

TMBTHANACHART BANK

TTB TB

THAILAND / BANKS

BUY

UNCHANGED

TARGET PRICE	THB1.80
CLOSE	THB1.45
UP/DOWNSIDE	+24.1%
PRIOR TP	THB1.40
CHANGE IN TP	+28.6%
TP vs CONSENSUS	+31.7%

The newly cut diamond ready to shine

- Room for TTB's share price to rerate thanks to its strongest 2022E net profit growth and its more retail-oriented client base.
- Few concerns about TTB's asset quality due to its most prudent and transparent asset quality management.
- BUY maintained, revise up 2022 TP to THB1.8 from THB1.4.

Strongest 2022E net profit growth from synergies kicking in

We believe TTB will deliver the highest net profit growth among banks in 2022 at 32% y-y, supported by two factors. First, we believe that the revenue synergies will kick in in 2022. TTB could utilise the increase in its customer base to generate cross-selling and up-selling opportunities. This would enlarge its loan volume and fee income. Second, we are convinced that TTB will fully enjoy the benefits from the overlapping branch network and workforce rationalisation. TTB is likely to be the only bank whose 2022 ROE can increase above the 2019 pre-Covid level.

More retail-oriented client base, greater valuation rerating

Normally, auto lenders trade at a higher premium compared to big and medium banks thanks to their high loan yield characteristics and attractive dividend yields. We think TTB's market position has changed since the merger in 2019 from commercial-based clients to a more retail-oriented segment, particularly hire purchase (HP) loans. However, the market still perceives TTB's position as only a medium bank, trading at a discounted valuation. We believe that once its HP portfolio gradually increases in 2022, investors' perceptions will change. They might give a more premium valuation to TTB following a rise in loan yield and ROE.

The most prudent and transparent asset quality management

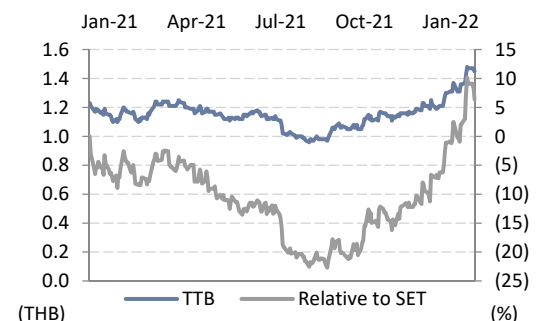
We think some investors still misunderstand the moderate rise in TTB's NPLs vs the slight increase of its peers', plus its potentially lowest coverage ratio in 2021. This could be a reason for the limited rise in its share price. We, however, have few concerns. We think TTB has the most prudent and transparent asset quality management. It mostly classifies its clients' loan status based on the real debt repayment ability of its customers, which differs from most banks that utilise the loan classification relaxation benefit to minimise the increase of NPLs. This means that TTB's portfolio reflects real debt repayment ability. Although we expect elevated provisions in one to two years, we do not think there will be a big jump in its provisions once the relaxed measures end.

One of our top picks with a higher GGM-based 2022 TP to THB1.8

We revise up our TP to THB1.8 to reflect our higher target P/BV multiple, as we have more confidence in TTB's earnings recovery and merger synergies in 2022. We see room for its share price to further rerate.

KEY STOCK DATA

YE Dec (THB m)	2020	2021E	2022E	2023E
Operating profit	11,975	11,874	15,685	17,972
Net profit	10,112	10,004	13,217	15,129
EPS (THB)	0.10	0.10	0.14	0.16
vs Consensus (%)	-	(2.0)	12.0	(5.9)
Core net profit	10,112	10,004	13,217	15,129
Core EPS (THB)	0.10	0.10	0.14	0.16
Chg. In EPS est. (%)	-	0.0	0.0	0.0
EPS growth (%)	(29.4)	(1.1)	32.1	14.5
Core P/E (x)	13.8	14.0	10.6	9.2
Dividend yield (%)	3.1	3.1	4.3	4.9
Price/book (x)	0.7	0.7	0.6	0.6
ROE (%)	5.1	4.8	6.1	6.7
ROA (%)	0.6	0.6	0.7	0.8



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	19.8	29.5	29.5
Relative to country (%)	13.5	25.4	16.3
Mkt cap (USD m)			4,218
3m avg. daily turnover (USD m)			17.2
Free float (%)			39
Major shareholder		ING Bank N.V. (23%)	
12m high/low (THB)			1.50/0.95
Issued shares (m)			43,852

Sources: Bloomberg consensus; FSSIA estimates


Yuvanart Suwanumphai

 yuvanart.suw@fssia.com
 +66 2611 3554

Investment thesis

We maintain our BUY call and choose TTB as one of our top picks. We believe that it will deliver superior performance in 2022, driven by synergies from its consolidation with Thanachart Bank (TBANK, not listed) in terms of both revenue and cost and lower expected credit losses (ECL) thanks to its prudent provision stockpiling in 2020-21, which should lead to an ECL decline. Additionally, we like its prudent and transparent asset quality management. This should allow TTB to deliver sustainable long-term post-Covid growth. Moreover, TTB is well known as a digital lending bank that could benefit from the current digital banking trend.

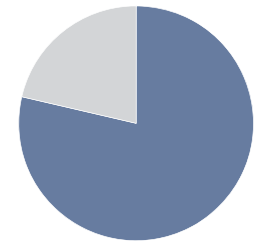
Company profile

TMBThanachart Bank Public Company Limited provides a full range of banking and financial services. The bank offers corporate and personal lending, retail and wholesale banking, international trade financing, and investment banking services to its customers throughout Thailand. It merged with TBANK at the end of 2019. The entire business transfer (EBT) process was completed in Jul-21.

www.ttbank.com

Principal activities (revenue, 2020)

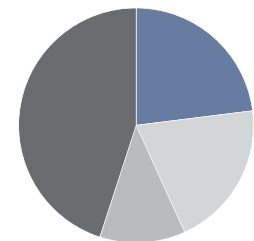
- Net interest income - 78.6 %
- Non-interest income - 21.4 %



Source: TMBThanachart Bank

Major shareholders

- ING Bank N.V. - 23.0 %
- TCAP - 20.2 %
- Ministry of Finance - 11.8 %
- Others - 45.0 %



Source: TMBThanachart Bank

Catalysts

Potential share price catalysts for TTB include:

- Lower credit cost from better-than-expected new NPLs;
- Better operating cost control;
- Revenue synergies starting to kick in.

Risks to our call

Downside risks to our GGM-based TP are 1) prolonged economic sluggishness and further waves of the Covid-19 pandemic affecting loan growth and asset quality; and 2) the impact of further interest rate cuts on NIM and potential new regulations from the Bank of Thailand on debt-servicing programs.

Event calendar

Date	Event
20 Jan 2022	4Q21 results announcement

Key assumptions

	2021E	2022E	2023E
	(%)	(%)	(%)
Net profit (THB m)	10,004	13,217	15,129
Net profit growth	(1.1)	32.1	14.5
NIM	2.98	2.90	2.89
Loan growth	(3.0)	4.0	4.0
Fee growth	(4.9)	15.8	12.0
Non-NII growth*	(8.5)	18.3	10.4
Credit cost (bp)	161	150	145
Cost to income*	46.9	43.9	42.5

*Including share of profits from associates

Source: FSSIA estimates

Earnings sensitivity

		2022E		
Loan growth	±2ppt	2.0	4.0	6.0
% change in net profit		(2.3)	-	2.3
NIM (%)	±5bp	2.85	2.90	2.95
% change in net profit		(6.0)	-	6.0
Credit cost (bp)	±10bp	140	150	160
% change in net profit		5.2	-	(5.2)

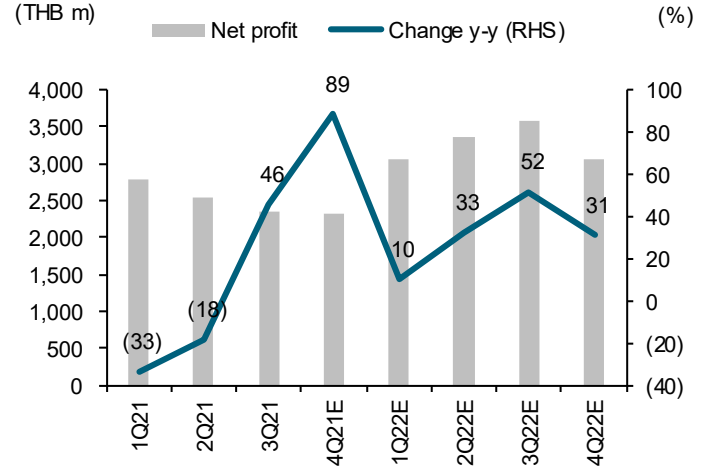
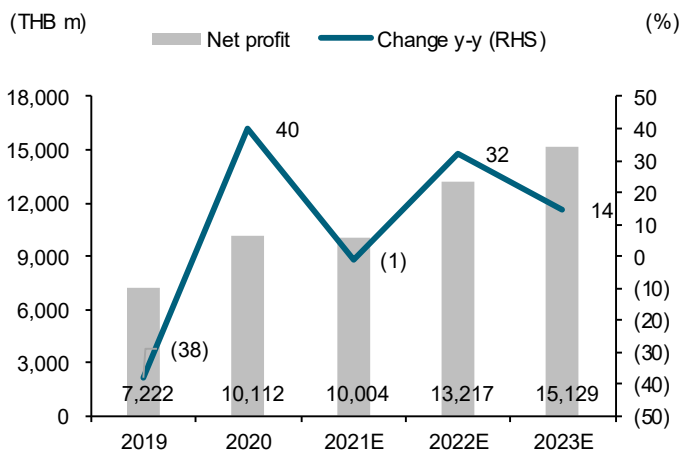
Source: FSSIA estimates

Highest 2022E net profit growth and ROE above pre-Covid level

We believe TTB will deliver the highest net profit growth among banks in 2022 at 32% y-y, supported by two factors. First, we believe that the revenue synergies will kick in in 2022. TTB could utilise the increase in its customer base to generate cross-selling and up-selling opportunities. This would enlarge its loan volume and fee income. Second, we are convinced that TTB will fully enjoy the benefits from the overlapping branch network rationalisation, along with the resulting workforce and IT investment savings. TTB is likely to be the only bank whose 2022 ROE can increase above the 2019 pre-Covid level.

Exhibit 1: TTB's yearly earnings momentum

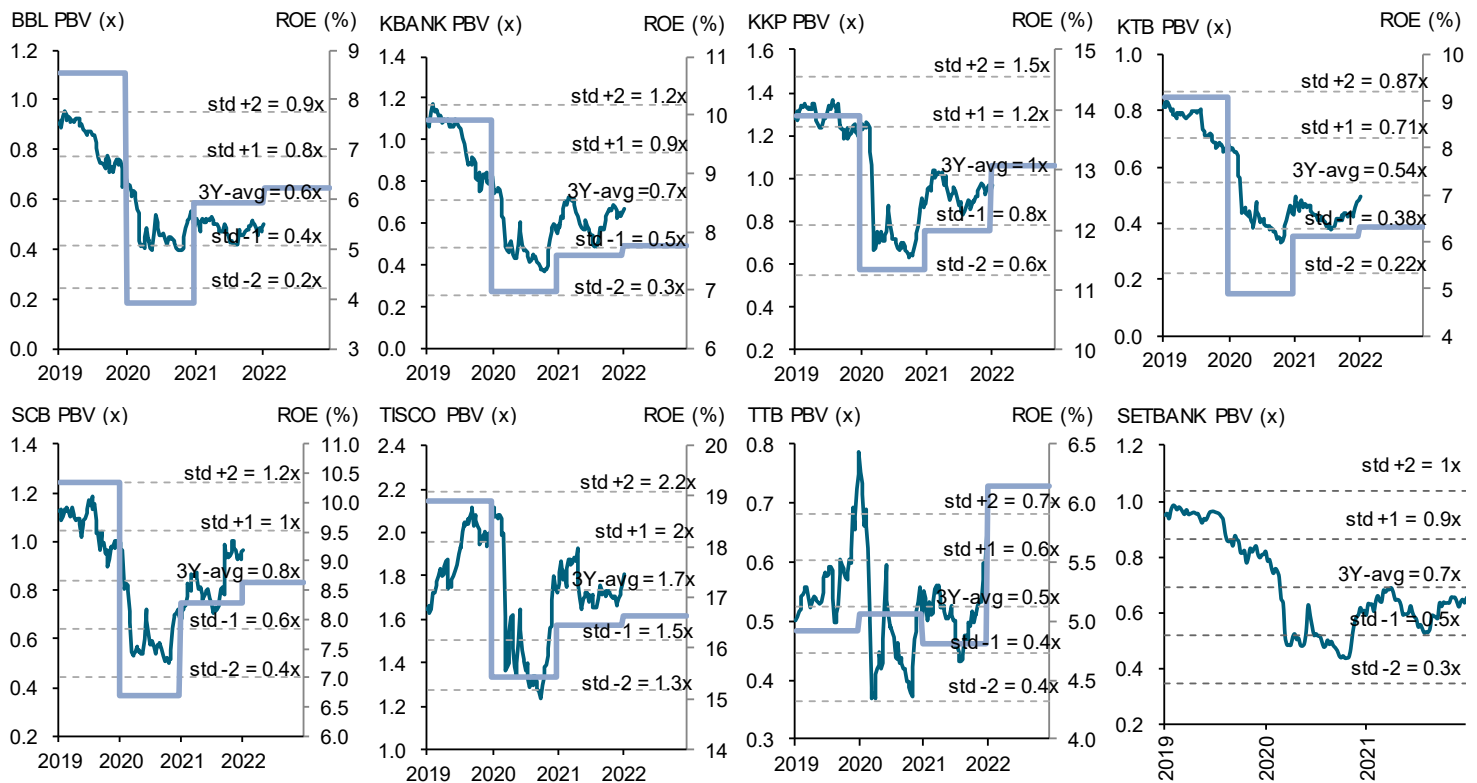
Exhibit 2: TTB's quarterly earnings momentum



Sources: TTB; FSSIA estimates

Sources: TTB; FSSIA estimates

Exhibit 3: Comparing ROE and P/BV of each bank



Source: FSSIA estimates

Synergies starting to bear fruit

After two years of integration between TMB and TBANK, we think the synergies from the merger should start to clearly bear fruit from 2022 onward, including balance sheet synergies, revenue synergies and cost synergies.

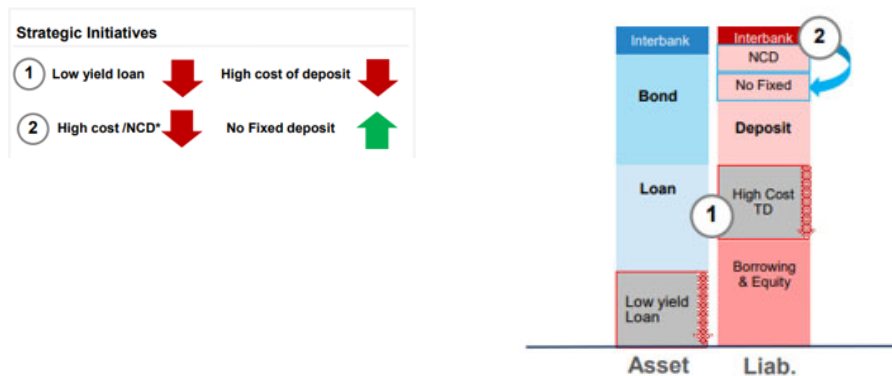
1) Balance sheet synergies

Balance sheet efficiency from an improving deposit mix

TMB is one of the leaders in the field of deposit products. This makes it possible for it to have a low cost of deposits, close to the big four banks: Bangkok Bank (BBL TB, HOLD, TP THB134), Kasikornbank (KBANK TB, BUY, TP THB172), Krung Thai Bank (KTB TB, BUY, TP THB15.5), and Siam Commercial Bank (SCB TB, BUY, TP THB160). Since merging with TBANK in late 2019 to present, TMB has been able to replace THB290b worth from TBANK’s expensive negotiable certificate of deposit (NCD) and time-deposit (TD) funds with a cheaper deposit product called “TMB No Fixed”, by leveraging TMB’s strong deposit franchise.

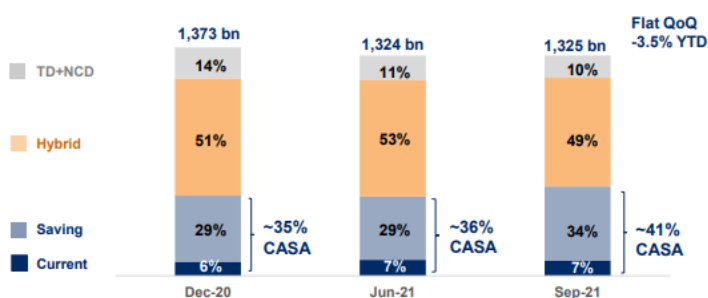
Therefore, the cost of funds of the merged bank is still low, on par with the big four banks. We expect the low cost of funds to continue in 2022-23.

Exhibit 4: Summary of balance sheet synergy



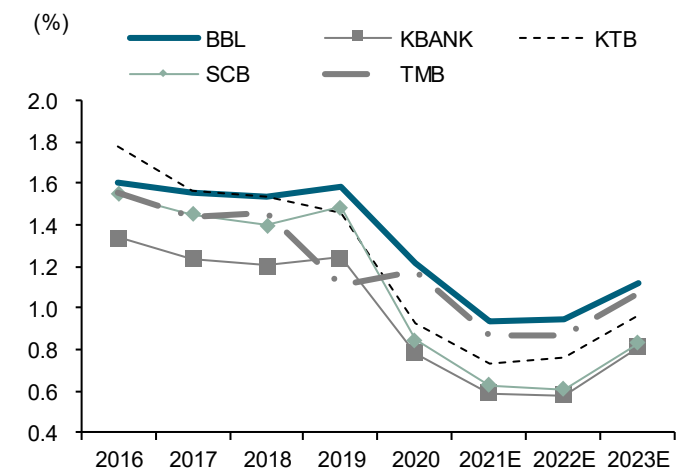
Sources: TTB; FSSIA’s compilation

Exhibit 5: Replacing TBANK’s high cost of deposits (TD+NCD) with low-cost TMB flagship deposits (TD+NCD) with low-cost TMB flagship deposits



Sources: TTB; FSSIA’s compilation

Exhibit 6: Comparing cost of funds of big banks under our coverage



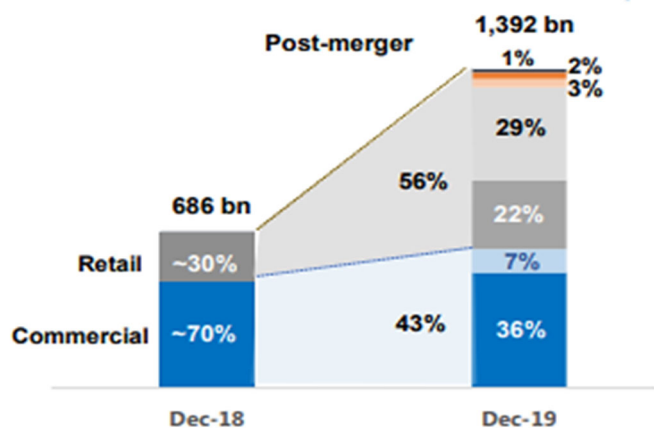
Sources: Company data; FSSIA estimates

Pursuing selective growth and a rundown on low-yield loans

TMB's strong deposit franchise was not always optimally utilised and was often placed in low-yield corporate loans. By leveraging TBANK's expertise, as one of the leaders in automotive lending, we believe the merged bank can benefit from a higher lending yield.

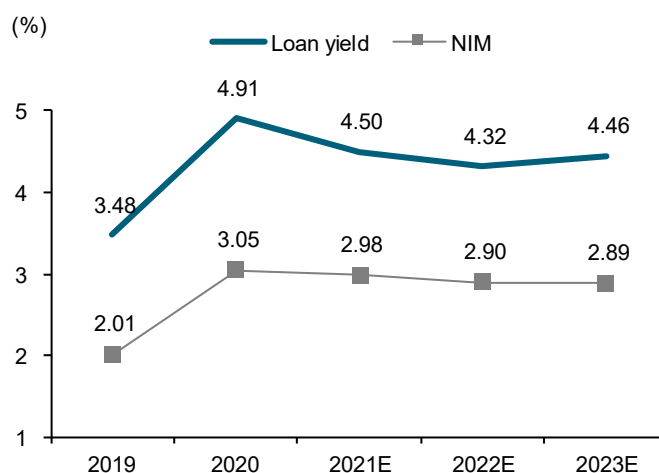
In 2021, TTB lent new loans conservatively due to the Covid pandemic. Its 2021 loan volume might decline by 3% y-y, based on our assumptions. However, according to TTB, it will grow its hire purchase lending aggressively in 2022. We expect that an increase in its high-yield portfolio would minimise the negative impact of the debt relief program and the effective interest rate (EIR) adjustment of housing loans. We, therefore, expect TTB's average lending yield to slightly drop to 4.32% (-18 bps) in 2022 before increasing to 4.46% in 2023.

Exhibit 7: After the merger in 2019, TTB's market position has become more retail-oriented



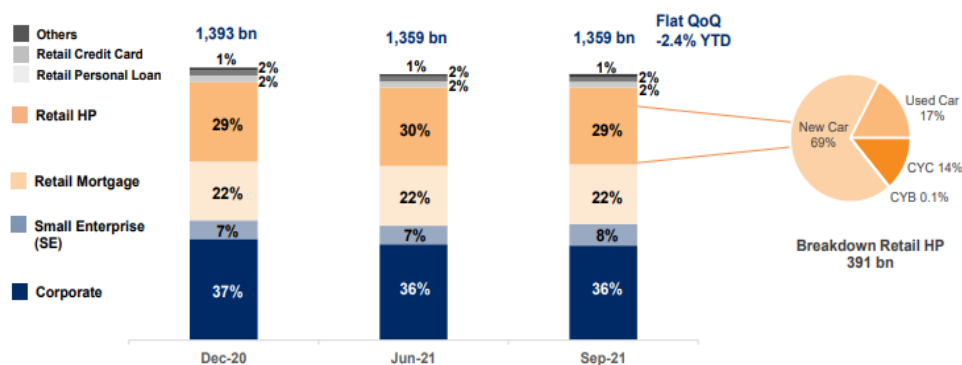
Source: TTB

Exhibit 8: TTB's loan yield and NIM



Sources: TTB; FSSIA estimates

Exhibit 9: Greater focus on high-yield loans



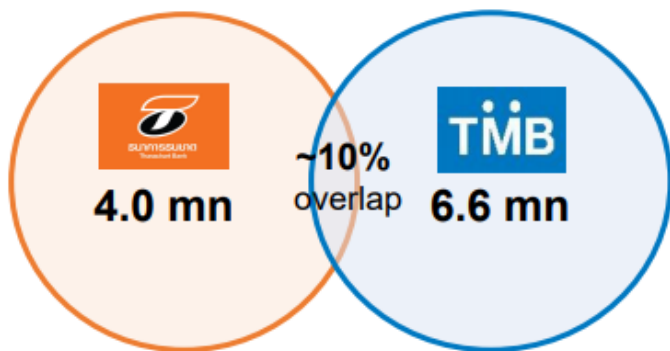
Sources: TTB; FSSIA estimates

2) Revenue synergies

Enlarging customer base and accelerating loan volume and fee income

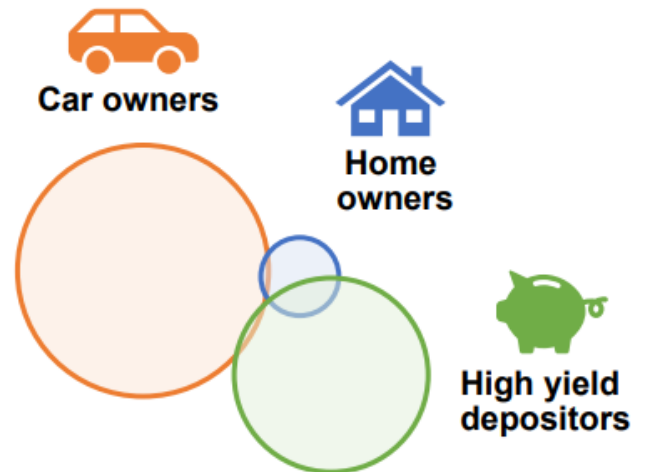
We think one of the main value propositions from this merger is a sizable increase in both banks' scale of operations. According to TTB, TMB and TBANK will have approximately 10m customers combined. There is only a 10% overlap between TMB's and TBANK's customers. The bank could utilise the limited overlap in customer base to generate cross-selling and up-selling opportunities. For example, TBANK's Cash-Your-Car (CYC) product could meet the needs of TMB's retail customers, in our view.

Exhibit 10: Bank level: marginal overlaps in customer base creates cross-selling opportunities



Source: TMB

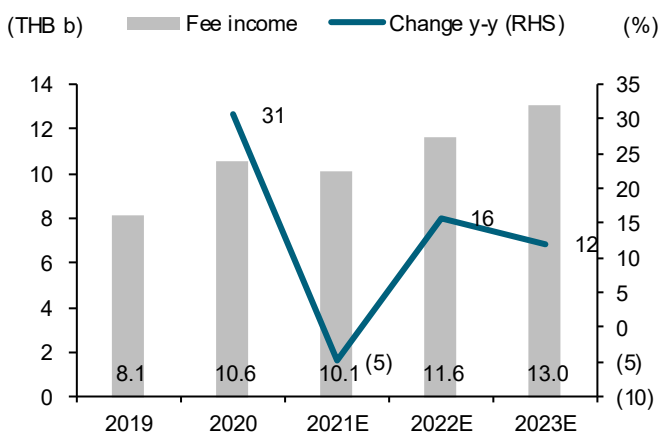
Exhibit 11: Product level: limited cross-holding across core strategic products



Source: TMB

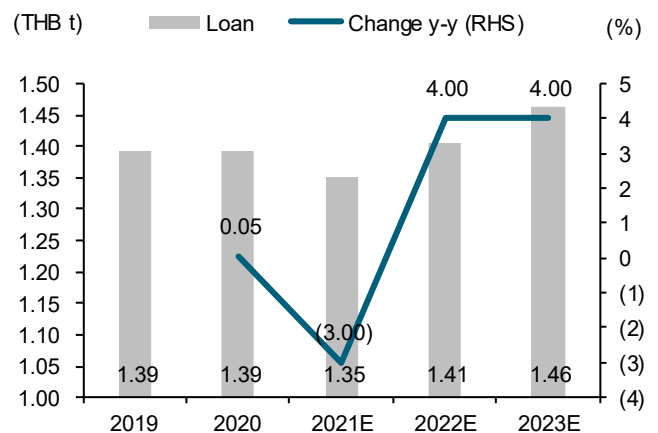
In 2021, this enlarged customer base has not yet generated any benefit to TTB. We believe that this synergy will be captured starting from 2022. We, therefore, expect TTB's fee income and loan portfolio to increase gradually in the next two to three years.

Exhibit 12: TTB's fee income growth



Sources: TTB; FSSIA estimates

Exhibit 13: TTB's loan growth



Sources: TTB; FSSIA estimates

3) Cost synergies

Rationalisation of overlapping branch network and workforce

Some branch rationalisation and premise cost savings started to kick in in 4Q20. As of 3Q21, the merged bank has 652 branches (total branches reduced from merger date by 243 branches). Regarding its workforce, as of 3Q21, TTB reduced its headcount by 4.1k to 15,379 personnel. We, therefore, believe that after the integration process in Jul-21, its staff and premise expenses should decline gradually.

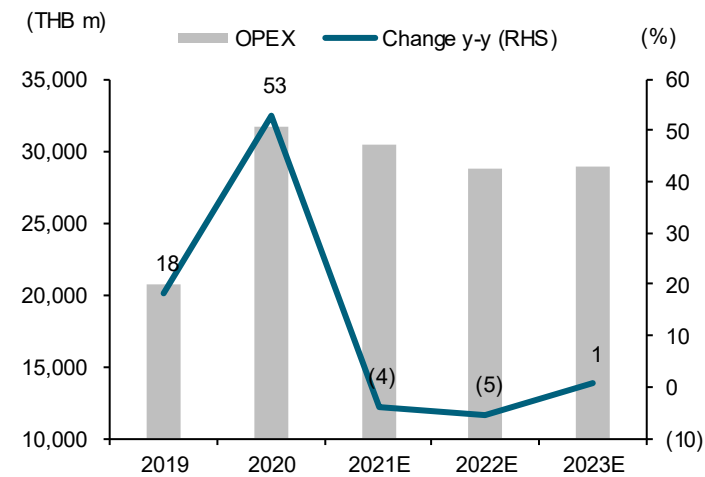
Marketing and IT investment savings

We believe that post EBT, there will be value unlocked from not having to incur the fixed cost of operating two entities, i.e., the TConnect mobile banking application (and many systems on the TBANK side).

Cost to income should start to decline

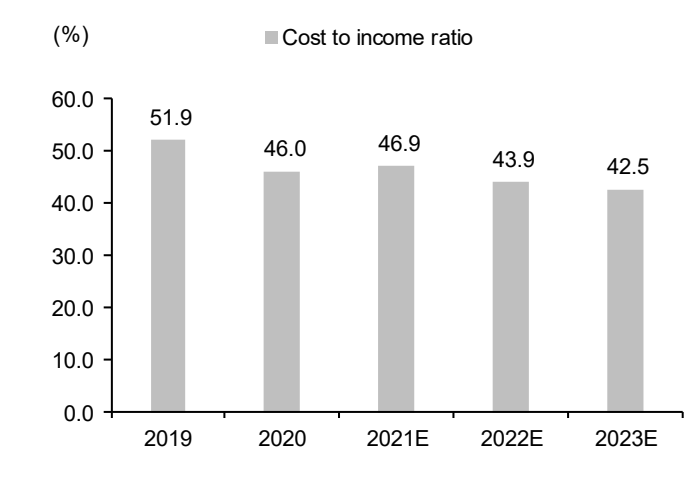
We expect 2022 OPEX to decline by 5% y-y, implying a cost to income ratio of 43.9% vs the 2021E ratio of 47%, as we think the cost synergies and the absence of extra EBT-related costs (cTHB3b, according to TTB) should outweigh the increase in marketing costs after the business reopening.

Exhibit 14: TTB's OPEX growth



Sources: TTB; FSSIA estimates

Exhibit 15: TTB's cost to income ratio

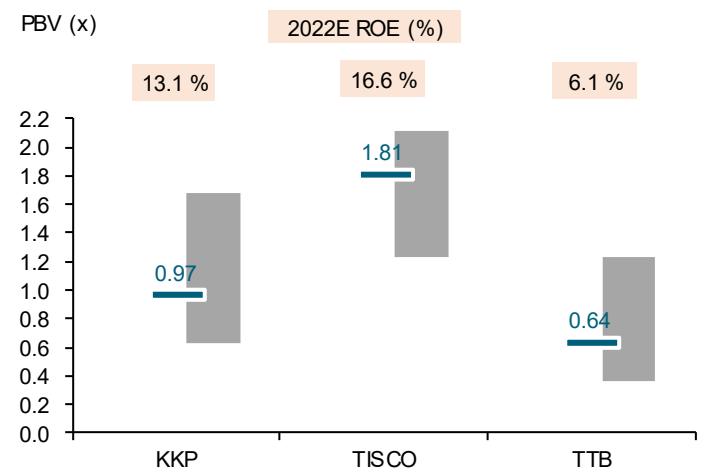


Sources: TTB; FSSIA estimates

More retail-oriented client base, greater valuation rerating

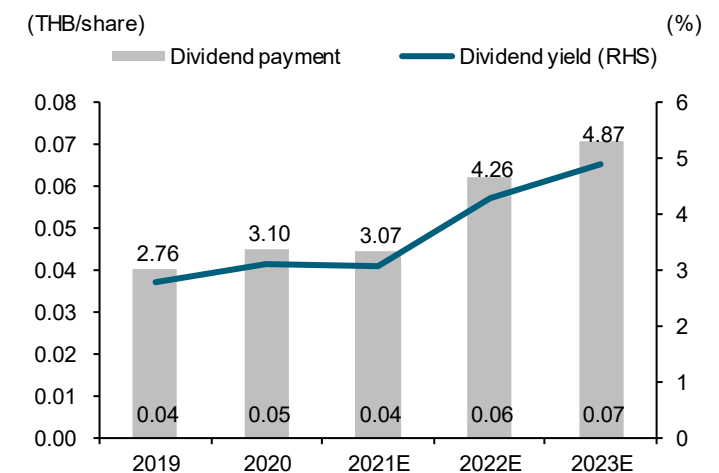
Normally, auto lenders, like Kiatnakin Bank (KKP TB, BUY, TP THB74) and Tisco Financial (TISCO TB, BUY, TP THB110), trade at a higher premium compared to big and medium banks, thanks to their high loan yield characteristics and attractive dividend yields. We think TTB's market position has changed since the merger in 2019 from commercial-based clients to a more retail-oriented segment, particularly HP loans. However, the market still perceives TTB's position as only a medium bank, trading at a discounted valuation. We believe that once its HP portfolio gradually increases in 2022, investors' perceptions will change. They might give a more premium valuation to TTB following a rise in loan yield and ROE. Moreover, we believe that TTB's dividend yield will gradually increase, as TTB's management has stated it would since 2019 once the integration process was done. TTB is ready to increase its payout ratio to unlock shareholders' returns.

Exhibit 16: Comparing KKP, TISCO, and KKP's valuations and ROE



Notes: Bars illustrate range of P/BV in the past five years; values in green are current P/BV
Sources: TTB; FSSIA estimates

Exhibit 17: TTB's dividend payment and dividend yield

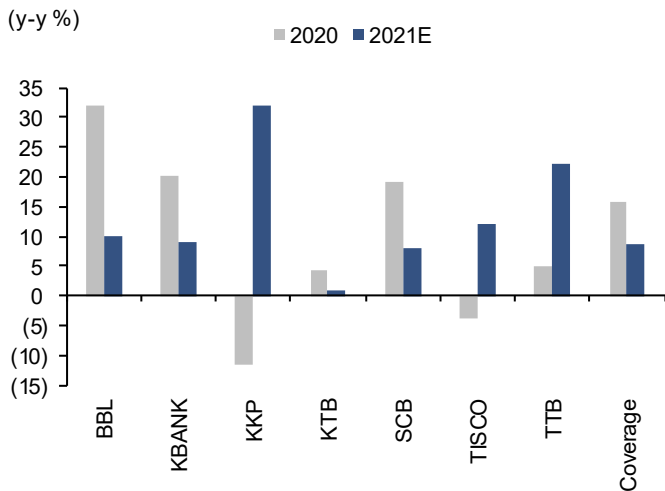


Sources: TTB; FSSIA estimates

Prudent and transparent asset quality management

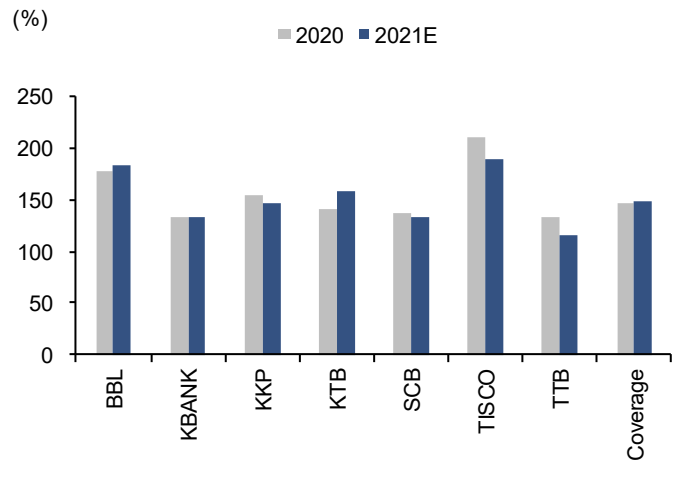
We think some investors still misunderstand the moderate rise in TTB’s 2021E non-performing loans (NPLs) vs the slight increase of its peers’, plus its potentially lowest coverage ratio in 2021. This could be one reason for the limited rise in its share price.

Exhibit 18: The y-y rise in NPLs for each bank in 2020-21E



Source: Company data; FSSIA estimates

Exhibit 19: Coverage ratio of each bank in 2020-21E



Source: Company data; FSSIA estimates

We, however, have few concerns. We think TTB has the most prudent and transparent asset quality management amid the debt forbearance program and the relaxation of loan classifications and accounting standards. The bank mostly classifies its clients’ loan status based on the real debt repayment ability of its customers, which differs from most banks that utilise the loan classification relaxation benefit to minimise the increase of NPLs. This means that TTB’s portfolio reflects real debt repayment ability. Although we expect elevated provisions in one to two years, we do not think there will be a big jump in its provisions once the relaxed measures end.

Exhibit 20: TTB has provided relief measures to affected customers, ranging from scheme 1-7 (SC1-SC7), based on customer’s debt service ability

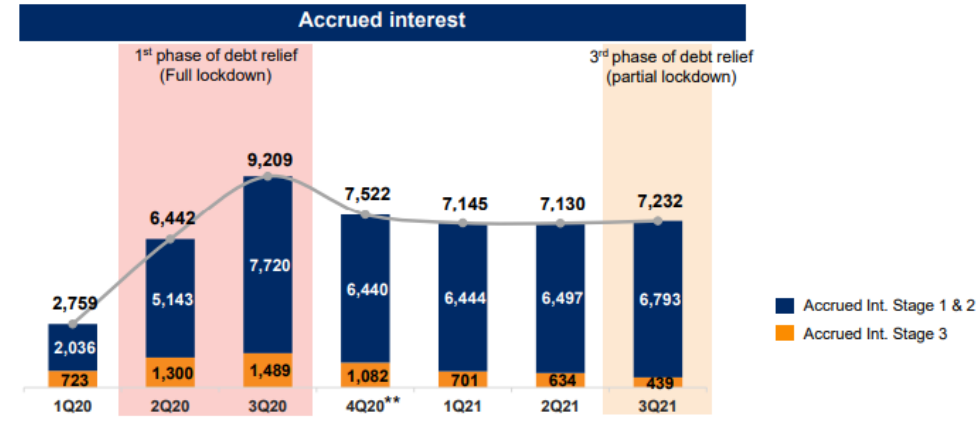
Scheme	Repayment Schedule		Minimum Stage	Minimum PD Level
	Interest	Principal		
SC 1	Full	Full	1	
SC 2	Full	Partial	1	
SC 3	Full	Postponed	1	
SC 4	Partial	Postponed	1	
SC 5	Additional skip payment ≤ 6 months		2	
SC 6	Additional skip payment ≥ 6-12 months		2	
SC 7	Additional skip payment ≥ 12 months		3	

Note: For SC 2-4, loan staging could be classified as stage 1 or 2 depending on customer’s pre-Covid-19 status (no up-staging took place), to reflect real risk level

Source: TTB

Moreover, since 1Q21, TTB has changed its stage 3 accrued interest realisation to be more conservative by net ECL. Therefore, TTB should not excessively book interest income and assets, which would be a burden in the future.

Exhibit 21: Accrued interest reflecting conservative approach



Source: TTB

4Q21: stronger top line expected, but still high EBT OPEX

We expect TTB to report a 4Q21 net profit of THB2,330m (+89% y-y, -1% q-q). We expect TTB's 4Q21 top line to slightly increase q-q. Seasonality and its strategy to sell bundled products to wealth clients should continue to drive the recovery of its fee income. We also think its loan yield should inch up following the increase in hire purchase new lending. However, we expect its OPEX to rise moderately due to EBT-related OPEX and seasonality. Thus, we expect its 4Q21 net profit to be relatively stable q-q. The substantial increase y-y that we project for its 4Q21 net profit would be driven by a plunge in its provisions, as the bank had proactively set aside provisions in the previous quarters.

Regarding asset quality, we think its NPLs will moderately increase by 9% q-q. We expect TTB to slow its NPL sales to third parties, as it plans to revive its asset management company to manage NPLs itself and gain an advantage from raising funds at a better cost using TTB as a guarantor. 4Q21 credit cost should increase minimally to 165 bps, though still in line with its guidance.

Exhibit 22: TTB – 4Q21E results preview

Year-end Dec 31	4Q20	3Q21	4Q21E	----- Change ----		2020	2021E	Change	4Q21E comments
	(THB m)	(THB m)	(THB m)	(y-y %)	(q-q %)	(THB m)	(THB m)	(y-y %)	
Net interest income	13,519	12,577	12,831	(5)	2	53,805	51,062	(5)	
Non-interest income	4,297	3,086	3,532	(18)	14	14,986	13,707	(9)	Stronger fee income from seasonality and TTB's strategy to sell bundled products
Operating income	17,816	15,663	16,363	(8)	4	68,791	64,769	(6)	
Operating expenses	8,086	7,268	7,810	(3)	7	31,623	30,407	(4)	OPEX increase q-q from seasonality and EBT
PPOP before tax	9,730	8,395	8,554	(12)	2	37,169	34,362	(8)	
Provision	8,237	5,527	5,592	(32)	1	24,831	22,090	(11)	
Income tax	258	509	631	145	24	2,223	2,265	2	
Minority interest	1	1	0			3	3		
Normalised profit	1,235	2,359	2,330	89	(1)	10,112	10,004	(1)	
Extraordinary items	0	0	0			0	0		
Net profit	1,235	2,359	2,330	89	(1)	10,112	10,004	(1)	
EPS (THB)	0.01	0.02	0.02	89	(1)	0.10	0.10	(1)	
Asset quality ratio									
Gross NPLs (THB m)	39,594	44,411	48,408	22	9	39,594	48,408	22	Slower NPL sales
NPL ratios (%)	2.50	2.98	3.10			2.50	3.10		
LLR/NPLs (%)	131	121	116			134	116		
Credit cost (bp)	239	163	165			178	161		
Profitability ratio									
Cost to income ratio	45.4	46.4	47.7			46.0	46.9		
Average yield	3.9	3.7	3.8			4.1	3.8		
Cost of fund	1.0	0.9	0.9			1.2	0.9		
Net interest margin (NIM)	3.1	3.0	3.0			3.0	3.0		
Non-interest income / total income	24.1	19.7	21.6			21.8	21.2		
Liquidity ratio									
Loan to deposit ratio	101.4	102.6	102.2			101.4	102.2		
Loan growth									
Year-to-date	0.1	(2.4)	(3.0)						
y-y	0.1	(0.3)	(3.0)			0.1	(3.0)		
q-q	2.2	0.1	(0.6)						

Sources: TTB; FSSIA estimates

Fine-tuning forecasts and raising TP

We maintain our 2021-23 net profit forecasts. However, we fine-tune some assumptions, mainly on gains on investments and OPEX.

Exhibit 23: TTB – 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	53,805	51,885	51,062	(1.6)	47,419	49,373	4.1	49,039	50,297	2.6
Non-interest income*	14,986	15,659	13,707	(12.5)	18,838	16,210	(14.0)	19,339	17,888	(7.5)
Operating income*	68,791	67,544	64,769	(4.1)	66,258	65,583	(1.0)	68,378	68,185	(0.3)
Operating expenses	31,623	31,236	30,407	(2.7)	29,739	28,787	(3.2)	29,735	28,947	(2.6)
PPOP before tax*	37,169	36,308	34,362	(5.4)	36,519	36,796	0.8	38,643	39,238	1.5
Expected credit loss (Reversal)	24,831	24,254	22,090	(8.9)	20,395	20,672	1.4	20,187	20,783	2.9
Tax expenses	2,223	2,049	2,265	10.5	2,902	2,902	0.0	3,322	3,322	(0.0)
Minority interest	3	3	3	0.0	4	4	0.0	5	5	(0.0)
Normalised profit	10,112	10,002	10,004	0.0	13,217	13,217	0.0	15,129	15,129	(0.0)
Extraordinary items	-	-	-		-	-		-	-	
Net profit	10,112	10,002	10,004	0.0	13,217	13,217	0.0	15,129	15,129	(0.0)
EPS (THB)	0.10	0.10	0.10	0.0	0.14	0.14	0.0	0.16	0.16	(0.0)
Key statistics and ratios										
Asset quality ratio										
Gross NPLs (THB m)	39,594	46,325	48,408	4.5	48,641	48,408	(0.5)	52,533	52,281	(0.5)
Gross NPLs/Loans (%)	2.50	2.95	3.10		2.98	3.03		3.10	3.15	
Loan loss reserve/NPLs (%)	134	125	116		126	124		121	121	
Credit cost (bps)	178	175	161		145	150		138	145	
Profitability ratio (%)										
Cost to income ratio*	46.0	46.2	46.9		44.9	43.9		43.5	42.5	
Average yield	4.09	3.82	3.75		3.58	3.66		3.79	3.82	
Cost of funds	1.18	0.87	0.87		0.87	0.87		1.07	1.07	
Net interest margin (NIM)	3.05	3.05	2.98		2.81	2.90		2.85	2.89	
Loan growth (%)										
y-y	0.1	(1.0)	(3.0)		4.0	4.0		4.0	4.0	

*Including share of profits from associates

Source: FSSIA estimates

We revise up our 2022 GGM-based TP to THB1.8 from THB1.4 thanks to the increase in our target P/BV multiple following our lower cost of equity assumption to 7.1% from 7.8%, as we have more confidence in TTB's earnings recovery and merger synergies in 2022.

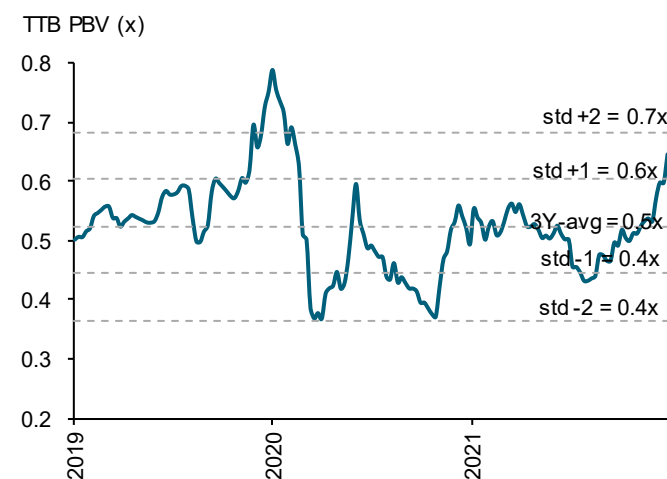
Exhibit 24: TTB – GGM-derived target price

Target price	THB 1.8 (from THB1.4)
Recommendation	BUY (unchanged)
Risk-free rate (%)	3.0 (unchanged)
Market risk premium (%)	8.0 (unchanged)
Cost to equity (%)	7.1 (from 7.8)
Terminal growth (%)	4.1 (unchanged)
ROE target (%)	6.4 (unchanged)
Risk to TP	Downside risks to our GGM-based TP are 1) prolonged economic sluggishness and further waves of the Covid-19 pandemic affecting loan growth and asset quality; and 2) the impact of further interest rate cuts on NIM and potential new regulations from the Bank of Thailand on debt-servicing programs.

Source: FSSIA estimates

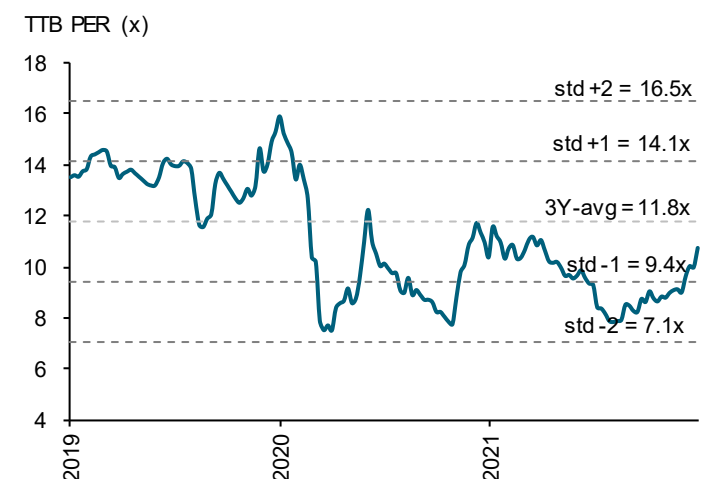
We maintain our BUY call and choose TTB as one of our top picks, as we have a strong conviction that TTB should deliver the strongest net profit growth in 2022 among the banks under our coverage after the merger synergies start to clearly bear fruit. Moreover, we believe that once the market realises its more retail-oriented position, TTB should trade at a higher valuation.

Exhibit 25: TTB – one-year forward rolling P/BV



Sources: Bloomberg; FSSIA estimates

Exhibit 26: TTB – one-year forward rolling P/E



Sources: Bloomberg; FSSIA estimates

Exhibit 27: 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	126.50	134.00	6	7,270	27.1	8.6	9.0	8.3	5.9	6.2	0.5	0.5
Kasikornbank	KBANK TB	BUY	146.00	172.00	18	10,415	18.8	10.1	9.9	9.0	7.6	7.7	0.7	0.7
Kiatnakin Bank	KKP TB	BUY	61.50	74.00	20	1,568	12.7	17.3	9.0	7.7	12.0	13.1	1.0	1.0
Krung Thai Bank	KTB TB	BUY	13.70	15.50	13	5,765	29.6	8.2	8.8	8.2	6.1	6.3	0.5	0.5
Siam Commercial Bank	SCB TB	BUY	127.00	160.00	26	12,984	28.7	8.9	12.3	11.3	8.3	8.6	1.0	1.0
Tisco Financial	TISCO TB	BUY	98.75	110.00	11	2,381	9.4	6.3	11.9	11.2	16.5	16.6	1.9	1.8
TMBThanachart	TTB TB	BUY	1.45	1.80	24	4,218	(1.1)	32.1	14.0	10.6	4.8	6.1	0.7	0.6
Coverage						44,602	6.8	11.5	10.8	9.7	7.7	8.1	0.8	0.8

Share prices as of 5 Jan 2022

Sources: Company data; FSSIA estimates

Financial Statements

TMBThanachart Bank

Profit and Loss (THB m) Year Ending Dec	2019	2020	2021E	2022E	2023E
Interest Income	39,837	72,321	64,226	62,310	66,496
Interest expense	(12,972)	(18,515)	(13,163)	(12,937)	(16,200)
Net interest income	26,865	53,805	51,062	49,373	50,297
Net fees & commission	8,098	10,575	10,058	11,646	13,044
Foreign exchange trading income	1,528	0	0	0	0
Securities trading income	1,956	2,404	1,750	2,475	2,503
Dividend income	0	0	0	0	0
Other income	1,050	1,644	1,500	1,650	1,859
Non interest income	12,632	14,623	13,308	15,771	17,405
Total income	39,497	68,429	64,370	65,144	67,702
Staff costs	(9,629)	(16,536)	(15,544)	(14,766)	(15,209)
Other operating costs	(11,046)	(15,087)	(14,863)	(14,021)	(13,738)
Operating costs	(20,674)	(31,623)	(30,407)	(28,787)	(28,947)
Pre provision operating profit	18,822	36,806	33,963	36,357	38,755
Provision for bad and doubtful debt	(10,337)	(24,831)	(22,090)	(20,672)	(20,783)
Other provisions	-	-	-	-	-
Operating profit	8,486	11,975	11,874	15,685	17,972
Recurring non operating income	324	363	399	439	483
Associates	324	363	399	439	483
Goodwill amortization	-	-	-	-	-
Non recurring items	0	0	0	0	0
Profit before tax	8,810	12,338	12,273	16,123	18,455
Tax	(1,588)	(2,223)	(2,265)	(2,902)	(3,322)
Profit after tax	7,222	10,115	10,007	13,221	15,133
Minority interests	0	(3)	(3)	(4)	(5)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	7,222	10,112	10,004	13,217	15,129
Non recurring items & goodwill (net)	-	-	0	0	0
Recurring net profit	7,222	10,112	10,004	13,217	15,129
Per share (THB)					
Recurring EPS *	0.15	0.10	0.10	0.14	0.16
Reported EPS	0.15	0.10	0.10	0.14	0.16
DPS	0.04	0.05	0.04	0.06	0.07
Growth					
Net interest income (%)	9.7	100.3	(5.1)	(3.3)	1.9
Non interest income (%)	8.4	15.8	(9.0)	18.5	10.4
Pre provision operating profit (%)	0.8	95.5	(7.7)	7.0	6.6
Operating profit (%)	(11.3)	41.1	(0.8)	32.1	14.6
Reported net profit (%)	(37.7)	40.0	(1.1)	32.1	14.5
Recurring EPS (%)	(15.8)	(29.4)	(1.1)	32.1	14.5
Reported EPS (%)	(43.9)	(29.4)	(1.1)	32.1	14.5
Income Breakdown					
Net interest income (%)	68.0	78.6	79.3	75.8	74.3
Net fees & commission (%)	20.5	15.5	15.6	17.9	19.3
Foreign exchange trading income (%)	3.9	-	-	-	-
Securities trading income (%)	5.0	3.5	2.7	3.8	3.7
Dividend income (%)	-	-	-	-	-
Other income (%)	2.7	2.4	2.3	2.5	2.7
Operating performance					
Gross interest yield (%)	2.99	4.09	3.75	3.66	3.82
Cost of funds (%)	1.10	1.18	0.87	0.87	1.07
Net interest spread (%)	1.89	2.91	2.88	2.79	2.75
Net interest margin (%)	2.0	3.0	3.0	2.9	2.9
Cost/income(%)	52.3	46.2	47.2	44.2	42.8
Cost/assets(%)	1.5	1.7	1.7	1.6	1.6
Effective tax rate (%)	18.0	18.0	18.5	18.0	18.0
Dividend payout on recurring profit (%)	26.5	42.9	42.9	45.0	45.0
ROE (%)	4.9	5.1	4.8	6.1	6.7
ROE - COE (%)	4.9	5.1	4.8	6.1	6.7
ROA (%)	0.5	0.6	0.6	0.7	0.8
RORWA (%)	0.8	0.8	0.9	1.1	1.2

* Pre-exceptional, pre-goodwill and fully diluted

Sources: TMBThanachart Bank ; FSSIA estimates

Financial Statements

TMBThanachart Bank

Balance Sheet (THB m) Year Ending Dec	2019	2020	2021E	2022E	2023E
Gross customer loans	1,392,225	1,392,925	1,351,137	1,405,183	1,461,390
Total provisions	(45,477)	(52,978)	(56,152)	(59,962)	(63,208)
interest in suspense	1,883	3,879	3,783	3,935	4,092
Net customer loans	1,348,631	1,343,826	1,298,769	1,349,155	1,402,274
Bank loans	236,311	211,185	197,157	173,270	156,419
Government securities	-	-	-	-	-
Trading securities	-	-	-	-	-
Investment securities	166,265	138,139	141,687	145,328	149,066
Cash & equivalents	23,853	21,943	22,493	24,511	9,944
Other interesting assets	-	-	-	-	-
Tangible fixed assets	28,452	30,076	29,850	29,717	29,666
Associates	-	-	-	-	-
Goodwill	-	-	-	-	-
Other intangible assets	-	-	-	-	-
Other assets	54,679	58,510	56,508	57,579	58,428
Total assets	1,858,191	1,803,677	1,746,463	1,779,560	1,805,797
Customer deposits	1,398,112	1,373,408	1,321,838	1,341,665	1,355,082
Bank deposits	-	-	-	-	-
Other interest bearing liabilities	198,844	168,768	158,651	161,031	162,641
Non interest bearing liabilities	66,423	61,406	55,265	56,923	58,631
Hybrid Capital	-	-	-	-	-
Total liabilities	1,663,379	1,603,582	1,535,754	1,559,620	1,576,354
Share capital	91,541	91,589	91,589	91,589	91,589
Reserves	103,235	113,124	119,082	128,312	137,812
Total equity	194,777	204,713	210,671	219,900	229,401
Minority interests	35	37	38	40	42
Total liabilities & equity	1,858,190	1,808,332	1,746,463	1,779,560	1,805,797
Supplementary items					
Risk weighted assets (RWA)	1,216,836	1,188,683	1,153,023	1,199,143	1,247,109
Average interest earning assets	1,333,754	1,766,631	1,712,384	1,703,170	1,741,533
Average interest bearing liabilities	1,174,710	1,569,566	1,511,333	1,491,593	1,510,210
Tier 1 capital	165,793	171,724	189,537	196,856	205,081
Total capital	218,440	220,769	238,582	245,901	254,126
Gross non performing loans (NPL)	37,746	39,594	48,408	48,408	52,281
Per share (THB)					
Book value per share	4.01	2.12	2.19	2.28	2.38
Tangible book value per share	4.01	2.12	2.19	2.28	2.38
Growth					
Gross customer loans	103.0	0.1	(3.0)	4.0	4.0
Average interest earning assets	57.8	32.5	(3.1)	(0.5)	2.3
Total asset (%)	108.4	(2.9)	(3.2)	1.9	1.5
Risk weighted assets (%)	90.8	(2.3)	(3.0)	4.0	4.0
Customer deposits (%)	115.2	(1.8)	(3.8)	1.5	1.0
Leverage & capital measures					
Customer loan/deposits (%)	96.5	97.8	98.3	100.6	103.5
Equity/assets (%)	10.5	11.3	12.1	12.4	12.7
Tangible equity/assets (%)	10.5	11.3	12.1	12.4	12.7
RWA/assets (%)	65.5	65.9	66.0	67.4	69.1
Tier 1 CAR (%)	13.6	14.4	16.4	16.4	16.4
Total CAR (%)	18.0	18.6	20.7	20.5	20.4
Asset Quality					
Change in NPL (%)	73.8	4.9	22.3	-	8.0
NPL/gross loans (%)	2.7	2.8	3.6	3.4	3.6
Total provisions/gross loans (%)	3.3	3.8	4.2	4.1	4.3
Total provisions/NPL (%)	120.5	133.8	116.0	123.9	120.9
Valuation					
Recurring P/E (x) *	9.8	13.8	14.0	10.6	9.2
Recurring P/E @ target price (x) *	12.1	17.2	17.3	13.1	11.5
Reported P/E (x)	9.8	13.8	14.0	10.6	9.2
Dividend yield (%)	2.7	3.1	3.1	4.3	4.9
Price/book (x)	0.4	0.7	0.7	0.6	0.6
Price/tangible book (x)	0.4	0.7	0.7	0.6	0.6
Price/tangible book @ target price (x)	0.4	0.8	0.8	0.8	0.8

* Pre-exceptional, pre-goodwill and fully diluted

Sources: TMBThanachart 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	SCC	SCG	SCN	SDC
SEAFCO	SEOIL	SE-ED	SELIC	SENA	SIRI	SIS	SITHAI	SMK	SMPC	SNC
SONIC	SORKON	SPALI	SPI	SPRC	SPVI	SSSC	SST	STA	SUSCO	SUTHA
SVI	SYMC	SYNTEC	TACC	TASCO	TCAP	TFMAMA	THANA	THANI	THCOM	THG
THIP	THRE	THREL	TIP	TIPCO	TISCO	TK	TKT	TTB	TMILL	TNDT
TNL	TOA	TOP	TPBI	TQM	TRC	TRC	TSC	TSR	TSTE	TSTH
TTCL	TTW	TU	TVD	TVI	TVO	TWPC	U	UAC	UBIS	UV
VGI	VIH	WACOAL	WAVE	WHA	WHAUP	WICE	WINNER	TRUE		

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

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

Description	Score Range
Excellent	90-100
Very Good	80-89
Good	70-79

Disclaimer:

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

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

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

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

Anti-corruption Progress Indicator 2020

CERTIFIED										
2S	ADVANC	AI	AIE	AIRA	AKP	AMA	AMANAHA	AP	AQUA	ARROW
ASK	ASP	AYUD	B	BAFS	BANPU	BAY	BBL	BCH	BCP	BCPG
BGC	BGRIM	BJCHI	BKI	BLA	BPP	BROOK	BRR	BSBM	BTS	BWG
CEN	CENTEL	CFRESH	CGH	CHEWA	CHOTI	CHOW	CIG	CIMBT	CM	CMC
COL	COM7	CPALL	CPF	CPI	CPN	CSC	DCC	DELTA	DEMCO	DIMET
DRT	DTAC	DTC	EASTW	ECL	EGCO	FE	FNS	FPI	FPT	FSS
FTE	GBX	GC	GCAP	GEL	GFPT	GGC	GJS	GPSC	GSTEEL	GUNKUL
HANA	HARN	HMPRO	HTC	ICC	ICHI	IFS	INET	INSURE	INTUCH	IRPC
ITEL	IVL	K	KASET	KBANK	KBS	KCAR	KCE	KGI	KKP	KSL
KTB	KTC	KWC	L&E	LANNA	LHFG	LHK	LPN	LRH	M	MAKRO
MALEE	MBAX	MBK	MBKET	MC	MCOT	MFC	MFEC	MINT	MONO	MOONG
MPG	MSC	MTC	MTI	NBC	NEP	NINE	NKI	NMG	NNCL	NSI
NWR	OCC	OCEAN	OGC	ORI	PAP	PATO	PB	PCSGH	PDG	PDI
PDJ	PE	PG	PHOL	PL	PLANB	PLANET	PLAT	PM	PPP	PPPM
PPS	PREB	PRG	PRINC	PRM	PSH	PSL	PSTC	PT	PTG	PTT
PTTEP	PTTGC	PYLON	Q-CON	QH	QLT	QTC	RATCH	RML	RWI	S & J
SABINA	SAT	SC	SCB	SCC	SCCC	SCG	SCN	SEAOIL	SE-ED	SELIC
SENA	SGP	SIRI	SITHAI	SMIT	SMK	SMPC	SNC	SNP	SORKON	SPACK
SPC	SPI	SPRC	SRICHA	SSF	SSSC	SST	STA	SUSCO	SVI	SYNTEC
TAE	TAKUNI	TASCO	TBSP	TCAP	TCMC	TFG	TFI	TFMAMA	THANI	THCOM
THIP	THRE	THREL	TIP	TIPCO	TISCO	TKT	TTB	TMD	TMILL	TMT
TNITY	TNL	TNP	TNR	TOG	TOP	TPA	TPCORP	TPP	TRU	TSC
TSTH	TTCL	TU	TVD	TVI	TVO	TWPC	U	UBIS	UEC	UKEM
UOBKH	UWC	VGI	VIH	VNT	WACOAL	WHA	WHAUP	WICE	WIJK	XO
ZEN	TRUE									

DECLARED										
7UP	ABICO	AF	ALT	AMARIN	AMATA	AMATAV	ANAN	APURE	B52	BKD
BM	BROCK	BUI	CHO	CI	COTTO	DDD	EA	EFORL	EP	ERW
ESTAR	ETE	EVER	FSMART	GPI	ILINK	IRC	J	JKN	JMART	JMT
JSP	JTS	KWG	LDC	MAJOR	META	NCL	NOBLE	NOK	PK	PLE
ROJNA	SAAM	SAPPE	SCI	SE	SHANG	SINGER	SKR	SPALI	SSP	STANLY
SUPER	SYNEX	THAI	TKS	TOPP	TRITN	TTA	UPF	UV	WIN	ZIGA

Level	
Certified	This level indicates practical participation with thoroughly examination in relation to the recommended procedures from the audit committee or the SEC's certified auditor, being a certified member of Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) or already passed examination to ensure independence from external parties.
Declared	This level indicates determination to participate in the Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC)

Disclaimer:

The disclosure of the Anti-Corruption Progress Indicators of a listed company on the Stock Exchange of Thailand, which is assessed by Thaipat Institute, is made in order to comply with the policy and sustainable development plan for the listed companies of the Office of the Securities and Exchange Commission. Thaipat Institute made this assessment based on the information received from the listed company, as stipulated in the form for the assessment of Anti-corruption which refers to the Annual Registration Statement (Form 56-1), Annual Report (Form 56-2), or other relevant documents or reports of such listed company. The assessment result is therefore made from the perspective of Thaipat Institute that is a third party. It is not an assessment of operation and is not based on any inside information. Since this assessment is only the assessment result as of the date appearing in the assessment result, it may be changed after that date or when there is any change to the relevant information. Nevertheless, FSS International Investment Advisory Company Limited does not confirm, verify, or certify the accuracy and completeness of the assessment results.

Note: Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of June 24, 2019) are categorised into: 1) companies that have declared their intention to join CAC, and; 2) companies certified by CAC.

Source: The Securities and Exchange Commission, Thailand; * FSSIA's compilation

GENERAL DISCLAIMER

ANALYST(S) CERTIFICATION

Yuvanart Suwanumchai FSS International Investment Advisory Securities Co., Ltd

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Company	Ticker	Price	Rating	Valuation & Risks
TMBThanachart Bank	TTB TB	THB 1.45	BUY	Downside risks to our GGM-based TP are 1) prolonged economic sluggishness and further waves of the Covid-19 pandemic affecting loan growth and asset quality; and 2) the impact of further interest rate cuts on NIM and potential new regulations from the Bank of Thailand on debt-servicing programs.
Bangkok Bank	BBL TB	THB 126.50	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 146.00	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 61.50	BUY	Downside risks to our GGM-based target price include weakening asset quality and lower fee income.
Krung Thai Bank	KTB TB	THB 13.70	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 further interest rate cuts on NIM and potential new regulations from the Bank of Thailand on debt-servicing programs; 3) an increase in OPEX due to aggressive digital investment.
Siam Commercial Bank	SCB TB	THB 127.00	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 98.75	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.

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 05-Jan-2022 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.