

8 DECEMBER 2021

# Thailand Banks and Diversified Financials

## Regulation turbulence for HP has not ended yet

### Negative view on second draft of HP contract regulations

The Office of the Consumer Protection Board (OCPB) has just launched the second draft of its hire purchase (HP) contract regulations on its website. According to operators, there might be a second public hearing on 16 Dec-21. We think there are two important changes between the first and second drafts that could impact diversified financial companies (DFs) and banks under our coverage: 1) the interest rate cap (from 15% EIR for all vehicle types to 15% for new cars and 20% for used cars and motorcycles); and 2) vehicle debt haircuts for clients who want to close loan contracts before maturity. We read the overall changes as negative. Although some changes are better than in the first draft, most are worse than we and the market expected. DFs should be more negatively impacted than banks.

### Moderate impact on HP industry

We think this new mandate would moderately impact the overall HP industry. Down payments could increase to prevent the risk of early contract termination, leading to slower loan growth during the initial implementation. If the early contract termination rate increases, it would eventually lead to higher credit costs. For motorbike HP (MHP) operators, in order to minimise the negative impact, they might need to 1) increase credit underwriting; 2) reduce commissions paid to dealers; and 3) increase the selling prices of motorbikes.

### MHP operators should see the largest negative impact

DFs should be more impacted than banks. The main source of pressure for DFs would be the interest rate cap. Among DFs under our coverage, there are three companies that would be affected by this mandate. We think NCAP would be the most negatively affected. If NCAP, SAWAD and MTC reduce their MHP interest charges to 20%, we see a downside to our 2022E net profit for those companies of around c60%, 6% and 1%, respectively. Regarding banks, pressure would mainly come from the vehicle debt haircut for the early termination of contracts, potentially leading to slower loan growth and higher credit costs. For the rate cap, most banks under our coverage would not be impacted as their rate charges are lower than the potential rate cap, except for TISCO, whose MHP makes up 2% of total loans (2-3% potential downside to 2022 net profit).

### Maintain OVERWEIGHT view on banks and DFs, wait and see for NCAP

We reiterate our OVERWEIGHT view on banks and DFs. Our most preferred banks are SCB, KBANK and KKP. For DFs, we still prefer asset management companies (AMCs) and secured loan operators, with JMT, SINGER, MICRO and SAWAD as our top picks. We recommend a wait-and-see approach for NCAP, as it may suffer the greatest negative impact. For SAWAD and MTC, we think the negative impacts would be manageable. We prefer SAWAD to MTC due to its brighter 4Q21 outlook and cheaper valuation.



**Yuvanart Suwanumphai**

yuvanart.suw@fssia.com  
+66 2611 3554

## Negative view on second draft of HP contract regulations

After the first public hearing on the new mandates for HP contracts on 20 Oct-21, the OCPB has just launched the second draft of its HP contract regulations on its website. We see five main differences between the first and second drafts, including 1) the scope of enforcement (from cars, motorcycles, tractors, and agricultural vehicles in the first draft to only cars and motorcycles in second draft); 2) the interest rate cap (from 15% EIR for all vehicle types to 15% for new cars and 20% for used cars and motorcycles); 3) vehicle debt haircuts for clients who want to close loan contracts before maturity (from customers being able to terminate HP contracts immediately without having to pay any additional fees to instalments which must be paid up to at least one-third of the hire purchase contract amount); 4) interest savings for clients from early prepayments (from an 80% discount for interest amounts that are not yet due to a 60-80% discount depending on the period during which the payments have been made); and 5) penalty fees (from not mentioned to not over 5% pa).

We read the overall changes as negative. Although some changes are better than in the first draft, most are worse than we and the market expected. DFs should be more negatively impacted than banks.

### Exhibit 1: Summary of key changes to HP contract regulations and FSSIA's view

Issues	Details			FSSIA's view	
	Current mandates	1st draft	2nd draft	View	Potential impact
1 Scope of enforcement	Cars and motorcycles	Cars, motorcycles, tractors, and agricultural vehicles	Cars and motorcycles	Neutral	No impact on stocks under our coverage
2 Interest rate cap	No cap	15% EIR for all vehicle types under the scope of enforcement	15% for new cars and 20% for used cars and motorcycles	Negative	Although the rate cap in the 2nd draft is higher than in the 1st draft, the market's and our expected rate cap for MHP was around 25-30%. The average MHP rate charges for NCAP, SAWAD and MTC are 30-35%, 30-35%, and 22-24%, respectively. Based on the assumption that the loan duration for MHP is 2 years, the negative impact on the 2022E net profits for NCAP, SAWAD, and MTC would be c60%, 6% and 1%, respectively.  Most banks under our coverage will not be affected, as their rate changes are lower than the potential rate cap, except for TISCO, whose MHP makes up 2% of total loans. The potential negative impact on TISCO's 2022E net profit is around 2-3%.
3 Vehicle debt haircuts for clients who want to close loan contracts before maturity	Not mentioned	Customers can terminate HP contracts early and immediately without having to pay additional expenses	Customers have to repay loans of up to at least 1/3 of the contract amount before terminating in order to be free of additional expenses	Slightly negative	Although the condition for the 2nd draft is better than the 1st, we expect that customers will have to repay loans by at least 1/2 of the amount. Thus, to prevent the risk of early contract termination, we think HP operators, especially banks, might increase down payments. This would lead to slower loan growth during the initial implementation.
4 Interest savings for clients from early prepayments	Not less than 50%	Not less than 80%	Not less than 60% in the case of instalment payments not exceeding 1/3 of the payment  Not less than 70% in the case of instalment payments between 1/3 and 2/3  Not less than 80% in the case of instalment payments of more than 2/3	Slightly positive	The step discount rate is better than in the 1st draft. However, this issue should not have a significant positive impact on all operators.
5 Penalty fees	EIR plus 3% but not over 15%	Not mentioned	Not over 5%	Slightly negative	The average penalty fees for DFs are 10-15%, while banks charge 5-10%. These rates are not that different from the potential new rate. Also, penalty fees are not a main source of income for operators. Thus, we expect a slightly negative impact.

Sources: OCPB; FSSIA estimates

## Exhibit 2: Current regulations on each retail loan type

	Auto title loans	HP loans	----- Personal loans -----		Credit cards	Nano finance	----- Pico finance ----	
			Normal p-loans	Digital loans			Pico	Pico plus
Minimum monthly income	-	-	-	-	THB15k	-	-	-
Interest rate cap (%)	24	No cap	25	25	16	33	36	36 (amount < THB50k) 28 (amount ≥ THB50k)
Market rate (%)	15-22	New motorcycle 30-45; new car 4-6; used car 7-12; new truck 6-8; used truck 9-18; home appliance 22-24	20-25	na.	16	na.	na.	
Maximum credit line*	LTV depends on lenders and borrowers	LTV depends on lenders and borrowers	1.5x for monthly income < THB30k 5x for monthly income ≥ THB30k	Credit lines of up to THB20k and repayment terms not over 6 months	1.5x for monthly income of THB15-30k; 3x for monthly income of THB30-50k; 5x for monthly income of ≥ THB50k	THB100k	THB50k	THB100k
Conditions/type of loan	Using vehicles as collateral, no transfer of auto registration	Ownership of collateral belongs to the lessor until the ownership is transferred to lessee when the instalments are paid off	Multipurpose, Unsecured	Online lending using other factors, e.g. bill payment behaviour for underwriting process, Multipurpose, Unsecured	Multipurpose, Unsecured	Business related, Unsecured	Multipurpose, Secured or Unsecured	
Service area	Nationwide	Nationwide	Nationwide	Nationwide	Nationwide	Nationwide	Provincial	
Regulator	BoT	OCPB	BoT	BoT	BoT	BoT	MoF	

\*Excluding relaxed criteria from Covid pandemic

Relaxed criteria for:

1. Personal loans: BoT allows no limit for lenders to 2022, an increase in credit lines up to 2x income for THB30k income customers to 2022
2. Digital loans: increase credit lines up to THB40k and repayment terms to 12 months

BoT = the Bank of Thailand; MoF = Ministry of Finance; OCPB = Office of the Consumer Protection Board

Source: FSSIA's compilation

## MHP operators should see the largest negative impact

DFs should be more impacted than banks. Among DFs under our coverage, there are three companies that would be affected by this mandate. The main source of pressure for DFs would be the interest rate cap. We think NCAP would be the most negatively affected, as 100% of its portfolio is MHP, for which it normally charges a 30-35% rate. SAWAD currently has a 13% MHP proportion in its portfolio with a 30-35% rate charge. MTC's portfolio has a 3% MHP proportion with a 22-24% rate charge. If NCAP, SAWAD and MTC reduce their MHP interest charges to 20% without changing their other operations, we see a downside to our 2022E net profit for those companies of around c60%, 6% and 1%, respectively.

## Exhibit 3: Potential impact on 2022 net profit

	NCAP	MTC	SAWAD
<b>Current 2022 assumptions</b>			
Total gross loan yield (%)	32.4	18.9	20.5
MHP portfolio to total loans (%)	100.0	6.0	15.0
Net profit (THB m)	420	6,463	5,664
<b>Cap MHP rate to 20%</b>			
Total gross loan yield (%)	16.4	18.8	19.4
Net profit (THB m)	168	6,378	5,308
<b>Diff</b>			
Loan yield (bps)	(16.0)	(0.1)	(1.1)
Net profit (%)	(60.1)	(1.3)	(6.3)

Sources: Company Data; FSSIA estimates

## Exhibit 4: Portfolio structure of diversified financials under our coverage as of 2Q21

	----- Auto title loans -----				----- Truck lenders -----			Motorcycle HP	Unsecured lending	
	MTC	SAWAD	SAK	TIDLOR	MICRO	SINGER	THANI	NCAP	AEONTS	KTC
<b>Total port (THB m)</b>	<b>79,831</b>	<b>32,584</b>	<b>7,770</b>	<b>54,213</b>	<b>3,134</b>	<b>8,552</b>	<b>49,098</b>	<b>4,489</b>	<b>87,077</b>	<b>88,938</b>
<b>Contribution</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>
<b>Title loans</b>	<b>79</b>	<b>84</b>	<b>85</b>	<b>85</b>	<b>-</b>	<b>54</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Motorcycle	33	-	21	12	-	-	-	-	-	-
Car	33	43	49	63	-	22	-	-	-	-
Truck	-	-	3	9	-	32	-	-	-	-
Agricultural vehicle	4	-	12	-	-	-	-	-	-	-
Land	9	41	-	-	-	-	-	-	-	-
<b>Unsecured loans</b>	<b>18</b>	<b>4</b>	<b>15</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>93</b>	<b>95</b>
Credit card	-	-	-	-	-	-	-	-	41	62
Personal loans	8	4	3	-	-	-	-	-	52	33
Nano finance	10	-	13	-	-	-	-	-	-	-
<b>Hire purchase loans</b>	<b>3</b>	<b>12</b>	<b>-</b>	<b>15</b>	<b>100</b>	<b>46</b>	<b>100</b>	<b>100</b>	<b>-</b>	<b>-</b>
Motorcycle	3	12	-	-	-	-	-	100	-	-
Car	-	-	-	-	-	-	37	-	-	-
Truck	-	-	-	15	100	-	63	-	-	-
Home appliance	-	-	-	-	-	46	-	-	-	-
<b>Other loans</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7</b>	<b>5</b>

Source: FSSIA's compilation

Regarding banks, pressure would mainly come from the vehicle debt haircut for the early termination of contracts, potentially leading to slower loan growth and higher credit costs. For the rate cap, most banks under our coverage would not be impacted as their rate charges are lower than the potential rate cap, except for TISCO, whose MHP makes up 2% of total loans. The potential negative impact on TISCO's 2022E net profit is around 2-3%.

## Exhibit 5: 3Q21 loan structure

	BAY (THB b)	BBL (THB b)	KBANK (THB b)	KKP (THB b)	KTB (THB b)	SCB (THB b)	TTB (THB b)	TISCO (THB b)
Corporate	668	1,035	834	38	666	815	489	35
SME	297	530	782	53	333	405	109	9
Retail	890	303	744	192	1,050	1,059	747	159
- Housing	297	303	423	32	451	693	299	12
- Unsecured	185	-	206	8	598	132	54	-
<b>- Auto</b>	<b>408</b>	<b>-</b>	<b>115</b>	<b>144</b>	<b>-</b>	<b>226</b>	<b>394</b>	<b>146</b>
- Other retail	-	-	-	8	-	8	-	-
Other loans*	-	656	23	9	512	-	14	2
<b>Total loans</b>	<b>1,854</b>	<b>2,524</b>	<b>2,383</b>	<b>291</b>	<b>2,560</b>	<b>2,279</b>	<b>1,359</b>	<b>204</b>

\* Other loans for BBL = international loans, KTB = government loans

Sources: Company data; FSSIA's compilation

## Exhibit 6: 3Q21 loan structure (% to total loans)

	BAY (%)	BBL (%)	KBANK (%)	KKP (%)	KTB (%)	SCB (%)	TTB (%)	TISCO (%)
Corporate	36	40	35	13	26	36	36	17
SME	16	23	33	18	13	18	8	4
Retail	48	13	31	66	41	46	55	78
- Housing	16	13	18	11	18	30	22	6
- Unsecured	10	-	9	3	23	6	4	-
<b>- Auto</b>	<b>22</b>	<b>-</b>	<b>5</b>	<b>49</b>	<b>-</b>	<b>10</b>	<b>29</b>	<b>72</b>
- Other retail	-	-	-	3	-	0	-	-
Other loans*	-	24	1	3	20	-	1	1
<b>Total loans</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

\* Other loans for BBL = international loans, KTB = government loans

Sources: Company data; FSSIA's compilation

## Exhibit 7: Financial companies under coverage – summary of key valuations

Company	BBG code	Rec	---Share price---		Up side (%)	Market Cap (USD m)	EPS growth		---- P/E ----		-- DivYld --		---- ROE ----		---- PBV ---	
			Current (THB)	Target (THB)			21E (%)	22E (%)	21E (x)	22E (x)	21E (x)	22E (x)	21E (%)	22E (%)	21E (x)	22E (x)
<b>Banks</b>						<b>41,232</b>	<b>6.7</b>	<b>11.1</b>	<b>10.2</b>	<b>9.2</b>	<b>4.0</b>	<b>3.7</b>	<b>7.7</b>	<b>8.1</b>	<b>0.8</b>	<b>0.7</b>
Bangkok Bank	BBL TB	HOLD	117.50	134.00	14	6,658	27.1	8.6	8.3	7.7	3.4	4.3	5.9	6.2	0.5	0.5
Kasikornbank	KBANK TB	BUY	137.50	172.00	25	9,671	18.8	10.1	9.3	8.4	2.0	2.5	7.6	7.7	0.7	0.6
Kiatnakin Bank	KKP TB	BUY	59.75	68.00	14	1,502	8.2	20.9	9.1	7.6	4.2	5.9	11.6	13.0	1.0	0.9
Krung Thai Bank	KTB TB	HOLD	12.20	12.20	0	5,062	21.5	5.5	8.4	8.0	4.2	4.4	5.8	5.8	0.5	0.5
Siam Commercial Bank	SCB TB	BUY	125.00	160.00	28	12,601	28.7	8.9	12.1	11.1	5.4	2.8	8.3	8.6	1.0	0.9
Tisco Financial	TISCO TB	BUY	91.75	110.00	20	2,181	6.7	9.0	11.4	10.4	7.2	8.4	16.1	16.7	1.8	1.7
TMBThanachart Bank	TTB TB	BUY	1.24	1.40	13	3,557	(1.1)	32.1	11.9	9.0	3.3	4.4	4.8	6.1	0.6	0.5
<b>Diversified financials</b>						<b>22,127</b>	<b>12.1</b>	<b>22.5</b>	<b>25.3</b>	<b>20.6</b>	<b>2.0</b>	<b>2.3</b>	<b>18.4</b>	<b>18.0</b>	<b>4.1</b>	<b>3.2</b>
<b>Unsecured-loan lender</b>						<b>5,590</b>	<b>14.3</b>	<b>13.1</b>	<b>20.3</b>	<b>17.9</b>	<b>2.0</b>	<b>2.2</b>	<b>24.0</b>	<b>23.4</b>	<b>4.6</b>	<b>4.0</b>
Aeon Thana Sinsap (TH)	AEONTS TB	HOLD	186.00	204.00	10	1,380	7.5	13.9	11.7	10.3	2.7	2.8	21.5	21.1	2.4	2.0
Krungthai Card	KTC TB	HOLD	55.00	52.00	(5)	4,210	15.4	13.0	23.0	20.4	1.8	2.0	24.8	24.1	5.3	4.6
<b>Auto-title lender</b>						<b>9,051</b>	<b>5.6</b>	<b>23.1</b>	<b>22.9</b>	<b>18.6</b>	<b>1.3</b>	<b>1.5</b>	<b>20.3</b>	<b>20.6</b>	<b>4.0</b>	<b>3.5</b>
Muangthai Capital	MTC TB	BUY	56.25	69.00	23	3,540	(0.5)	24.6	23.0	18.5	0.7	0.8	22.7	23.4	4.8	3.9
Srisawad Corp	SAWAD TB	BUY	59.25	80.00	35	2,415	4.2	20.6	17.1	14.2	3.0	3.5	20.2	22.0	3.3	3.0
Saksiam Leasing	SAK TB	BUY	10.20	11.00	8	635	(19.5)	39.1	36.0	25.9	0.8	1.2	12.6	15.9	4.3	3.9
Ngern Tid Lor	TIDLOR TB	BUY	35.75	43.00	20	2,461	23.8	17.8	25.2	21.4	0.6	0.7	18.9	16.4	3.7	3.3
<b>Truck lender</b>						<b>1,658</b>	<b>12.0</b>	<b>10.8</b>	<b>26.7</b>	<b>24.1</b>	<b>2.0</b>	<b>2.6</b>	<b>13.2</b>	<b>12.7</b>	<b>3.1</b>	<b>2.4</b>
Micro Leasing	MICRO TB	BUY	8.00	10.70	34	222	23.1	33.5	36.7	27.5	0.8	0.7	10.8	13.2	3.8	3.4
Singer Thailand	SINGER TB	BUY	47.50	51.00	7	746	24.8	2.4	35.0	34.1	1.1	1.8	13.0	9.8	3.9	2.5
Ratchthani Leasing	THANI TB	BUY	4.10	4.80	17	689	(30.2)	19.8	14.6	12.2	3.4	4.1	14.2	15.8	2.0	1.8
<b>Asset management</b>						<b>4,408</b>	<b>16.5</b>	<b>32.5</b>	<b>39.6</b>	<b>29.9</b>	<b>1.9</b>	<b>2.5</b>	<b>12.6</b>	<b>10.7</b>	<b>4.7</b>	<b>2.6</b>
Bangkok Commercial AM	BAM TB	BUY	20.40	22.00	8	1,957	20.9	35.8	29.6	21.8	2.9	3.9	5.1	6.5	1.4	1.4
Chayo Group	CHAYO TB	BUY	12.70	18.80	48	363	18.5	39.6	49.5	35.5	0.0	0.0	12.8	11.7	4.4	3.6
JMT Network Services	JMT TB	BUY	58.75	70.00	19	2,088	13.6	29.5	47.3	36.5	1.3	1.6	19.5	14.5	7.8	3.6
<b>Other</b>						<b>1,136</b>	<b>8.1</b>	<b>11.6</b>	<b>9.3</b>	<b>8.3</b>	<b>8.2</b>	<b>8.2</b>	<b>6.4</b>	<b>6.8</b>	<b>0.6</b>	<b>0.6</b>
Thanachart Capital	TCAP TB	HOLD	36.50	35.00	(4)	1,136	8.1	11.6	9.3	8.3	8.2	8.2	6.4	6.8	0.6	0.6
<b>HP motorcycle</b>						<b>283</b>	<b>55.9</b>	<b>33.4</b>	<b>30.3</b>	<b>22.7</b>	<b>0.5</b>	<b>0.7</b>	<b>17.4</b>	<b>19.8</b>	<b>4.9</b>	<b>4.1</b>
Next Capital	NCAP TB	BUY	10.60	16.80	58	283	55.9	33.4	30.3	22.7	0.5	0.7	17.4	19.8	4.9	4.1

Share prices as of 7 Dec 2021

Sources: Bloomberg; 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	AMANAH	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**

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.

This report has been prepared by FSS International Investment Advisory Company Limited (FSSIA). The information herein has been obtained from sources believed to be reliable and accurate; however FSS makes no representation as to the accuracy and completeness of such information. Information and opinions expressed herein are subject to change without notice. FSS has no intention to solicit investors to buy or sell any security in this report. In addition, FSS does not guarantee returns nor price of the securities described in the report nor accept any liability for any loss or damage of any kind arising out of the use of such information or opinions in this report. Investors should study this report carefully in making investment decisions. All rights are reserved.

This report may not be reproduced, distributed or published by any person in any manner for any purpose without permission of FSSIA. Investment in securities has risks. Investors are advised to consider carefully before making investment decisions.

Company	Ticker	Price	Rating	Valuation & Risks
Bangkok Bank	BBL TB	THB 117.50	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 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 137.50	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 59.75	BUY	Downside risks to our GGM-based target price include weakening asset quality and lower fee income.
Krung Thai Bank	KTB TB	THB 12.20	HOLD	Downside risks to our GGM-based TP are 1) prolonged economic sluggishness and further waves of the Covid-19 pandemic affecting loan growth and asset quality; and 2) the impact of further interest rate cuts on NIM and potential new regulations from the Bank of Thailand on debt-servicing programs. The upside risk is the better-than-expected ability to control cost of funds.
Siam Commercial Bank	SCB TB	THB 125.00	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 91.75	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 1.24	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.
Aeon Thana Sinsap (Thailand)	AEONTS TB	THB 186.00	HOLD	Downside risks to our GGM-derived TP include 1) intense competition; 2) regulatory actions to curb industry growth; and 3) deteriorating asset quality. The upside risk is stronger-than-expected asset quality.
Krungthai Card	KTC TB	THB 55.00	HOLD	Upside risks to our GGM-derived TP include 1) stronger-than-expected growth for KTB Leasing; and 2) a better-than-expected bad debt recovery. Downside risks are 1) regulatory actions to curb industry growth; and 2) deteriorating asset quality.
Muangthai Capital	MTC TB	THB 56.25	BUY	Downside risks to our GGM-based TP include 1) a further weakening of asset quality that could potentially hit both loan yield and credit cost; and 2) changes in financial regulations by the Bank of Thailand and the Office of Consumer Protection Board.
Srisawad Corp	SAWAD TB	THB 59.25	BUY	Downside risks to our GGM-based TP include 1) a further weakening of asset quality that could potentially hit both loan yield and credit cost; and 2) changes in financial regulations by the Bank of Thailand and the Office of Consumer Protection Board.
Saksiam Leasing	SAK TB	THB 10.20	BUY	Downside risks to our GGM-derived TP include 1) competition from existing and new players; 2) regulatory changes by the Bank of Thailand (BoT); and 3) a slower-than-expected reduction in its cost of funds due to a shift toward more long-term loans.
Ngern Tid Lor	TIDLOR TB	THB 35.75	BUY	Downside risks to our GGM-based TP include 1) the expansion into auto-title loans by the Government Savings Bank and Auto X (subsidiary of SCB); 2) further weakening asset quality could potentially hit both loan yield and credit cost; and 3) tighter supervision from related regulators.
Micro Leasing	MICRO TB	THB 8.00	BUY	Downside risks to our GGM-derived TP include 1) an economic slowdown, especially for logistics activities and private investment; 2) deteriorating asset quality; and 3) a slower-than-expected reduction in the cost of funds due to a shift toward more long-term loans.
Singer Thailand	SINGER TB	THB 47.50	BUY	Downside risks to our GGM-derived TP include 1) an economic slowdown leading to slower loan growth and lower sales of electrical products and home appliances; and 2) deteriorating asset quality.



Ratchthani Leasing	THANI TB	THB 4.10	BUY	Downside risks to our GGM-derived TP include 1) an economic slowdown, especially for logistics activities and private investment; 2) deteriorating asset quality; and 3) changes in financial regulations from the Bank of Thailand.
Bangkok Commercial Asset Mngt.	BAM TB	THB 20.40	BUY	Downside risks to our GGM-based TP include 1) lower cash collection from its fully amortised portfolio; 2) lower-than-expected bad debt acquisition; and 3) the prolonged slowdown of the property market.
Chayo Group	CHAYO TB	THB 12.70	BUY	Downside risks to our GGM-based TP include 1) lower-than-expected bad debt acquisition; and 2) higher-than-expected operating expenses.
JMT Network Services	JMT TB	THB 58.75	BUY	Downside risks to our GGM-based TP include 1) lower cash collection from its fully amortised portfolio; and 2) the lower-than-expected acquisition of new bad debt.
Thanachart Capital	TCAP TB	THB 36.50	HOLD	Upside risks to our GGM-based target price are M&A completions and long-term synergy gained, leading to a higher contribution to its earnings. Downside risks are impacts from a prolonged weak macro outlook on loan growth and asset quality which could lead to higher provisions for both TMB and THANI.
Next Capital	NCAP TB	THB 10.60	BUY	Downside risks to our GGM-derived TP include 1) an economic slowdown, especially for food delivery and logistics activities; 2) deteriorating asset quality; and 3) tighter competition from new players.

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 07-Dec-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.