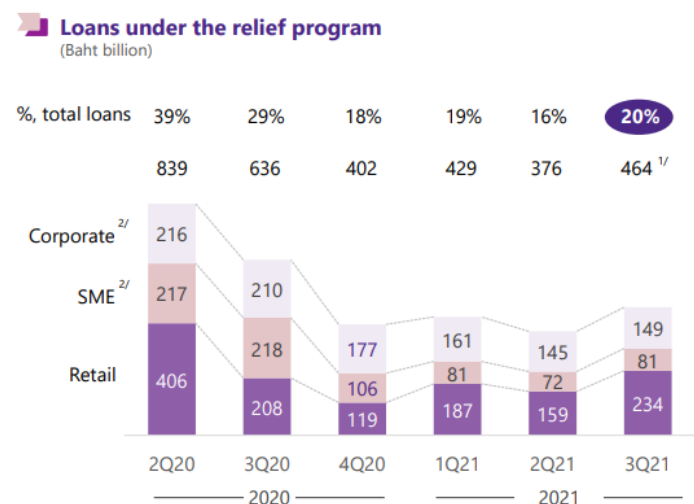
*Including share of profits from associates

Sources: SCB; FSSIA estimates

Striving to improve asset quality with digital growth

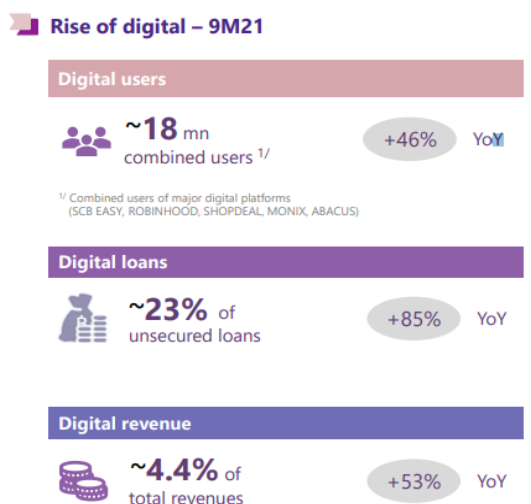
At its recent analyst meeting, SCB stated that it is aiming to provide THB500b (22% of total loans) in CDR to its clients. Initially, the bank intended to help all customers this year. However, because of the Bank of Thailand’s measures, SCB expects to provide THB250b in CDR within 2021. The rest of the CDR would be implemented in 2022. To offer CDR, the bank has to strike a balance between a decline in its EIR and credit cost. Management assured that the CDR would have a net positive impact on its bottom line. SCB will continue to set a high credit cost of c175 bps in 4Q21. Its 2022 credit cost could range between its normal credit cost and its 2021E credit cost (c130-175 bps) depending on the success of the CDR program. In 3Q21, its digital users surged 46% y-y to 18m. Its digital loan volume also skyrocketed by 85% y-y to cTHB30b, or 1.3% of total loans. Its digital revenue contributed 4.4% of its total revenue. SCB aims to increase its digital revenue noticeably in the next couple of years.

Exhibit 2: Loans under the relief program were at 20% of total in 3Q21



Source: SCB

Exhibit 3: Continuing to forge ahead with digital banking



Source: SCB

Net profit and TP revisions

We revise up our net profit forecast for 2021 by 9.0% to mainly reflect the better-than-expected non-recurring Non-NII and credit cost.

We increase our 2022 net profit forecast by 3.9% due to our higher fee income assumptions, especially from the wealth management business. We also fine-tune our NIM and credit cost assumptions following SCB's delay in providing CDR to its clients.

We also raise our 2023 net profit forecast slightly by 1.3% to reflect our higher fee income assumptions.

Exhibit 4: SCB – change of key assumptions

	2021E				2022E			2023E		
	2020 (THB m)	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	94,281	0.5	87,451	92,248	5.5	90,776	92,122	1.5
Non-interest income*	47,869	49,839	52,222	4.8	51,760	52,948	2.3	55,905	57,416	2.7
Operating income*	144,768	143,608	146,503	2.0	139,212	145,196	4.3	146,681	149,538	1.9
Operating expenses	64,330	61,063	62,754	2.8	60,902	62,635	2.8	61,755	63,531	2.9
PPOP before tax*	80,437	82,545	83,749	1.5	78,309	82,561	5.4	84,927	86,006	1.3
Expected credit loss (Reversal)	46,649	43,035	40,089	(6.8)	33,171	34,726	4.7	33,266	32,943	(1.0)
Tax expenses	6,794	7,595	8,732	15.0	8,677	9,806	13.0	9,931	10,613	6.9
Minority interest	(224)	(255)	(140)	nm.	(292)	(152)	nm.	(334)	(170)	nm.
Normalised profit	27,218	32,171	35,068	9.0	36,753	38,181	3.9	42,064	42,621	1.3
Extraordinary items	-	-	-		-	-		-	-	
Net profit	27,218	32,171	35,068	9.0	36,753	38,181	3.9	42,064	42,621	1.3
EPS (THB)	8.02	9.46	10.32	9.0	10.81	11.23	3.9	12.37	12.54	1.3
Key statistics and ratios										
Asset quality ratio										
Gross NPLs (THB m)	101,462	108,564	109,579	0.9	99,879	104,100	4.2	101,877	106,182	4.2
Gross NPLs / Loans (%)	3.68	3.82	3.90		3.38	3.56		3.32	3.49	
Loan loss reserve/NPLs (%)	137	136	132		145	138		138	131	
Credit cost (bps)	214	188	176		140	148		135	135	
Profitability ratio (%)										
Cost to income ratio*	44.4	42.5	42.8		43.7	43.1		42.1	42.5	
Average yield	3.94	3.56	3.53		3.34	3.42		3.56	3.55	
Cost of funds	0.85	0.64	0.63		0.61	0.61		0.83	0.83	
Net interest margin (NIM)	3.23	3.01	2.99		2.83	2.91		2.86	2.85	
Loan growth (%)										
y-y	6.7	3.0	2.0		4.0	4.0		4.0	4.0	

*Including share of profits from associates

Source: FSSIA estimates

We revise up our 2022 SoTP-based TP to THB160 from THB158 due to the increase in our valuation for SCB Bank from THB121.5 to THB124. We 1) increase our EPS forecast, leading to a higher book value; and 2) revise up our target 2022 P/BV for SCB Bank to 1.12x from 1.08x as a result of our higher average long-term ROE target of 8.9% from 8.8%.

Exhibit 5: SCB bank – GGM-derived target price

Target price	THB 160 (from THB158)
Risk-free rate (%)	3.0 (unchanged)
Market risk premium (%)	8.0 (unchanged)
Cost to equity (%)	8.3 (unchanged)
Terminal growth (%)	4.4 (unchanged)
ROE target (%)	8.9 (from 8.8)

Source: FSSIA estimates

Exhibit 6: SCB – sum-of-the-parts valuation

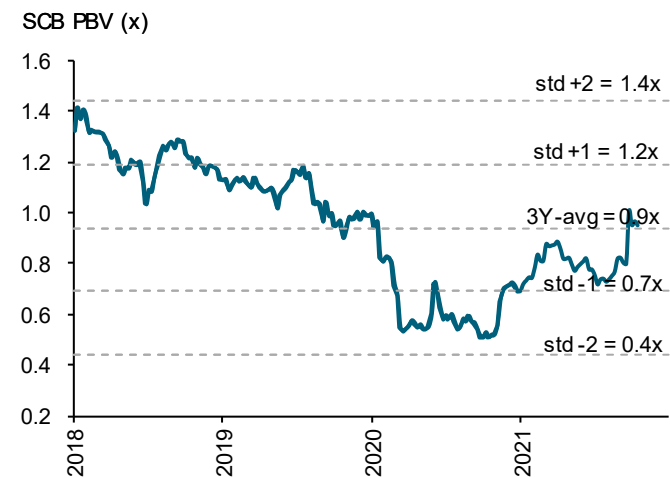
	Valuation method	(Implied) multiple (x)	2022 valuation (THB m)	Value (THB/shr)
SCB Bank*	GGM with L-T ROE 8.9%, CAPM 8.3%	1.12	419,348	123.5
Card X*	P/E	15.5	107,069	31.5
Auto X*	P/E	20.1	4,020	1.2
Alpha X*	P/E	11.4	958	0.3
Digital lending business group*	P/E	15.5	3,708	1.1
Tech and venture capital businesses**	Investment capital multiple	1.5	9,600	2.8
SCBX		1.2	544,702	160

*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

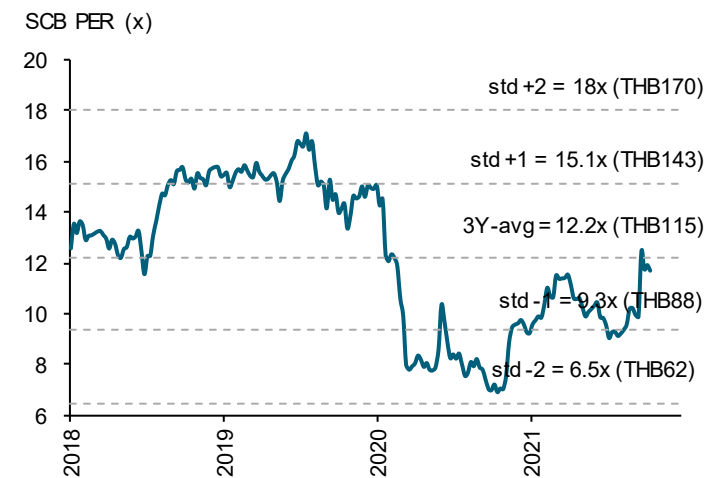
Source: FSSIA estimates

Exhibit 7: SCB – one-year forward rolling P/BV



Sources: Bloomberg; FSSIA estimates

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



Sources: Bloomberg; FSSIA estimates

Exhibit 9: 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	122.00	134.00	10	6,974	27.1	8.6	8.7	8.0	5.9	6.2	0.5	0.5
Kasikornbank	KBANK TB	BUY	141.50	172.00	22	10,040	18.8	10.1	9.6	8.7	7.6	7.7	0.7	0.7
Kiatnakin Bank	KKP TB	BUY	59.00	68.00	15	1,496	8.2	20.9	9.0	7.5	11.6	13.0	1.0	0.9
Krung Thai Bank	KTB TB	HOLD	11.80	12.20	3	4,939	21.5	5.5	8.1	7.7	5.8	5.8	0.5	0.4
Siam Commercial Bank	SCB TB	BUY	124.00	160.00	29	12,609	28.7	8.9	12.0	11.0	8.3	8.6	1.0	0.9
Tisco Financial	TISCO TB	BUY	93.00	110.00	18	2,230	6.7	9.0	11.5	10.6	16.1	16.7	1.8	1.7
TMBThanachart	TTB TB	BUY	1.13	1.40	24	3,270	(1.1)	32.1	10.9	8.2	4.8	6.1	0.5	0.5
Coverage						41,557	20.2	10.8	10.0	9.0	7.0	7.4	0.7	0.6

Share prices as of 21 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	111,172	108,696	114,989
Interest expense	(35,624)	(21,472)	(16,891)	(16,447)	(22,867)
Net interest income	99,401	96,899	94,281	92,248	92,122
Net fees & commission	29,670	36,586	40,147	43,559	47,557
Foreign exchange trading income	0	0	0	0	0
Securities trading income	5,383	9,365	10,300	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	51,722	52,423	56,864
Total income	135,226	144,846	146,003	144,671	148,986
Staff costs	(33,281)	(31,344)	(30,404)	(30,404)	(31,316)
Other operating costs	(37,257)	(32,986)	(32,350)	(32,231)	(32,215)
Operating costs	(70,538)	(64,330)	(62,754)	(62,635)	(63,531)
Pre provision operating profit	64,688	80,516	83,249	82,036	85,455
Provision for bad and doubtful debt	(27,111)	(46,649)	(40,089)	(34,726)	(32,943)
Other provisions	-	-	-	-	-
Operating profit	37,577	33,866	43,160	47,310	52,512
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	43,660	47,835	53,063
Tax	(8,538)	(6,794)	(8,732)	(9,806)	(10,613)
Profit after tax	33,434	26,994	34,928	38,029	42,451
Minority interests	185	224	140	152	170
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	33,619	27,218	35,068	38,181	42,621
Non recurring items & goodwill (net)	-	-	0	0	0
Recurring net profit	29,255	27,218	35,068	38,181	42,621
Per share (THB)					
Recurring EPS *	8.62	8.02	10.32	11.23	12.54
Reported EPS	9.90	8.02	10.32	11.23	12.54
DPS	6.26	2.30	6.70	3.50	4.75
Growth					
Net interest income (%)	3.1	(2.5)	(2.7)	(2.2)	(0.1)
Non interest income (%)	(14.3)	33.8	7.9	1.4	8.5
Pre provision operating profit (%)	(12.0)	24.5	3.4	(1.5)	4.2
Operating profit (%)	(24.1)	(9.9)	27.4	9.6	11.0
Reported net profit (%)	(16.1)	(19.0)	28.8	8.9	11.6
Recurring EPS (%)	(26.9)	(7.0)	28.7	8.9	11.6
Reported EPS (%)	(16.0)	(19.0)	28.7	8.9	11.6
Income Breakdown					
Net interest income (%)	73.5	66.9	64.6	63.8	61.8
Net fees & commission (%)	21.9	25.3	27.5	30.1	31.9
Foreign exchange trading income (%)	-	-	-	-	-
Securities trading income (%)	4.0	6.5	7.1	5.2	5.3
Dividend income (%)	0.5	0.1	0.1	0.1	0.1
Other income (%)	0.1	1.3	0.8	0.8	0.8
Operating performance					
Gross interest yield (%)	4.54	3.94	3.53	3.42	3.55
Cost of funds (%)	1.49	0.85	0.63	0.61	0.83
Net interest spread (%)	3.05	3.09	2.90	2.81	2.72
Net interest margin (%)	3.3	3.2	3.0	2.9	2.8
Cost/income(%)	52.2	44.4	43.0	43.3	42.6
Cost/assets(%)	2.3	2.1	1.9	1.9	1.9
Effective tax rate (%)	20.3	20.1	20.0	20.5	20.0
Dividend payout on recurring profit (%)	72.6	28.7	64.9	31.2	37.9
ROE (%)	7.5	6.7	8.3	8.6	9.1
ROE - COE (%)	(3.3)	(4.1)	(2.5)	(2.2)	(1.7)
ROA (%)	0.9	0.9	1.1	1.2	1.3
RORWA (%)	1.4	1.3	1.6	1.7	1.8

* 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	2,300,347	2,392,361	2,488,055
Total provisions	(117,395)	(139,442)	(145,026)	(143,867)	(139,489)
interest in suspense	2,946	14,508	14,722	15,550	15,675
Net customer loans	1,999,339	2,130,308	2,170,043	2,264,044	2,364,241
Bank loans	433,510	547,504	524,406	457,276	445,304
Government securities	-	-	-	-	-
Trading securities	-	-	-	-	-
Investment securities	312,143	339,828	333,534	340,233	352,206
Cash & equivalents	47,615	51,632	26,952	41,910	31,359
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	156,828	159,228	163,702
Total assets	2,960,624	3,278,383	3,267,256	3,317,252	3,410,461
Customer deposits	2,159,425	2,420,455	2,420,455	2,444,660	2,493,553
Bank deposits	-	-	-	-	-
Other interest bearing liabilities	235,592	275,993	275,993	278,752	284,328
Non interest bearing liabilities	167,882	170,106	136,085	142,889	150,034
Hybrid Capital	-	-	-	-	-
Total liabilities	2,562,900	2,866,554	2,832,533	2,866,302	2,927,915
Share capital	33,992	33,992	33,956	33,956	33,956
Reserves	366,366	377,438	400,345	416,557	448,123
Total equity	400,358	411,430	434,301	450,513	482,079
Minority interests	489	399	421	437	468
Total liabilities & equity	2,963,746	3,278,384	3,267,256	3,317,252	3,410,461
Supplementary items					
Risk weighted assets (RWA)	2,075,492	2,197,568	2,241,519	2,331,180	2,424,427
Average interest earning assets	2,973,403	3,001,007	3,150,431	3,174,079	3,237,718
Average interest bearing liabilities	2,396,471	2,534,701	2,686,181	2,699,612	2,740,173
Tier 1 capital	352,691	377,036	395,262	409,111	437,614
Total capital	375,206	400,892	419,118	432,967	461,470
Gross non performing loans (NPL)	85,212	101,462	109,579	104,100	106,182
Per share (THB)					
Book value per share	117.89	121.16	127.76	132.53	141.82
Tangible book value per share	117.89	121.16	127.76	132.53	141.82
Growth					
Gross customer loans	(1.3)	6.7	2.0	4.0	4.0
Average interest earning assets	(1.0)	0.9	5.0	0.8	2.0
Total asset (%)	(7.1)	10.7	(0.3)	1.5	2.8
Risk weighted assets (%)	(4.2)	5.9	2.0	4.0	4.0
Customer deposits (%)	0.0	12.1	-	1.0	2.0
Leverage & capital measures					
Customer loan/deposits (%)	92.6	88.0	89.7	92.6	94.8
Equity/assets (%)	13.5	12.5	13.3	13.6	14.1
Tangible equity/assets (%)	13.5	12.5	13.3	13.6	14.1
RWA/assets (%)	70.1	67.0	68.6	70.3	71.1
Tier 1 CAR (%)	17.0	17.2	17.6	17.5	18.1
Total CAR (%)	18.1	18.2	18.7	18.6	19.0
Asset Quality					
Change in NPL (%)	21.1	19.1	8.0	(5.0)	2.0
NPL/gross loans (%)	4.0	4.5	4.8	4.4	4.3
Total provisions/gross loans (%)	5.6	6.2	6.3	5.8	5.6
Total provisions/NPL (%)	137.8	137.4	132.3	138.2	131.4
Valuation					
Recurring P/E (x) *	14.4	15.5	12.0	11.0	9.9
Recurring P/E @ target price (x) *	18.6	20.0	15.5	14.2	12.8
Reported P/E (x)	12.5	15.5	12.0	11.0	9.9
Dividend yield (%)	5.0	1.9	5.4	2.8	3.8
Price/book (x)	1.1	1.0	1.0	0.9	0.9
Price/tangible book (x)	1.1	1.0	1.0	0.9	0.9
Price/tangible book @ target price (x)	1.4	1.3	1.3	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 122.00	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 its NIM and potential new regulations from the Bank of Thailand on debt-servicing programs. The upside risk would be better-than-expected synergies with Permata.
Kasikornbank	KBANK TB	THB 141.50	BUY	Downside risks to our GGM-based TP are 1) prolonged economic sluggishness and further waves of the Covid-19 pandemic affecting loan growth and asset quality; and 2) the impact of further interest rate cuts on NIM and potential new regulations from the Bank of Thailand on debt-servicing programs.
Kiatnakin Bank	KKP TB	THB 59.00	BUY	Downside risks to our GGM-based target price include weakening asset quality and lower fee income.
Tisco Financial	TISCO TB	THB 93.00	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; 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 1.13	BUY	Downside risks to our GGM-based TP are 1) prolonged economic sluggishness and further waves of the Covid-19 pandemic affecting loan growth and asset quality; and 2) the impact of further interest rate cuts on NIM and potential new regulations from the Bank of Thailand on debt-servicing programs.
Krung Thai Bank	KTB TB	THB 11.80	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.

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 21-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.