

Thailand Banks

สภาวะตลาดเอื้อต่อการปรับระดับการประเมินมูลค่าขึ้น

- ค่ากำไรสุทธิรวมใน 4Q21 ของกลุ่มธนาคารไว้ที่ 31.5 พัน ลบ. (+12% y-y, -10% q-q)
- กำไรสุทธิปี 2022 น่าจะเพิ่มขึ้นต่อเนื่อง โดยคาดว่าจะโต 11% y-y นอกจากนี้เรายังคาดว่าจะปรับระดับการประเมินมูลค่าในกลุ่มธนาคารจะแตกต่างกันมากจากการเปลี่ยนแปลงเชิงโครงสร้างในกลุ่มฯ
- คงน้ำหนักมากกว่าตลาด โดยมี SCB และ TTB เป็นหุ้นเด่น

คาดการณ์ดำเนินงานหลักจะปรับตัวดีขึ้นใน 4Q21

เราคาดว่าธนาคารที่เราทำการศึกษา (BUC) จะรายงานกำไรสุทธิ (NP) รวมใน 4Q21 ที่ 31.5 พัน ลบ. (+12% y-y, -10% q-q) กำไรที่คาดว่าจะลดลง q-q จะเกิดจากค่าใช้จ่ายในการดำเนินงานที่สูงขึ้นตามฤดูกาล ในขณะที่การดำเนินงานหลักน่าจะดีขึ้น q-q กล่าวคือ 1) ส่วนต่างดอกเบี้ย (NIM) จะเพิ่มเล็กน้อยจากการบริหารต้นทุนการเงินที่มีประสิทธิภาพ; 2) รายได้ค่าธรรมเนียมที่สูงขึ้นตามการกลับมาเปิดกิจการทางเศรษฐกิจ; และ 3) ผลขาดทุนทางเครดิตที่คาดว่าจะเกิดขึ้น (ECL) ที่ลดลงเนื่องจาก BUC ได้จัดสรรสำรองพิเศษเชิงรุกเพื่อเป็นกันชนสำหรับความไม่แน่นอนในไตรมาสก่อน ๆ เราได้ติดตามกับผู้บริหารของธนาคารส่วนมาก ซึ่งกล่าวว่าธนาคารไม่ได้จัดสรรสำรองเพื่อเป็นกันชนสำหรับการระบาด Omicron ที่อาจเกิดขึ้นไว้มากเกินไปเช่นใน 2Q20 ในด้านกำไรสุทธิของ BUC ใน 4Q21 อาจเพิ่ม y-y จาก ECL ที่ลดลงและปริมาณสินเชื่อที่คาดว่าจะเพิ่มขึ้น 5.2% y-y

กำไรสุทธิปี 2022 น่าจะปรับขึ้นต่อเนื่อง

เราคาดว่ากำไรสุทธิรวมของ BUC ในปี 2022 จะเพิ่มขึ้น 11% y-y จาก 1) ECL ที่คาดว่าจะลดลง 7% y-y จากสำรองส่วนเกินที่จัดสรรไว้ในปี 2020-21; 2) รายได้ค่าธรรมเนียมสุทธิที่เพิ่มขึ้นตามการกลับมาเปิดเศรษฐกิจ; และ 3) การควบคุมค่าใช้จ่ายในการดำเนินงานที่ดี

การปฏิรูปเป็นปัจจัยสำคัญที่จะทำให้ระดับการประเมินมูลค่าแตกต่างกันมาก

นอกจากผลประกอบการระยะสั้นในอีก 2-3 ไตรมาสข้างหน้าแล้ว เราแนะนำให้นักลงทุนจับตาดูการประชุมประจำปีของแต่ละธนาคาร โดยเราคาดว่าธนาคารจะให้เป้าหมายการทางการเงินสำหรับปี 2022 โดยมีรายการสำคัญประกอบด้วยปรับโครงสร้างหนี้ระยะยาวและ ECL นอกจากนี้เรายังคิดว่าธนาคารจะนำเสนอกลยุทธ์ทางธุรกิจระยะยาวและแผนการปรับโครงสร้างเพื่อให้อยู่รอดในสภาวะตลาดที่เปลี่ยนแปลงอย่างรวดเร็ว เราคิดว่าระดับการประเมินมูลค่าจะแตกต่างกันมากในปี 2022 ในความเห็นของเราระดับการประเมินมูลค่าของธนาคารที่กล้าเปลี่ยนแปลงเชิงโครงสร้างจะปรับขึ้น แม้ว่าการรอบการทำการอีก 1-2 ปีข้างหน้าอาจเปลี่ยนแปลงไม่มากนัก ในขณะที่ธนาคารที่ยังดำเนินธุรกิจแบบเดิมจะมีระดับการประเมินมูลค่าลดลง เนื่องจากความสามารถในการแข่งขันในระยะยาวอาจถดถอย เราคิดว่า KBANK และ SCB นำหนักกลุ่ม ในขณะที่ BBL ตามหลัง

คงน้ำหนักมากกว่าตลาด; มีโอกาสที่ราคาหุ้นธนาคารจะปรับขึ้นได้อีก

เราคงน้ำหนักมากกว่าตลาดสำหรับกลุ่มธนาคาร เราเชื่อว่าระดับการประเมินมูลค่าของกลุ่มธนาคารจะปรับขึ้นต่อเนื่อง โดยได้ปัจจัยหนุนจาก 1) การปฏิรูปเพื่อหนี้ออกจากกรอบการทำธุรกิจแบบเดิม; 2) กำไรที่ปรับขึ้นต่อเนื่องในปี 2022; และ 3) แนวโน้มดอกเบี้ยขาขึ้น สำหรับ Omicron เราแนะนำให้ให้นักลงทุนจับตาดูผลกระทบแต่ไม่ควรกังวลมากเกินไป เนื่องจาก BUC มีประสบการณ์ในการจัดการกับการระบาดของ Covid แล้ว SCB ยังเป็นหนึ่งในหุ้นเด่นของเรา เราแทนที่ KBANK และ KKP ด้วย TTB จากกำไรที่อาจโตสูงสุดในปี 2022 เราคงแนะนำซื้อ KBANK, KKP และ TISCO เราหันมามอง KTB เป็นบวกมากขึ้นและปรับคำแนะนำเป็นซื้อ เนื่องจากเราเชื่อว่าธนาคารฯ จะใช้ Big data จากบัญชีผู้ใช้ดิจิทัลในการสร้างการเติบโตของรายได้ เราคงแนะนำถือสำหรับ BBL



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Expect stronger core operations in 4Q21

We expect the BUC to deliver a 4Q21 aggregate net profit of THB31.5b (+12% y-y, -10% q-q). We think the expected q-q net profit decline would be the result of higher seasonal OPEX. Meanwhile, core operations should be stronger q-q, with 1) a slight increase in bank's NIMs due to efficient cost of funds management; 2) an uptick in fee income following the resumption of business activities; and 3) lower expected credit losses (ECL), as the BUC proactively set aside special provisions to provide a cushion from uncertainties in the previous quarters. Following up with most banks' management, they said they will not overly set aside provisions against the potential Omicron outbreak, like what happened in 2Q20.

The 4Q21 earnings for the BUC could increase significantly y-y, due mainly to plummeting ECL, as in 4Q20 most banks proactively set aside provisions against potentially deteriorating asset quality. On top of that, we expect banks' NII to increase thanks to a 4Q21E rise in loan volume by 5.2% y-y following the strong demand from corporate and retail clients.

We project BBL to deliver the highest y-y net profit growth in 4Q21 due to the very low base last year from its abnormally high OPEX. KKP and TISCO might deliver an increase y-y and q-q in terms of net profit. However, we expect KBANK's 4Q21 net profit to decline y-y and q-q. Regarding the rest of the BUC (KTB, SCB, and TTB), we expect their earnings to be in line with the trend of the sector, increasing y-y but declining q-q.

Exhibit 1: Summary of 4Q21E earnings preview

BBG	Norm profit			4Q21E		Expected	FSSIA's views
	4Q20	3Q21	4Q21E	Change		results	
	(THB m)	(THB m)	(THB m)	(y-y %)	(q-q %)	date	
BBL	2,398	6,909	6,726	180.5	(2.7)	19-21 January	BBL could deliver the highest y-y net profit growth in 4Q21 due to the very low base last year from its abnormally high OPEX. Moreover, we think its provisions will be lower y-y and q-q as BBL had proactively set aside special provisions in the previous quarters. We think its asset quality will remain at a manageable level. Its net profit, however, might drop q-q from 1) higher seasonal OPEX; and 2) lower gains from investments.
KBANK	13,258	8,631	6,877	(48.1)	(20.3)	21 January	We have few concerns regarding a potentially sharp drop y-y in KBANK's net profit, as KBANK set aside abnormally low provisions in 4Q20. Its PPOP should continue to increase y-y, driven by a higher loan volume and stronger fee income. Also, we think its asset quality will remain at a manageable level. Thus, we do not expect a negative surprise from its provisioning setup. Regarding the expected decline q-q in its net profit, this would come from a rise in seasonal OPEX.
KKP	1,108	1,478	1,481	33.7	0.2	19-20 January	KKP's 4Q21 net profit should increase y-y and q-q thanks to its strong core operations, driven by 1) a 3.2% q-q loan volume increase due largely to a rise in its hire purchase loans; and 2) a rise in its fee income thanks to its strong brokerage and investment banking businesses. We have few concerns over its asset quality. Although we expect that losses from repossessed car sales will be at a high level, KKP had proactively set aside provisions in the previous quarters.
KTB	3,452	5,055	5,045	46.1	(0.2)	20-21 January	We expect KTB to report a 4Q21 net profit of THB5,045m (+46% y-y, flat q-q), driven by three factors: 1) provisions could decline y-y and q-q as KTB's portfolio is comprised of c70% corporate, government, and government officials – all segments that have been the least impacted by the Covid pandemic; 2) we expect that KTB's loan volume could continue to increase by 0.2% q-q (10% YTD); and 3) we think its fee income will recover q-q as KTB starts to utilise the Pao Tang app to generate more fee income.
SCB	4,965	8,818	7,348	48.0	(16.7)	20-21 January	The significant projected rise y-y in SCB's earnings would come from 1) plummeting provisions; and 2) a rise in loan volume. Its net profit, however, might drop q-q from a rise in seasonal OPEX. We expect SCB to gradually provide long-term debt restructuring program to its clients. Thus, we think its NPLs will increase immaterially q-q.
TISCO	1,636	1,560	1,646	0.6	5.5	14 January	Although we expect that TISCO will still deliver a drop in its loan volume, its net profit could increase y-y and q-q due to 1) a rise in its fee income; and 2) a drop in provisions. We reiterate our view that TISCO could be one of the banks that delivers superior asset quality following its conservative expansion strategy.
TTB	1,235	2,359	2,330	88.6	(1.2)	20 January	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 entire business transfer-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.
Coverage	28,053	34,810	31,451	12.1	(9.6)		

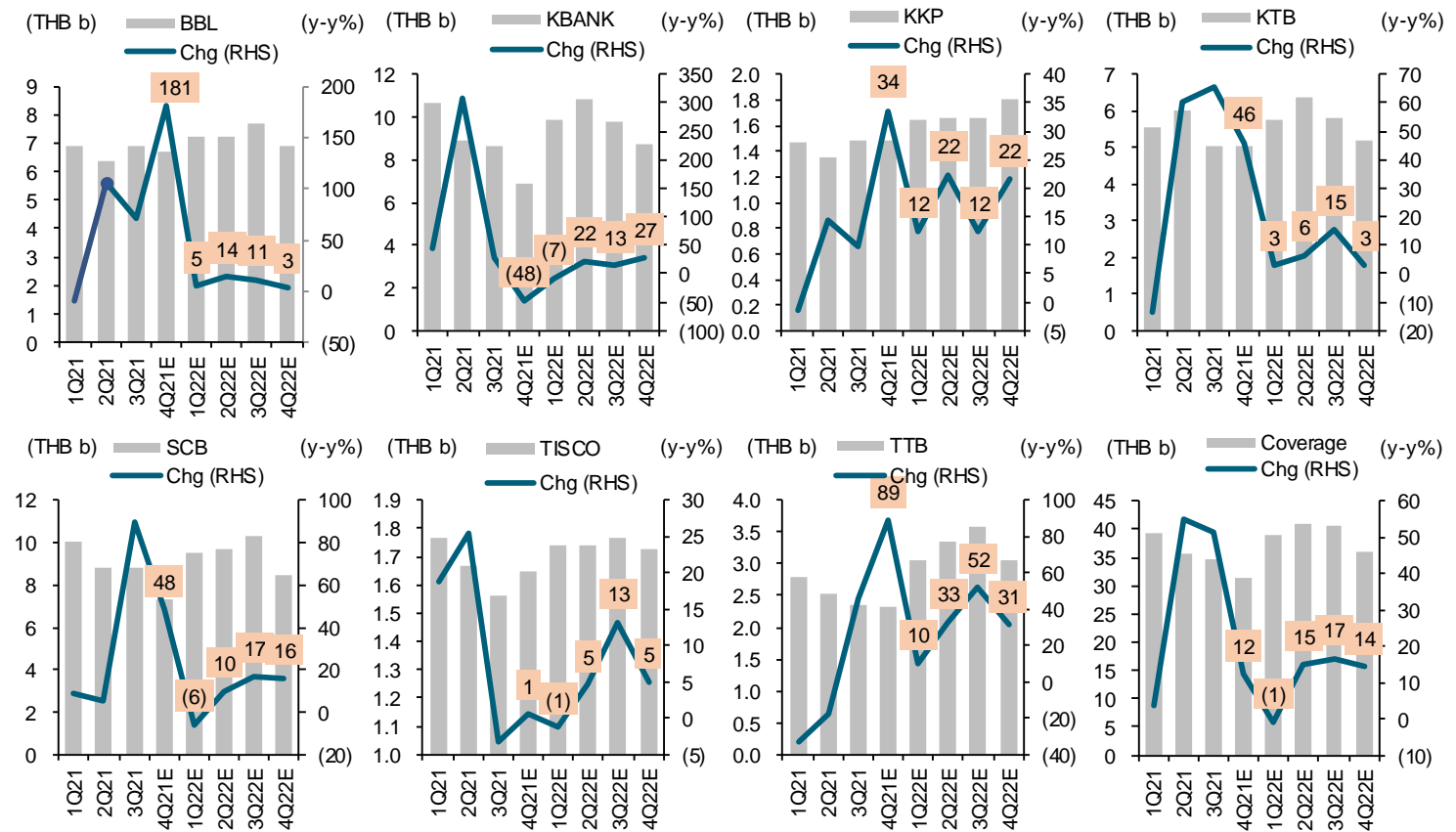
Sources: Company data; FSSIA estimates

Exhibit 2: Thai banks under coverage, 4Q21E earnings preview

	BBG	Norm profit				Pre-provision profit			Expected credit loss		
		(THB m)	(y-y%)	(q-q%)	(%21E)	(THB m)	(y-y%)	(q-q%)	(THB m)	(y-y%)	(q-q%)
Bangkok Bank	BBL TB	6,726	180.5	(2.7)	25.0	14,033	33.8	(24.4)	5,628	(21.9)	(43.0)
Kasikornbank	KBANK TB	6,877	(48.1)	(20.3)	19.6	21,213	13.8	(7.7)	11,472	1,614.8	1.6
Kiatnakin Bank	KKP TB	1,481	33.7	0.2	25.6	3,279	(4.4)	15.0	1,321	(36.4)	31.1
Krung Thai Bank	KTB TB	5,045	46.1	(0.2)	23.3	15,273	4.4	0.2	8,030	(13.2)	(1.3)
Siam Commercial Bank	SCB TB	7,348	48.0	(16.7)	21.0	18,908	(7.0)	(10.4)	10,019	(29.6)	(0.2)
Tisco Financial	TISCO TB	1,646	0.6	5.5	24.8	2,273	(19.2)	2.9	272	(64.7)	6.9
TMBThanachart Bank	TTB TB	2,330	88.6	(1.2)	23.3	8,553	(12.1)	1.9	5,592	(32.1)	1.2
Coverage		31,451	12.1	(9.6)	22.3	83,532	4.3	(8.5)	42,334	(0.3)	(8.2)

Sources: Company data; FSSIA estimates

Exhibit 3: Earnings momentum 1Q21 to 4Q22E



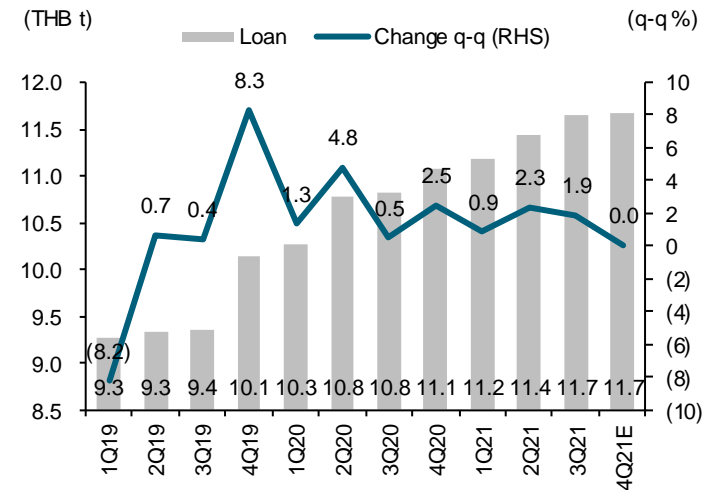
Source: FSSIA estimates

4Q21E key highlights

1) Corporates and retails should lead higher loan demand

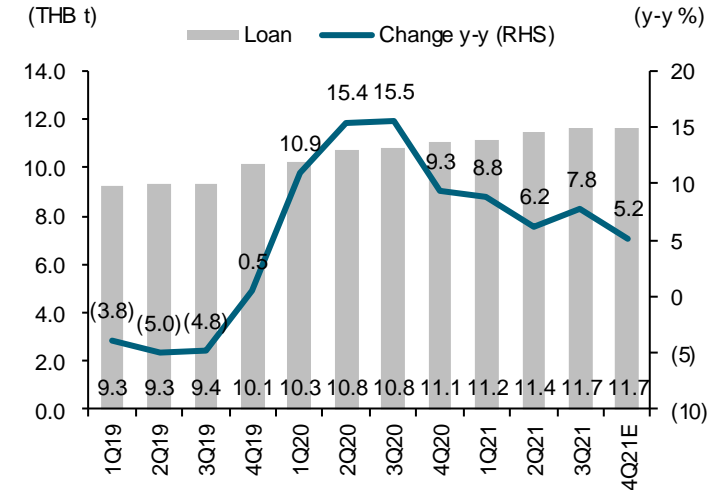
We expect banks' overall loan portfolios to stay flat q-q (+5.2% YTD). We expect an increase in working capital loan demand for the corporate segment, along with a rise in retail clients due to seasonality and the resumption of business activities. The SME segment, however, should decline q-q, as we believe that most banks still lent cautiously.

Exhibit 4: Sector's loan growth (q-q basis)



Sources: Company data; FSSIA estimates

Exhibit 5: Sector's loan growth (y-y basis)

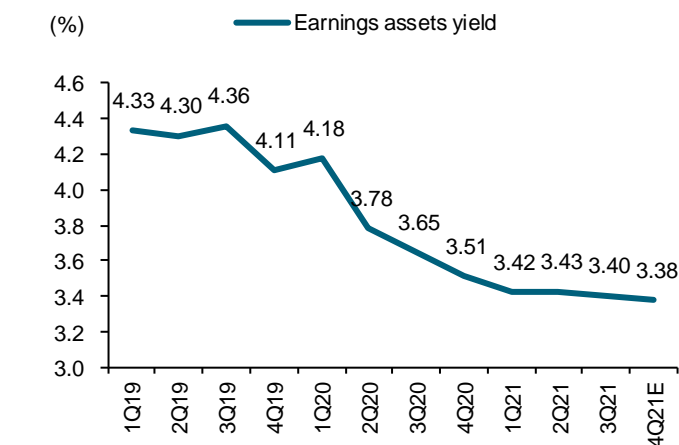


Sources: Company data; FSSIA estimates

2) NIM should increase slightly due to efficient cost of funds management

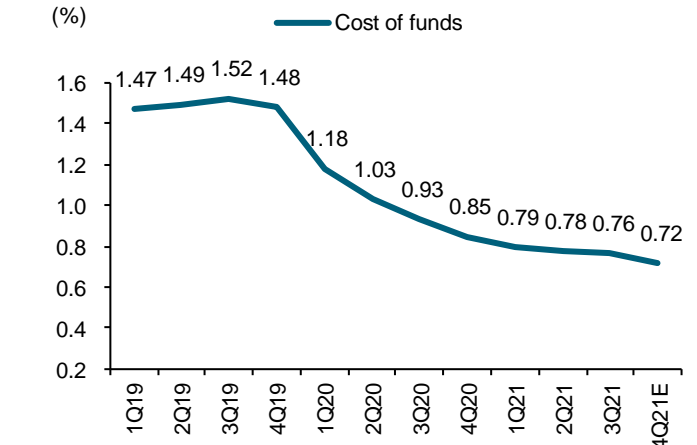
We expect that the banking sector's NIM will slightly increase to 2.79% in 4Q21. A lower cost of funds thanks to the low interest rate environment and the drainage deposit policy of most banks should outweigh the lower EIR due to the debt restructuring programs for clients who were affected by Covid-19.

Exhibit 6: Sector's quarterly earnings assets yield



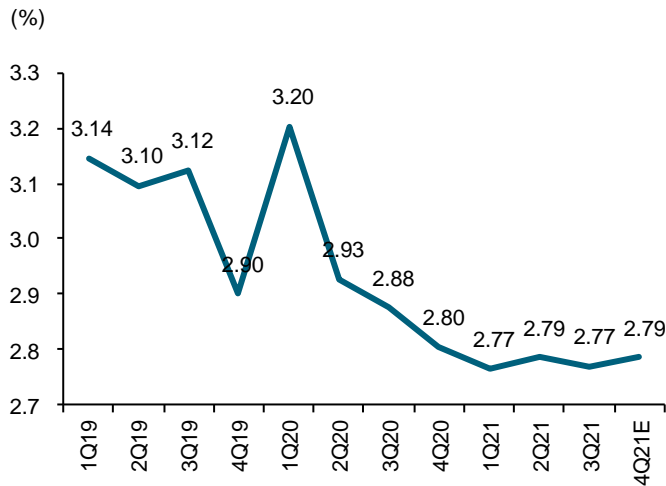
Sources: Company data; FSSIA estimates

Exhibit 7: Sector's cost of funds



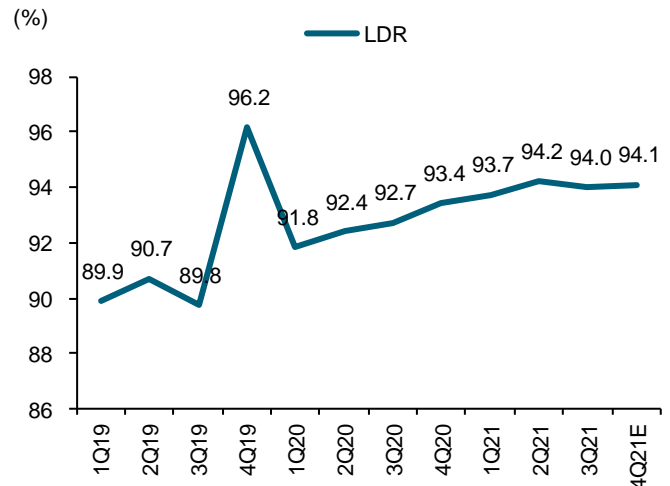
Sources: Company data; FSSIA estimates

Exhibit 8: Sector's quarterly NIM



Sources: Company data; FSSIA estimates

Exhibit 9: Sector's loan to deposit ratio (LDR)

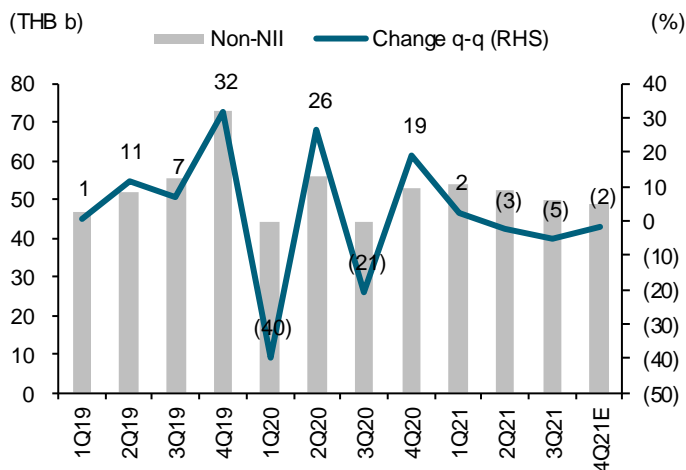


Sources: Company data; FSSIA estimates

3) Stronger fee income q-q

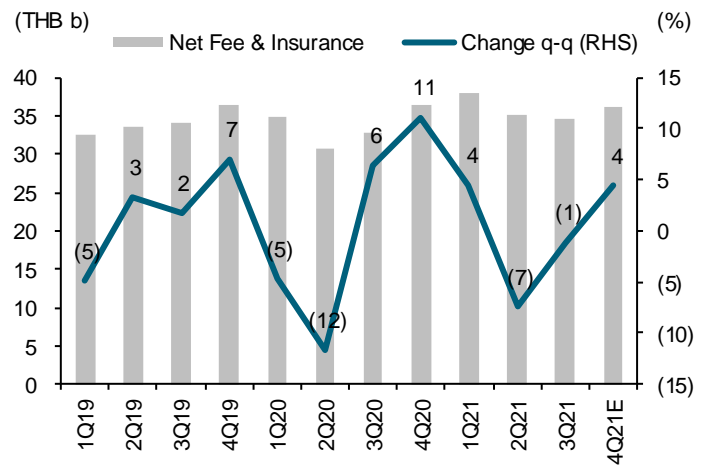
We expect banks to post a q-q rise in fee income in 4Q21 due to seasonality and the easing of the lockdown measures. However, Non-NII should drop q-q, dragged down by a contraction in investment gains.

Exhibit 10: Sector's Non-NII growth (q-q basis)



Sources: Company data; FSSIA estimates

Exhibit 11: Sector's fee income growth (q-q basis)



Sources: Company data; FSSIA estimates

4) Good cost control

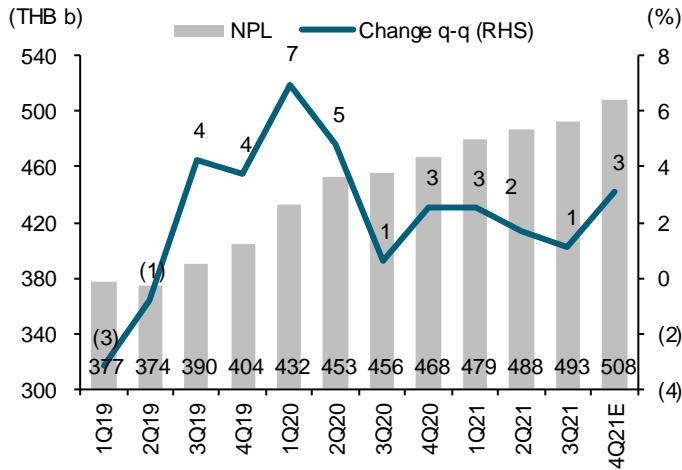
OPEX should increase q-q due to seasonality. However, we believe that most banks should still be able to control their operating expenses effectively. Covid-19 forced their clients to use digital platforms, leading to a faster network rationalisation pace and frozen headcounts.

5) Elevated provisions

Due to the extension of the relaxed loan classification and provision rules, we expect that non-performing loans (NPLs) will continue to increase immaterially by 3% q-q. This could account for an NPL ratio of 4.36% in 4Q21 vs 4.23% in 3Q21.

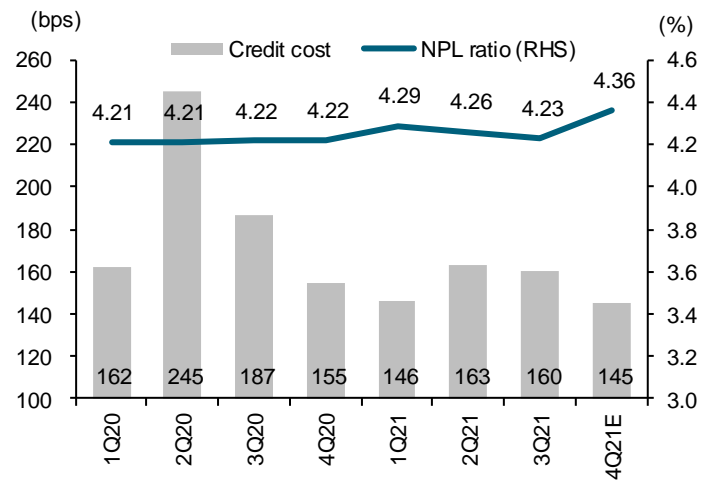
Regarding provisions, we think most banks are maintaining elevated credit costs. However, we think they will not overly set aside provisions against the potential Omicron outbreak, like what happened in 2Q20, as they have proactively set aside provisions in the past several quarters. We project that the sector's credit cost will be at 145 bps in 4Q21.

Exhibit 12: Sector's NPL growth (q-q basis)



Sources: Company data; FSSIA estimates

Exhibit 13: Sector's NPL ratio and credit cost



Sources: Company data; FSSIA estimates

Exhibit 14: Breakdown of 4Q21E earnings preview

4Q21E	BBL	KBANK	KKP	KTB	SCB	TISCO	TTB	Coverage
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)
Net Interest Income	20,994	30,810	4,017	21,903	23,897	3,067	12,831	117,519
Change (y-y %)	9.0	15.8	0.5	7.8	1.1	(5.9)	(5.1)	6.3
Change (q-q %)	1.4	0.2	5.0	3.6	1.5	(0.8)	2.0	1.6
Non-interest Income	11,475	11,783	1,971	7,239	11,474	1,391	3,532	48,864
Change (y-y %)	1.0	(4.3)	(0.4)	(12.3)	(10.0)	(16.9)	(17.8)	(7.1)
Change (q-q %)	(16.4)	28.1	(0.4)	0.6	(14.2)	28.2	14.5	(1.6)
Net fee income	6,586	8,962	1,641	4,995	10,232	1,346	2,570	36,332
Change (y-y %)	3.6	7.9	42.5	(5.4)	(10.4)	(2.6)	(13.5)	(1.4)
Change (q-q %)	(10.7)	4.7	12.6	5.1	5.9	19.4	13.9	3.2
Operating income	32,469	42,593	5,987	29,141	35,371	4,458	16,363	166,383
Change (y-y %)	6.0	9.5	0.2	2.0	(2.8)	(9.6)	(8.2)	1.9
Change (q-q %)	(5.7)	6.6	3.2	2.8	(4.2)	6.7	4.5	0.7
Operating expenses	18,436	21,380	2,708	13,869	16,463	2,185	7,810	82,851
Change (y-y %)	(8.5)	5.5	6.4	(0.5)	2.6	3.1	(3.4)	(0.4)
Change (q-q %)	16.1	26.0	(8.2)	5.9	4.1	11.0	7.5	12.1
Pre-provision profit	14,033	21,213	3,279	15,273	18,908	2,273	8,553	83,532
Change (y-y %)	33.8	13.8	(4.4)	4.4	(7.0)	(19.2)	(12.1)	4.3
Change (q-q %)	(24.4)	(7.7)	15.0	0.2	(10.4)	2.9	1.9	(8.5)
Expected credit loss	5,628	11,472	1,321	8,030	10,019	272	5,592	42,334
Change (y-y %)	(21.9)	1,614.8	(36.4)	(13.2)	(29.6)	(64.7)	(32.1)	(0.3)
Change (q-q %)	(43.0)	1.6	31.1	(1.3)	(0.2)	6.9	1.2	(8.2)
Income tax	1,543	1,699	486	1,447	1,546	355	631	7,707
Normalised profit	6,726	6,877	1,481	5,045	7,348	1,646	2,330	31,451
Change (y-y %)	180.5	(48.1)	33.7	46.1	48.0	0.6	88.6	12.1
Change (q-q %)	(2.7)	(20.3)	0.2	(0.2)	(16.7)	5.5	(1.2)	(9.6)
% of 2021E	25.0	19.6	25.6	23.3	21.0	24.8	23.3	22.3
Net profit	6,726	6,877	1,481	5,045	7,348	1,646	2,330	31,451
Change (y-y %)	180.5	(48.1)	33.7	46.1	48.0	0.6	88.6	12.1
Change (q-q %)	(2.7)	(20.3)	0.2	(0.2)	(16.7)	5.5	(1.2)	(9.6)
% of 2021E	25.0	19.6	25.6	23.3	21.0	24.8	23.3	22.3
Loan (q-q %)	(1.0)	0.1	3.2	0.2	0.9	(0.8)	(0.6)	0.0
Loan (y-y %)	5.5	9.0	12.0	9.9	2.0	(9.8)	(3.0)	5.2
Loan (ytd %)	5.5	9.0	12.0	9.9	2.0	(9.8)	(3.0)	5.2
Key ratios	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)
Net interest margin	2.01	3.20	4.46	2.59	3.03	4.90	3.03	2.79
Credit cost (bp/total loans)	0.90	1.88	1.81	1.25	1.75	0.53	1.65	1.45
Cost to income	56.78	50.20	45.24	47.59	46.54	49.01	47.73	49.80
Loan-loss-coverage	183	134	147	157	132	188	116	149
Absolute NPL (THB m)	114,846	110,098	11,162	107,963	109,579	6,293	48,408	508,347
Change (y-y %)	10.0	9.0	32.0	0.8	8.0	12.0	22.3	8.7
Change (q-q %)	2.1	3.9	4.0	1.5	2.3	3.3	9.0	3.1
NPL ratio (FSSIA's calculation)	4.60	4.50	3.76	4.21	4.76	3.10	3.58	4.36
Reported NPL ratio	3.82	3.96	3.73	3.62	3.94	3.10	3.10	

Source: FSSIA's estimates

Exhibit 15: Summary of FSSIA's 2021 earnings forecasts

2021E	BBL	KBANK	KKP	KTB	SCB	TISCO*	TTB	Coverage
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)
Net Interest Income	81,433	119,401	15,462	83,930	94,281	12,420	51,062	457,988
Change (y-y %)	5.7	9.5	5.3	(5.0)	(2.7)	(5.2)	(5.1)	1.1
Non-interest Income	50,162	44,019	7,675	31,069	52,222	6,033	13,707	204,886
Change (y-y %)	20.3	(4.0)	17.1	(8.4)	9.1	3.9	(8.5)	4.2
Net fee income	28,189	35,529	6,146	19,857	40,147	5,241	10,058	145,165
Change (y-y %)	14.1	7.6	41.7	(3.3)	9.7	1.8	(4.9)	7.6
Operating income	131,595	163,419	23,136	114,998	146,503	18,452	64,769	662,874
Change (y-y %)	10.8	5.5	9.0	(5.9)	1.2	(2.4)	(5.8)	2.0
Operating expenses	66,366	71,945	10,921	51,885	62,754	8,288	30,407	302,566
Change (y-y %)	7.1	2.8	2.5	(3.0)	(2.5)	3.4	(3.8)	0.8
Pre-provision profit	65,229	91,474	12,216	63,113	83,749	10,164	34,362	360,308
Change (y-y %)	14.9	7.8	15.4	(8.2)	4.1	(6.7)	(7.6)	3.1
Expected credit loss	31,634	42,225	4,940	32,321	40,089	1,924	22,090	175,223
Change (y-y %)	1.4	(3.0)	20.6	(28.0)	(14.1)	(42.2)	(11.0)	(11.7)
Income tax	6,215	9,308	1,477	6,004	8,732	1,603	2,265	35,605
Net profit	26,915	35,028	5,776	21,689	35,068	6,636	10,004	141,116
Change (y-y %)	56.7	18.8	12.7	29.6	28.8	9.4	(1.1)	26.1
Key ratios	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)
Loan growth	5.50	9.00	12.00	9.87	2.00	(9.80)	(3.00)	5.19
Net interest margin	2.09	3.27	4.51	2.54	2.99	4.68	2.98	2.81
Credit cost	1.30	1.80	1.76	1.32	1.76	0.90	1.61	1.54
Cost to income	50.4	44.0	47.2	45.1	42.8	44.9	46.9	45.6
Loan-loss-coverage	183	134	147	157	132	188	116	149

*Note that we slightly fine-tune TISCO's 2021E net profit to reflect the better-than-expected asset quality control, leading to lower ECL. However, we still maintain our 2022-23 net profit forecasts and our 2022 GGM-based TP of THB110.

Source: FSSIA estimates

Exhibit 16: TISCO – change of key assumptions

	2021E				2022E				2023E		
	2020	Old	New	Change	Old	New	Change	Old	New	Change	
	(THB m)	(THB m)	(THB m)	(%)	(THB m)	(THB m)	(%)	(THB m)	(THB m)	(%)	
Net interest income	13,098	12,548	12,420	(1.0)	12,031	12,156	1.0	12,437	12,348	(0.7)	
Non-interest income*	5,806	6,256	6,033	(3.6)	7,050	6,720	(4.7)	7,547	7,367	(2.4)	
Operating income*	18,904	18,805	18,452	(1.9)	19,081	18,875	(1.1)	19,984	19,714	(1.3)	
Operating expenses	8,012	8,288	8,288	0.0	8,429	8,384	(0.5)	8,461	8,391	(0.8)	
PPOP before tax*	10,892	10,517	10,164	(3.4)	10,652	10,491	(1.5)	11,523	11,323	(1.7)	
Expected credit loss (Reversal)	3,331	2,495	1,924	(22.9)	1,910	1,749	(8.4)	1,987	1,787	(10.1)	
Tax expenses	1,498	1,548	1,603	3.5	1,687	1,687	(0.0)	1,841	1,841	0.0	
Minority interest	0	3	1	(48.7)	3	3	(0.0)	3	3	0.0	
Net profit	6,063	6,471	6,636	2.5	7,052	7,052	(0.0)	7,693	7,693	0.0	
EPS (THB)	7.57	8.08	8.29	2.5	8.81	8.81	(0.0)	9.61	9.61	0.0	
Key statistics and ratios											
Asset quality ratio											
Loan loss reserve/NPLs (%)	210	196	188		194	184		182	171		
Credit cost (bps)	142	115	90		90	85		90	83		
Profitability ratio (%)											
Cost to income ratio*	42.4	44.1	44.9		44.2	44.4		42.3	42.6		
Net interest margin (NIM)	4.56	4.72	4.68		4.66	4.70		4.71	4.67		
Loan growth (%)											
y-y	(7.42)	(7.00)	(9.80)		3.00	3.00		5.00	5.00		

*Including share of profits from associates

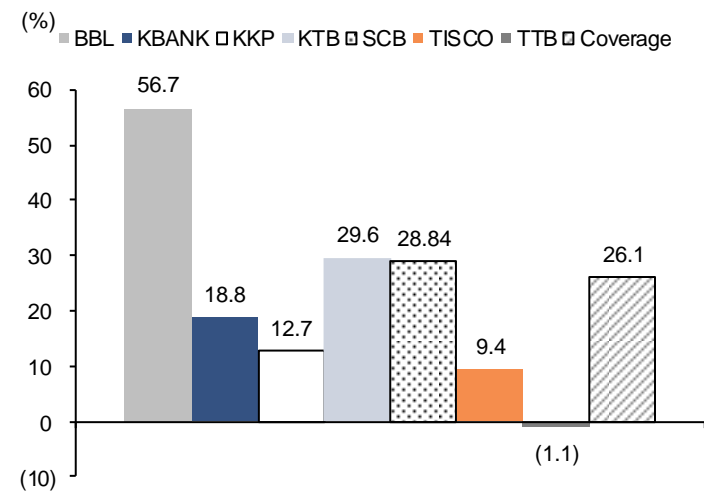
Source: FSSIA estimates

2022 net profit should increase continuously

In 2022, we expect that the BUC will provide long-term debt restructuring programs for their Covid-affected clients. Accordingly, we expect their loan yield to decline. However, thanks to three positives, we project the BUC's 2022 aggregate net profit to increase by 11% y-y. First, we forecast banks' provisioning setup to decline by 7% y-y due to the excess provisions that were set aside in 2020-21. Second, we expect net fee incomes to increase gradually, with the expectation of a recovery in wealth-related commissions following the economic reopening. Lastly, we believe banks will accelerate their integration of automated processes, implement branch consolidations and reduce head counts, leading to a slight OPEX increase.

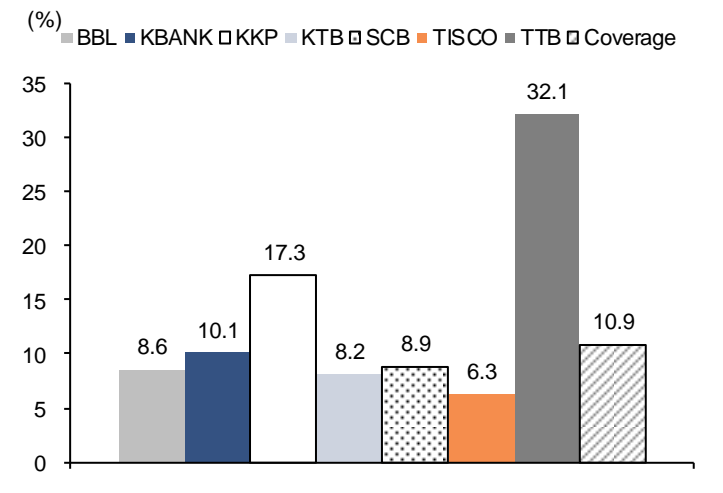
We project TTB to deliver the best performance, with a 32% y-y increase in its 2022 net profit. KKP could deliver the second highest net profit growth at 17% y-y in 2022.

Exhibit 17: 2021 net profit growth of banking sector



Source: FSSIA estimates

Exhibit 18: 2022 net profit growth of banking sector



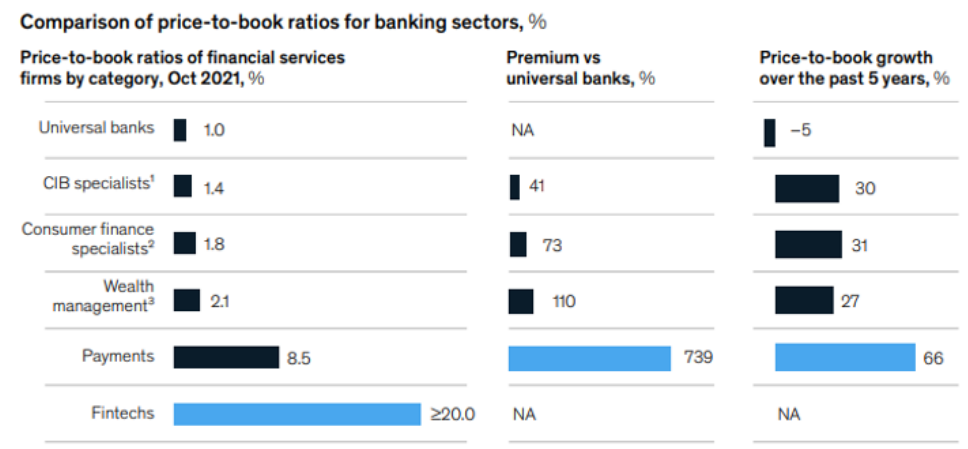
Source: FSSIA estimates

Transformation is a key focus

Apart from the short-term performance in the next couple of quarters, we recommend investors keep an eye on the yearly meetings of each bank. We expect banks to provide 2022 financial guidance, with the key items being long-term debt restructuring and ECL. We also think banks will present their long-term business strategies and transformation plans to survive in the fast-changing environment. We think there will be a great valuation divergence in 2022. In our view, the valuations of banks that dare to transform themselves will rerate, although their profit frameworks in the next one to two years might immaterially change. As for the banks that continue to operate the old style of business, we believe they will be subject to deteriorating valuations, as their ability to compete in the long term may be reduced. We think that KBANK and SCB are ahead of the pack, while BBL is behind.

According to Mckinsey’s research on the valuations of global financial services firms, companies that can offer other specialised services than just universal banks normally trade at a premium valuation.

Exhibit 19: Valuations of global financial services firms



Source: Mckinsey’s research

Recommendations and top picks

We reiterate our Overweight view on the banking sector. We are convinced that the banking sector's valuation should continue to re-rate, supported by 1) a transformation to break out of the traditional framework to generate a higher ROE and long-term growth; 2) continually rising earnings in 2022; and 3) an interest rate uptrend cycle. Regarding Omicron, we recommend investors monitor the impact but not be overly concerned, as the BUC have experience dealing with the spread of Covid.

SCB remains one of our top picks. SCB is a first mover, disrupting itself and the whole lending industry and breaking through the old banking framework. We believe its great transformation will allow it to penetrate a digital industry with high risk-reward lending. This could unlock its valuation. We replace KBANK and KKP with TTB as our other top pick as we have a strong conviction that TTB should deliver the largest net profit growth in 2022 after the merger synergies start to clearly bear fruit. Moreover, we expect that TTB will be the only bank whose 2022 ROE could recover to be higher than that of 2019's.

We maintain our BUY call on KBANK as we believe that it will deliver strong growth in 2022. We also think that it is in full swing to transform itself to unlock its value and increase shareholders' returns. Regarding KKP, we maintain our BUY call on the back of the second highest dividend yield and the second highest net profit growth that we project in 2022, backed up by its strong fee income franchise and solid loan growth.

We turn more bullish on KTB and upgrade our recommendation to BUY as we believe it will utilise its digital users' big data to generate top-line growth. Thus, we expect its net profit could increase by 8%/10% in 2022-23. We also think KTB's share price will garner the most positive sentiment from a global rising interest rate environment. Plus, KTB's valuation is undemanding at 0.5x 2022E P/BV.

For TISCO, we think it is less attractive due to its overly conservative lending strategy that is unlikely to fare as well as others' once the economy recovers. Our BUY call is for its potentially superior dividend yield at 7-8% p.a. and low asset quality risk. TISCO normally gains more attention in the first quarter before the dividend payment period.

We reiterate our HOLD rating for BBL due to its traditional and much too conservative framework, in our view. Its cheap valuation and having the most defensive balance sheet in the banking space are not enough to catch our attention.

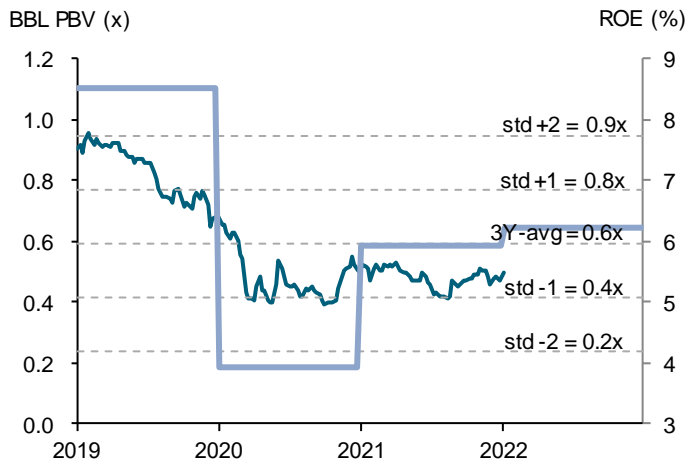
Exhibit 20: Peers comparison

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

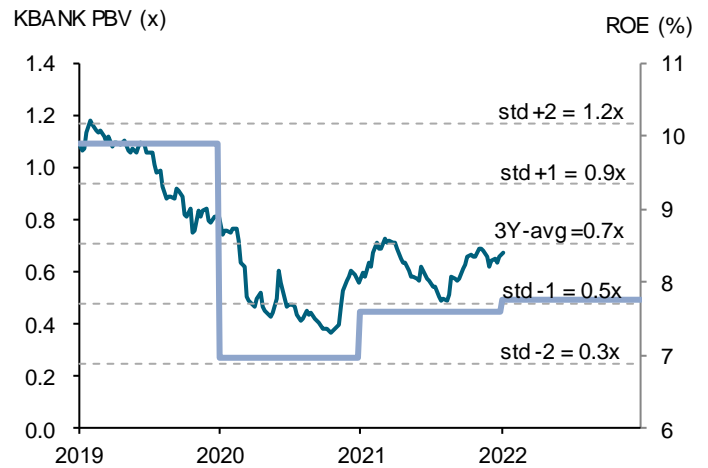
Sources: Company data; FSSIA estimates

Exhibit 21: BBL – one-year rolling prospective P/BV



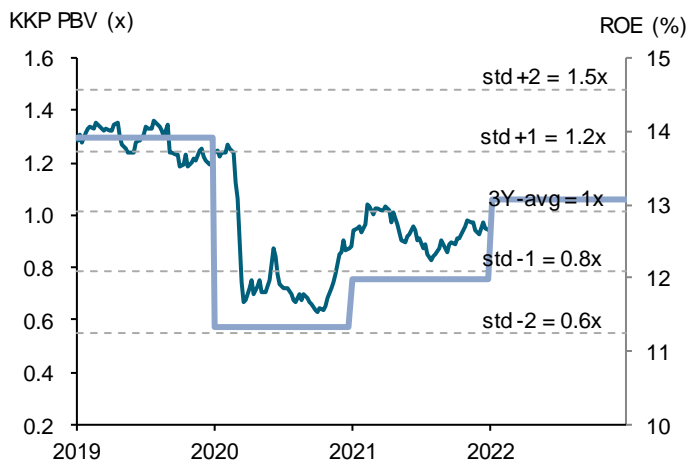
Sources: Bloomberg; FSSIA estimates

Exhibit 22: KBANK – one-year rolling prospective P/BV



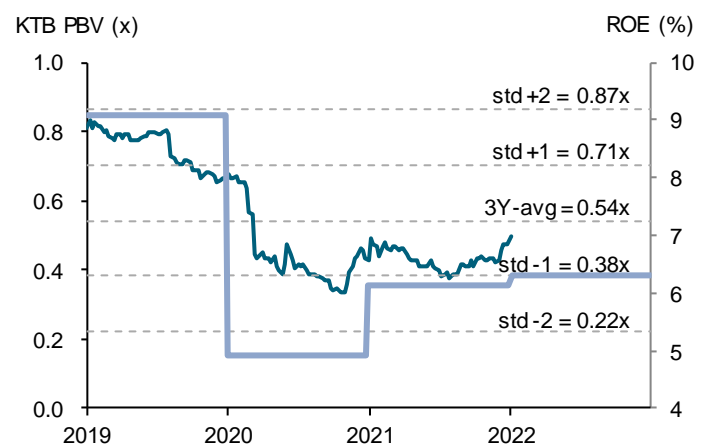
Sources: Bloomberg; FSSIA estimates

Exhibit 23: KKP – one-year rolling prospective P/BV



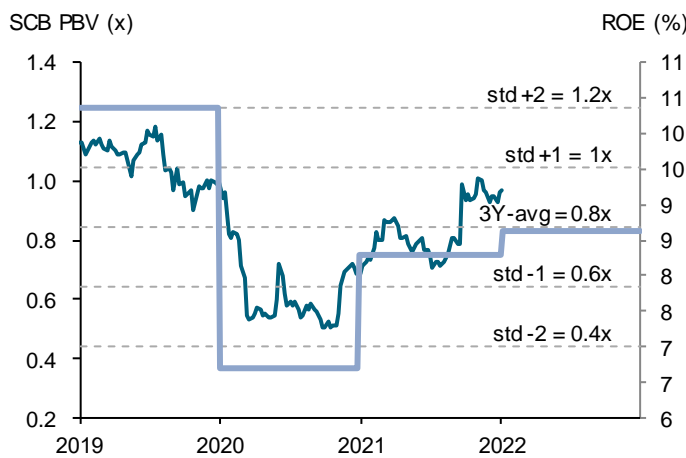
Sources: Bloomberg; FSSIA estimates

Exhibit 24: KTB – one-year rolling prospective P/BV



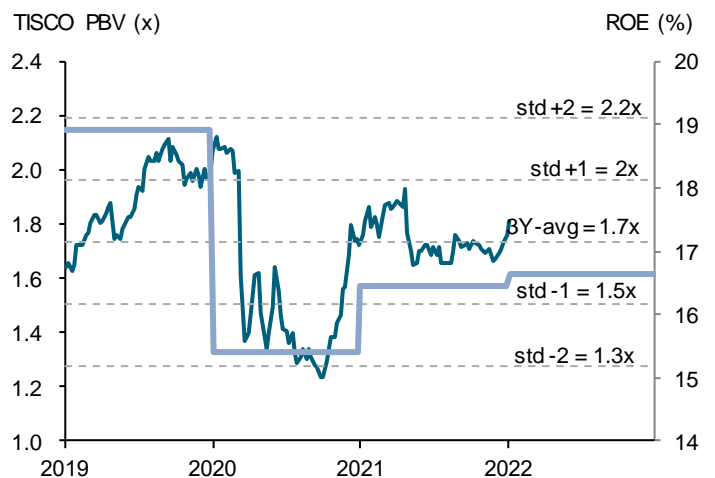
Sources: Bloomberg; FSSIA estimates

Exhibit 25: SCB – one-year rolling prospective P/BV



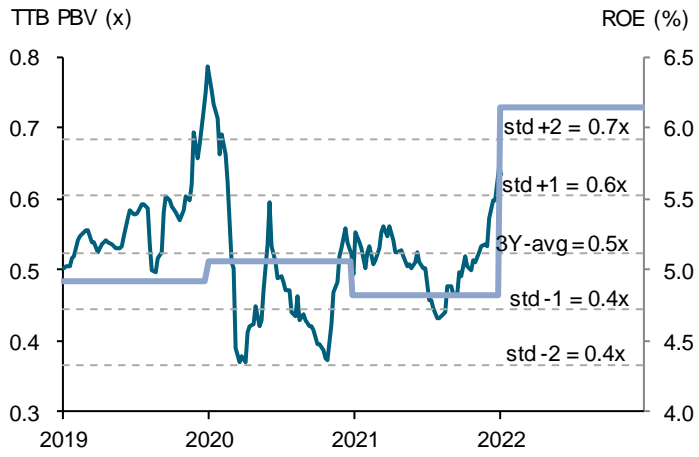
Sources: Bloomberg; FSSIA estimates

Exhibit 26: TISCO – one-year rolling prospective P/BV



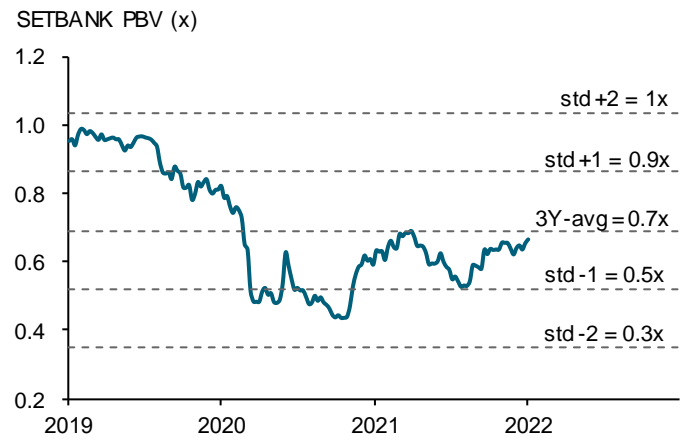
Sources: Bloomberg; FSSIA estimates

Exhibit 27: TTB – one-year rolling prospective P/BV



Sources: Bloomberg; FSSIA estimates

Exhibit 28: SETBANK – one-year rolling prospective P/BV



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	ICHI	III	ILINK	INTUCH	IRPC	IVL	JKN	JSP
JWD	K	KBANK	KCE	KKP	KSL	KTB	KTC	LANNA	LH	LHFG
LIT	LPN	MAKRO	MALEE	MBK	MBKET	MC	MCOT	METCO	MFEC	MINT
MONO	MOONG	MSC	MTC	NCH	NCL	NEP	NKI	NOBLE	NSI	NVD
NYT	OISHI	ORI	OTO	PAP	PAP	PCSGH	PDJ	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	SEAOIL	SE-ED	SELIC	SENA	SIRI	SIS	SITHAI	SMK	SMPC	SNC
SONIC	SORKON	SPALI	SPI	SPRC	SPVI	SSSC	SST	STA	SUSCO	SUTHA
SVI	SYMC	SYNTEC	TACC	TASCO	TCAP	TFMAMA	THANA	THANI	THCOM	THG
THIP	THRE	THREL	TIP	TIPCO	TISCO	TK	TKT	TTB	TMILL	TNDT
TNL	TOA	TOP	TPBI	TQM	TRC	TSC	TSR	TSTE	TSTH	TTA
TTCL	TTW	TU	TVD	TVI	TVO	TWPC	U	UAC	UBIS	UV
VGI	VIH	WACOAL	WAVE	WHA	WHAUP	WICE	WINNER	TRUE		

VERY GOOD LEVEL										
2S	ABM	ACE	ACG	ADB	AEC	AEONTS	AGE	AH	AHC	AIT
ALLA	AMANAHA	AMARIN	APCO	APCS	APURE	AQUA	ASAP	ASEFA	ASIA	ASIAN
ASIMAR	ASK	ASN	ATP30	AUCT	AWC	AYUD	B	BA	BAM	BBL
BFIT	BGC	BJC	BJCHI	BROOK	BTW	CBG	CEN	CGH	CHARAN	CHAYO
CHG	CHOTI	CHOW	CI	CIG	CMC	COLOR	COM7	CPL	CRC	CRD
CSC	CSP	CWT	DCC	DCON	DDD	DOD	DOHOME	EASON	EE	ERW
ESTAR	FE	FLOYD	FN	FORTH	FSS	FTE	FVC	GENCO	GJS	GL
GLAND	GLOBAL	GLOCON	GPI	GULF	GYT	HPT	HTC	ICN	IFS	ILM
IMH	INET	INSURE	IRC	IRCP	IT	ITD	ITEL	J	JAS	JCK
JCKH	JMART	JMT	KBS	KCAR	KGI	KIAT	KOOL	KTIS	KWC	KWM
L&E	LALIN	LDC	LHK	LOXLEY	LPH	LRH	LST	M	MACO	MAJOR
MBAX	MEGA	META	MFC	MGT	MILL	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	SEAOL	SE-ED	SELIC
SENA	SGP	SIRI	SITHAI	SMIT	SMK	SMPC	SNC	SNP	SORKON	SPACK
SPC	SPI	SPRC	SRICHA	SSF	SSSC	SST	STA	SUSCO	SVI	SYNTEC
TAE	TAKUNI	TASCO	TBSP	TCAP	TCMC	TFG	TFI	TFMAMA	THANI	THCOM
THIP	THRE	THREL	TIP	TIPCO	TISCO	TKT	TTB	TMD	TMILL	TMT
TNITY	TNL	TNP	TNR	TOG	TOP	TPA	TPCORP	TPP	TRU	TSC
TSTH	TTCL	TU	TVD	TVI	TVO	TWPC	U	UBIS	UEC	UKEM
UOBKH	UWC	VGI	VIH	VNT	WACOAL	WHA	WHAUP	WICE	WIJK	XO
ZEN	TRUE									

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

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

Disclaimer:

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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

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ANALYST(S) CERTIFICATION

Yuvanart Suwanumphai FSS International Investment Advisory Securities Co., Ltd

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Company	Ticker	Price	Rating	Valuation & Risks
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; and 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.
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.

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.