

Thailand Banks

Stronger growth should continue in 2022

- Positive on 4Q21 NP of THB35.7b on stronger core operations and asset quality.
- More relaxed view from post-results meetings. Expect 2022 NP to rise 10% y-y.
- Maintain OVERWEIGHT call with SCB and TTB as top picks.

Stronger-than-expected performance and asset quality in 4Q21

The aggregate 4Q21 net profit of the banks under our coverage (BUC) totalled THB35.7b (+27% y-y, +2% q-q). We read the sector's overall operating performance as slightly positive due to the stronger-than-expected core operations and asset quality management. We see four positives. First, there was strong loan growth of 6.7% y-y and 1.4% q-q, driven mainly by solid demand from the corporate and retail segments. Second, all banks were able to manage cost of funds efficiently. This was partially offset by a decline in loan yield following the negative impact from comprehensive long-term debt restructuring (CDR). Third, the resumption of business activities led to a rise in fee income. Fourth, the loan repayment ability of clients increased following the lockdown easing. Moreover, most banks still had conservative NPL management, with a rise in NPL sales and write-offs. Thus, the sector's NPLs declined 3% q-q. We think KKP posted the strongest performance in 4Q21.

More relaxed view on top line growth and provisioning setup from meetings

The tone of the post-results analyst briefings was more relaxed regarding top line growth and provisioning setup in 2022. Most banks are aiming to expand their loan volumes continuously, focusing on the retail segment, while fee income should be favoured by the resumption of business activities. Moreover, the BUC plan to continuously offer tailor-made CDR to Covid-affected clients. This should improve the overall asset quality. Although CDR might negatively impact the BUC's NIM, this should be fully offset by lower provisions. As a result, CDR should have a net positive impact on the BUC's 2022 net profit. Thus, we read the overall message from the meetings as neutral to slightly positive.

2022 net profit should increase continuously

We project the BUC's 2022 aggregate earnings to rise 10% y-y due to three factors. First, we forecast banks' provisioning setup to decline by 10% y-y due to the excess provisions that were set aside in 2020-21 plus the benefits of CDR programs. Second, we expect net fee incomes to increase 5% y-y, 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, leading to a minor OPEX increase of 2% y-y. We project TTB to post the best performance with a 26% y-y increase in its 2022 net profit.

Maintain OVERWEIGHT; more room for banks' share prices to rerate

We are convinced that the banking sector's valuation should continue to rerate, supported by 1) a transformation to break out of the traditional framework; 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 and TTB remain our top picks. We still like KKP, KBANK, KTB and TISCO, in that order. We reiterate our HOLD rating for BBL.



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Stronger-than-expected performance and asset quality in 4Q20

The aggregate 4Q21 net profit of the seven BUC totalled THB35.7b (+27% y-y, +2% q-q), which was higher than Bloomberg's consensus forecast and our estimate by 5% and 13%, respectively. We read the sector's overall operating performance as slightly positive due to the stronger-than-expected core operations and asset quality management. We see four positives from the 4Q21 results. First, there was strong loan growth of 6.7% y-y and 1.4% q-q, driven mainly by solid demand from the corporate and retail segments. Second, all banks were able to manage cost of funds efficiently. This was partially offset by a decline in loan yield following the low interest rate environment in 2021 and the negative impact from CDR. Third, the resumption of business activities led to a rise in fee income. Fourth, the loan repayment ability of clients increased following the lockdown easing. Moreover, most banks still had conservative non-performing loan (NPL) management, with a rise in NPL sales and write-offs. Thus, the sector's NPLs declined 3% q-q.

We think KKP posted the strongest performance in 4Q21. Its loan volume skyrocketed 16% y-y and 7% q-q. Its fee income also surged due to the strong capital market and its wealth related-business. There were few issues regarding its asset quality, with a 5% q-q drop in its NPLs.

Exhibit 1: Thai banks under coverage, 4Q21 earnings summary

	BBG	Norm profit				Pre-provision profit			Expected credit loss		
		(THB m)	(y-y%)	(q-q%)	(%21)	(THB m)	(y-y%)	(q-q%)	(THB m)	(y-y%)	(q-q%)
Bangkok Bank	BBL TB	6,318	163.5	(8.6)	23.8	16,078	53.3	(13.3)	8,127	12.8	(17.7)
Kasikornbank	KBANK TB	9,901	(25.3)	14.7	26.0	22,044	18.3	(4.1)	9,580	1,331.9	(15.2)
Kiatnakin Bank	KKP TB	2,023	82.6	36.9	32.0	4,058	18.3	42.3	1,582	(23.9)	57.1
Krung Thai Bank	KTB TB	4,944	43.2	(2.2)	22.9	15,215	4.0	(0.2)	8,233	(11.0)	1.2
Siam Commercial Bank	SCB TB	7,879	58.7	(10.7)	22.1	21,953	8.0	4.1	11,954	(16.0)	19.1
Tisco Financial	TISCO TB	1,791	9.4	14.8	26.4	2,658	(5.5)	20.3	408	(47.1)	60.2
TMBThanachart Bank	TTB TB	2,799	126.7	18.7	26.7	8,507	(12.6)	1.3	5,017	(39.1)	(9.2)
Coverage		35,655	27.1	2.4	24.5	90,513	13.1	(0.9)	44,900	5.8	(2.7)

Sources: Company data; FSSIA estimates

Exhibit 2: Thailand banks under coverage – summary of 4Q21 results

BBG	Norm profit			4Q21		Results announced	FSSIA's review
	4Q20 (THB m)	3Q21 (THB m)	4Q21 (THB m)	Change (y-y %)	Change (q-q %)		
BBL TB	2,398	6,909	6,318	163.5	(8.6)	20 January	BBL reported a 4Q21 net profit of THB6,318m (+164% y-y, -9% q-q), which was lower than the Bloomberg consensus estimate by 9% and our forecast by 6% due to maintaining a high level of ECL. BBL had strong core operations, supported by two factors: 1) its loan volume jumped 2.6% q-q and 9.3% YTD due to a rise in the corporate and international segments. There was strong demand for corporate term loans, according to management; and 2) its fee income rose 3% q-q thanks to a rise in IB and loan-related fees following an increase in its loan volume. Regarding asset quality, its NPLs plummeted by 10% q-q in 4Q21 as its clients were better able to repay loans after the economic reopening. BBL, as always, retained its conservative risk management measures by utilising its solid top line to set aside a huge ECL. Thus, its reported coverage ratio increased to 226% in 4Q21 from 199% in 3Q21.
KBANK TB	13,258	8,631	9,901	(25.3)	14.7	21 January	KBANK reported a 4Q21 net profit of THB9,901m (-25% y-y, +15% q-q). There were three slight improvements in its core operations. First, its fee income rose y-y and q-q thanks to its card business. Second, KBANK was able to control its OPEX effectively. Its cost to income ratio declined to 48.2% in 4Q21 vs 52.1% in 4Q20. Third, its accrued interest slightly fell q-q. Additionally, its NPL formation rate (based on our calculation) was relatively stable q-q. KBANK maintained its aggressive NPL write-off pace, resulting in a 2% q-q decline in its NPLs. Accordingly, it set a lower credit cost of 158 bps in 4Q21 vs 187 bps in 3Q21.
KKP TB	1,108	1,478	2,023	82.6	36.9	20 January	KKP reported a 4Q21 net profit of THB2,023m (+83% y-y, +37 q-q), beating Bloomberg's consensus estimate and our forecast by 46% and 37%, respectively, thanks to stronger loan growth and an extra gain on written-off NPL sales. Its 4Q21 core operations were solid, driven by 1) a 7.2% q-q loan volume increase due largely to a rise in its hire purchase loans, housing loans, and corporate clients; and 2) a rise in its fee income thanks to its strong brokerage fees, IB business, bancassurance fees, and mutual fund fees. On top of that, the bank booked an extra gain on written-off NPL sales of cTHB1b. Regarding asset quality, its NPLs declined by 6% q-q following the higher loan repayment ability of its clients. However, KKP utilised its extra gain to set aside management overlay of THB928m, leading to a significantly higher provision q-q. Its losses from repossessed car sales remained at a high level of THB489m as KKP increased repossessions following the end of the debt relief program.
KTB TB	3,452	5,055	4,944	43.2	(2.2)	21 January	KTB reported a 4Q21 net profit of THB4,944m (+43% y-y, -2% q-q), which was in-line with our expectation. KTB posted very strong loan growth of 2.7% q-q and 12.6% y-y, driven mainly by the government and corporate segments. Its non-recurring Non-NII jumped in 4Q21 due to a mark-to-market gain on financial assets and bad debt recovery. Its provisions also fell y-y as KTB had proactively set aside provisions in 2020. As a result, its net profit increased substantially y-y in 4Q21. However, thanks to the seasonal increase in its OPEX and a rise in losses from the sale of foreclosed assets, its net profit slightly went down q-q. Regarding asset quality, its NPLs were relatively stable q-q, with an improvement in its NPL formation rate (based on our calculation).
SCB TB	4,965	8,818	7,879	58.7	(10.7)	21 January	SCB posted a 4Q21 net profit of THB7,879m (+59% y-y, -11% q-q). It reported a strong top line partly due to a rise in its non-recurring income, i.e. a mark-to-market gain on financial assets and gains on NPL and NPA sales. Its NII increased following 1) a rise in its loan volume by 1% q-q thanks to higher corporate and unsecured lending; and 2) a rise in its NIM to 3.12% due to the positive one-time impact of CDR. Regarding fee income, we think it was not very prominent in 4Q21, with a rise q-q thanks to seasonality but a drop y-y from a high bancassurance fee base. SCB qualitatively downgraded its SME clients to NPLs, resulting in a 2% rise in NPLs in 4Q21. SCB set provisions prudently with a rise in credit cost to 209 bps vs 175 bps in 3Q21.
TISCO TB	1,636	1,560	1,791	9.4	14.8	14 January	We have a positive view on TISCO's 4Q21 results. It reported a 4Q21 net profit of THB1,791m (+9% y-y, +15% q-q), higher than Bloomberg's consensus estimate and our expectation by 8% thanks to its strong asset management fee income. We see two positives. First, TISCO reported solid asset management fee income thanks to new fund issuances and its strong fund performance. Second, TISCO had very healthy asset quality with a drop in its NPLs by 19% q-q thanks to its efficient asset quality control and the long-term debt restructuring program. Regarding its loan volume, it continued to drop by 0.7% q-q (-9.7% y-y). However, the rate of decline was better than in 3Q21 at 4.5% q-q, as the bank resumed its auto title loan expansion.
TTB TB	1,235	2,359	2,799	126.7	18.7	20 January	TTB reported a 4Q21 net profit of THB2,799m (+127% y-y, +19% q-q). We see four positives: 1) TTB was able to resume its loan growth of 0.9% q-q (-1.5% YTD) following a rise in its retail segment; 2) its NIM inched up to 2.98% from 2.95% in 3Q21 due to the increase in hire purchase new lending and efficient cost of funds management; 3) its fee income rose q-q, supported by a rise in bancassurance; and 4) its NPLs went down by 5% q-q due to its effective NPL management. TTB increased its sales and write-offs of NPLs to THB6.4b from THB6b in 3Q21 and offered long-term debt restructuring and asset warehousing to its clients. Accordingly, TTB reduced its provision setup in 4Q21. These positives fully offset the increase in its OPEX thanks to EBT-related OPEX and seasonality.
Coverage	28,053	34,810	35,655	27.1	2.4		

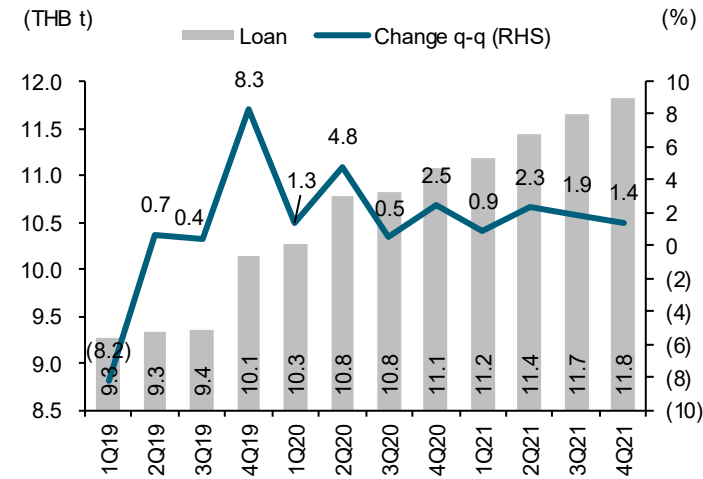
Sources: Company data; FSSIA's compilation

4Q21 key highlights

1) Corporate and retail segments drove higher loan demand

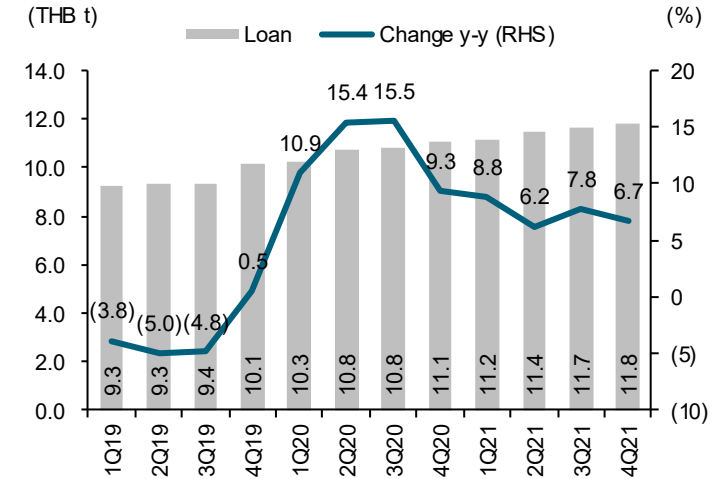
The BUC's overall loan portfolios in 4Q21 came as a positive surprise to us, increasing by 1.4% q-q (+6.7% YTD). There was a rise in long-term working capital loan demand for both the corporate segment and retail clients due to seasonality and the resumption of business activities. The SME segment, however, declined to flat q-q, as we believe that most banks still lent cautiously.

Exhibit 3: Sector's loan growth (q-q basis)



Sources: Company data; FSSIA estimates

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

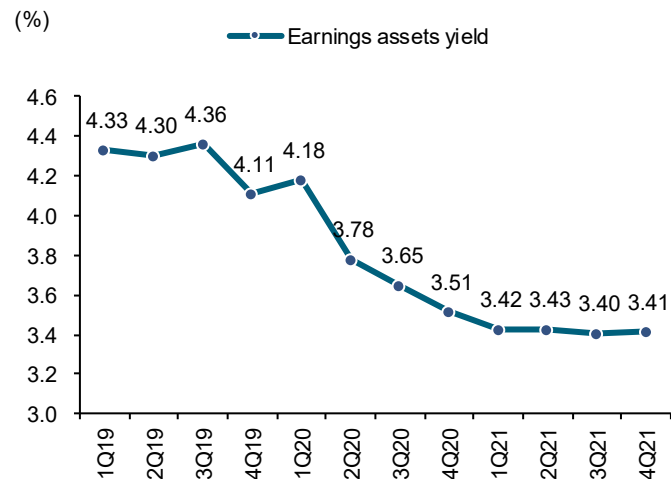


Sources: Company data; FSSIA estimates

2) NIM increased slightly due to efficient cost of funds management

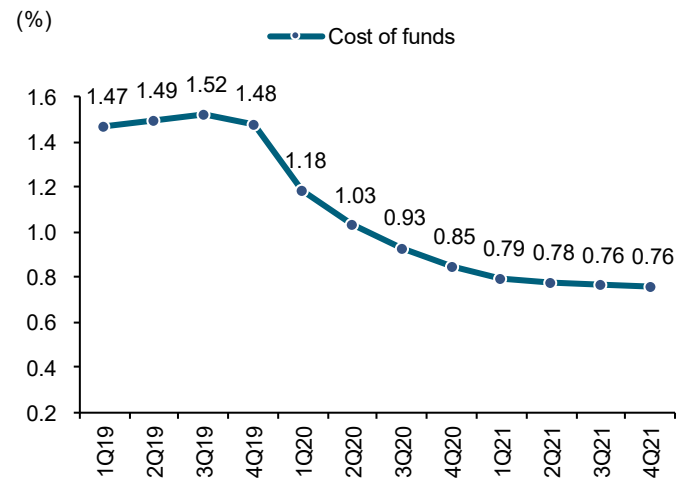
The banking sector's NIM slightly increased to 2.78% in 4Q21 vs 2.77% in 3Q21 thanks to a rise in high-yield retail lending, resulting in a higher earnings asset yield. Moreover, all banks were able to control their cost of funds effectively.

Exhibit 5: Sector's quarterly earnings asset yield



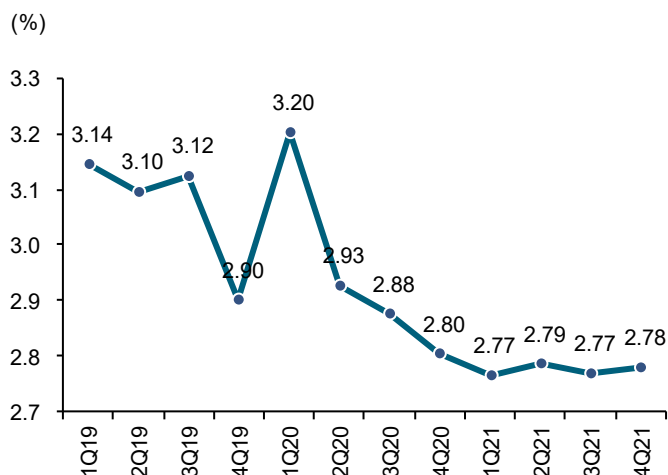
Sources: Company data; FSSIA estimates

Exhibit 6: Sector's cost of funds



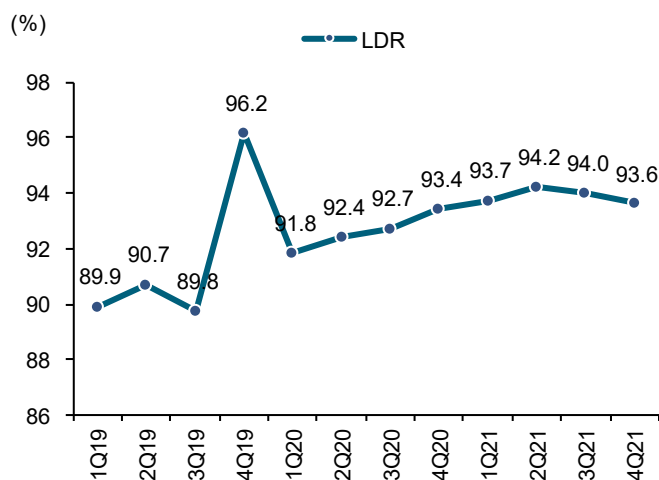
Sources: Company data; FSSIA estimates

Exhibit 7: Sector's quarterly NIM



Sources: Company data; FSSIA estimates

Exhibit 8: Sector's loan to deposit ratio (LDR)

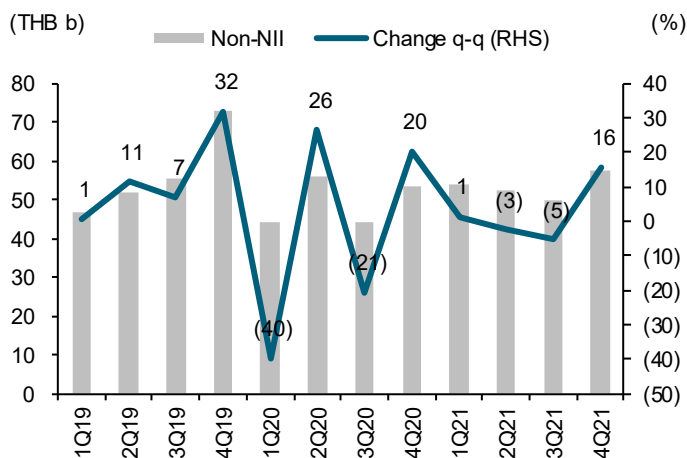


Sources: Company data; FSSIA estimates

3) Stronger fee income q-q

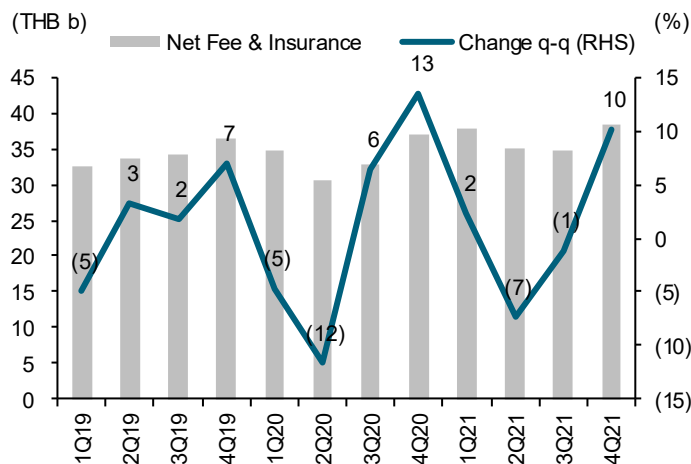
The banking sector posted an impressive q-q rise in fee income in 4Q21 due to seasonality and the easing of the lockdown measures, resulting in higher mutual fund, bancassurance, and loan-related fees. On top of that, most banks recognised non-recurring Non-NII, i.e. mark-to-market gains on investments, gains on NPL sales, etc. As a result, the sector's Non-NII increased significantly by 16% q-q.

Exhibit 9: Sector's Non-NII growth (q-q basis)



Sources: Company data; FSSIA estimates

Exhibit 10: Sector's fee income growth (q-q basis)

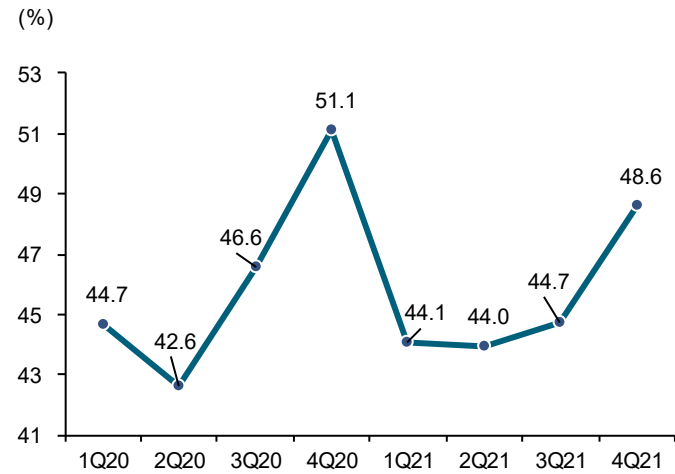


Sources: Company data; FSSIA estimates

4) Good cost control

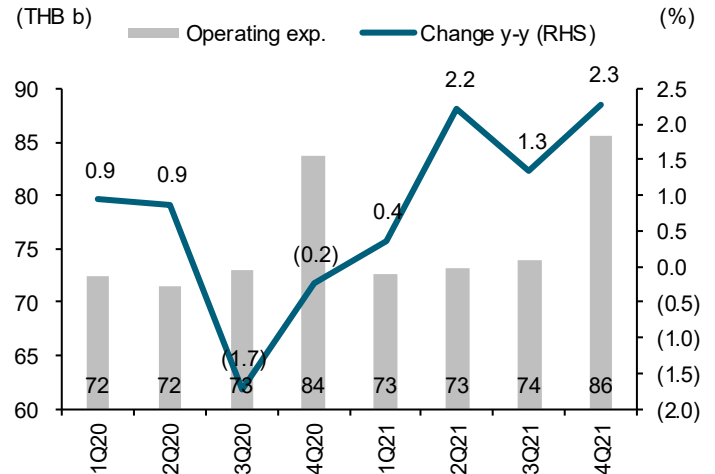
OPEX increased by 16% q-q due to seasonality. However, most banks were still able to control their operating expenses effectively, with a mere 2% y-y increase in the BUC's OPEX in 4Q21. Covid-19 forced their clients to use digital platforms, leading to a faster network rationalisation pace and frozen headcounts.

Exhibit 11: Sector's cost to income ratio



Sources: Company data; FSSIA estimates

Exhibit 12: Sector's OPEX



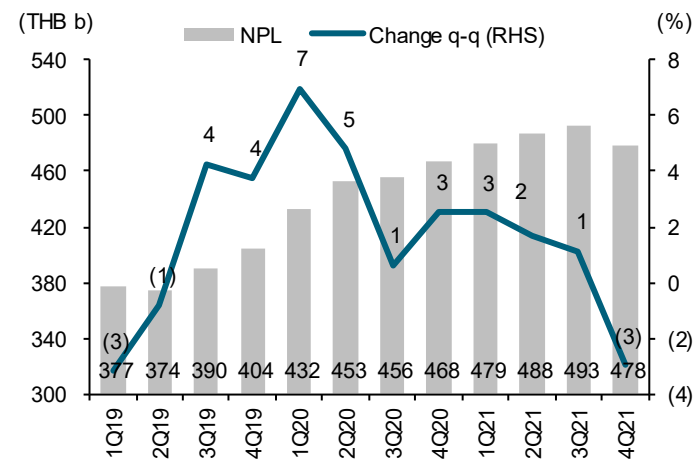
Sources: Company data; FSSIA estimates

5) Elevated provisions

In 4Q21, the sector's NPLs also came as a positive surprise to us, with a 3% q-q drop in NPLs. This accounted for an NPL ratio of 4.05% in 4Q21 vs 4.23% in 3Q21. Speaking with most banks' management teams, they said the loan repayment ability of their clients increased after the lockdown easing. Moreover, most banks still had conservative NPL management, with a rise in NPL sales and write-offs. On top of that, the extension of the relaxed loan classification and provision rules along with long-term debt restructuring programs that banks offered to their clients were additional key factors that helped to reduce NPLs in 4Q21, in our view.

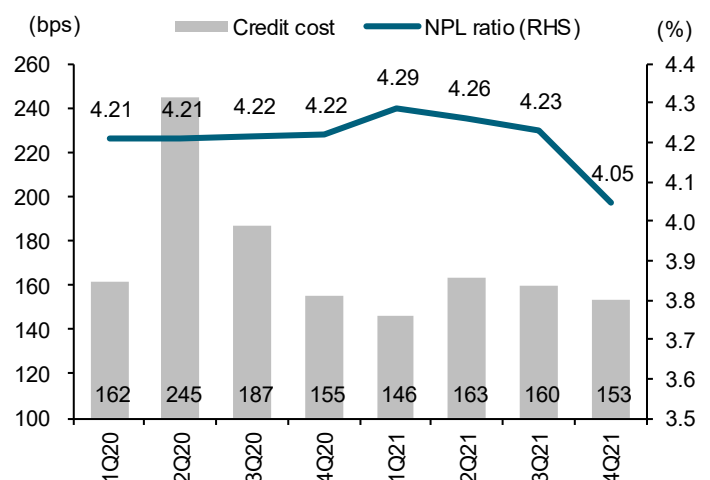
Regarding provisions, most banks maintained elevated credit costs. However, they did not overly set aside provisions against a potential escalation of the Omicron spread, like what happened in 2Q20, as they had proactively set aside provisions in the past several quarters. The sector's credit cost was at 153 bps in 4Q21.

Exhibit 13: Sector's NPL growth (q-q basis)



Sources: Company data; FSSIA estimates

Exhibit 14: Sector's NPL ratio and credit cost



Sources: Company data; FSSIA estimates

6) Loans under relief programs slightly declined q-q

The BUC reported a slight drop in their forbearance programs in 4Q21 following the easing of lockdown measures. Moreover, some banks started to provide CDR to their clients. Thus, they might not report these numbers in the following quarters.

Exhibit 15: Forbearance programs of banks under coverage

	----- 4Q21 loans -----				----- 3Q21 loans -----			----- 2Q21 loans -----		
	Amount outstanding (THB b)	----- under relief programs -----			----- under relief programs -----			----- under relief programs -----		
		Absolute (THB b)	% of portfolio (%)	% change q-q (%)	Absolute (THB b)	% of portfolio (%)	% change q-q (%)	Absolute (THB b)	% of portfolio (%)	% change q-q (%)
BBL	2,588	n/a	n/a	n/a	303	12	4	290	12	n/a
KBANK	2,422	322	13	(10)	359	15	6	339	14	6
KKP	308	n/a	n/a	n/a	35	12	(5)	37	13	51
KTB	2,629	n/a	n/a	n/a	117	5	8	108	4	(14)
SCB	2,302	397	17	(14)	464	20	23	376	16	(12)
TISCO	203	16	8	0	16	8	27	13	6	16
TTB	1,372	162	12	(1)	163	12	(16)	193	14	(0)

Sources: Company data; FSSIA's compilation

Exhibit 16: Thailand banks under coverage – 4Q21 results summary

4Q21	BBL (THB m)	KBANK (THB m)	KKP (THB m)	KTB (THB m)	SCB (THB m)	TISCO (THB m)	TTB (THB m)	Coverage (THB m)	Comments
Net Interest Income	21,717	30,799	4,253	21,345	24,786	3,108	12,767	118,774	
Change (y-y %)	12.7	15.8	6.4	5.0	4.9	(4.7)	(5.6)	7.4	
Change (q-q %)	4.9	0.2	11.2	1.0	5.3	0.5	1.5	2.7	
Non-interest Income	13,698	11,723	2,841	8,584	14,423	1,728	4,362	57,359	
Change (y-y %)	20.5	(4.8)	43.6	4.0	13.2	3.2	(10.1)	7.9	
Change (q-q %)	(0.2)	27.4	43.6	19.3	7.8	59.3	41.3	15.5	
Net fee income	7,607	8,749	1,569	5,160	10,284	1,713	3,761	38,843	
Change (y-y %)	19.7	5.4	36.2	(2.3)	(10.0)	24.0	0.5	3.2	
Change (q-q %)	3.2	2.2	7.7	8.6	6.4	52.0	66.6	10.4	
Operating income	35,415	42,522	7,094	29,929	39,209	4,835	17,129	176,133	
Change (y-y %)	15.6	9.3	18.7	4.8	7.8	(2.0)	(6.8)	7.6	
Change (q-q %)	2.9	6.5	22.3	5.6	6.2	15.7	9.4	6.6	
Operating expenses	19,336	20,478	3,036	14,714	17,256	2,177	8,622	85,620	
Change (y-y %)	(4.0)	1.0	19.3	5.6	7.5	2.7	(0.2)	2.3	
Change (q-q %)	21.8	20.7	2.9	12.4	9.1	10.6	18.6	15.8	
Pre-provision profit	16,078	22,044	4,058	15,215	21,953	2,658	8,507	90,513	
Change (y-y %)	53.3	18.3	18.3	4.0	8.0	(5.5)	(12.6)	13.1	
Change (q-q %)	(13.3)	(4.1)	42.3	(0.2)	4.1	20.3	1.3	(0.9)	
Expected credit loss	8,127	9,580	1,582	8,233	11,954	408	5,017	44,900	
Change (y-y %)	12.8	1,331.9	(23.9)	(11.0)	(16.0)	(47.1)	(39.1)	5.8	
Change (q-q %)	(17.7)	(15.2)	57.1	1.2	19.1	60.2	(9.2)	(2.7)	
Income tax	1,517	2,120	450	1,418	2,190	460	693	8,847	
Normalised profit	6,318	9,901	2,023	4,944	7,879	1,791	2,799	35,655	
Change (y-y %)	163.5	(25.3)	82.6	43.2	58.7	9.4	126.7	27.1	
Change (q-q %)	(8.6)	14.7	36.9	(2.2)	(10.7)	14.8	18.7	2.4	
% of 2021A	23.8	26.0	32.0	22.9	22.1	26.4	26.7	24.5	
Net profit	6,318	9,901	2,023	4,944	7,879	1,791	2,799	35,655	
Change (y-y %)	163.5	(25.3)	82.6	43.2	58.7	9.4	126.7	27.1	
Change (q-q %)	(8.6)	14.7	36.9	(2.2)	(10.7)	14.8	18.7	2.4	
% of 2021A	23.8	26.0	32.0	22.9	22.1	26.4	26.7	24.5	
Actual vs FSSIA's 4Q21E	(6)	44	37	(2)	7	9	20	13	% difference (actual and forecast)
Actual vs BBG's 4Q21E	(9)	28	46	(7)	(6)	8	14	5	% difference (actual and forecast)
Loan (q-q %)	2.6	(0.9)	7.2	2.7	1.0	(0.7)	0.9	1.4	
Loan (y-y %)	9.3	7.9	16.4	12.6	2.1	(9.7)	(1.5)	6.7	
Deposit (q-q %)	1.0	2.7	10.6	1.3	2.3	(1.3)	1.1	1.8	
Deposit (y-y %)	12.3	10.8	14.7	6.2	1.9	(18.2)	(2.5)	6.4	
Loan/ Deposits (LDR %)	82.0	93.2	106.8	100.5	93.3	121.9	102.5	93.6	
Loan/Deposits & Borrowing (%)	77.5	89.6	92.8	95.6	90.6	111.8	97.5	89.2	
Key ratios	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	
Net interest margin	2.05	3.16	4.42	2.49	3.12	5.08	2.99	2.78	
Credit cost (bp/total loans)	1.27	1.58	2.13	1.27	2.09	0.80	1.47	1.53	
Cost to income	54.60	48.16	42.80	49.16	44.01	45.02	50.33	48.61	
Reported loan-loss-coverage	226	159	162	162	139	237	129	163	
Absolute NPL (THB m)	101,103	104,036	10,191	106,809	109,114	4,957	42,121	478,331	
Change (y-y %)	(3.2)	3.0	20.5	(0.3)	7.5	(11.8)	6.4	2.3	
Change (q-q %)	(10.1)	(1.8)	(5.0)	0.4	1.9	(18.7)	(5.2)	(3.0)	
NPL ratio	3.91	4.30	3.31	4.06	4.74	2.44	3.07	4.05	
Reported NPL ratio	3.20	3.76	3.30	3.50	3.79	2.44	2.81		
CAR	21.9	18.8	16.4*	19.9	18.7	23.3	19.3		
CET1	16.9	15.5	12.6*	15.6	17.6	18.7	14.4		

*Unconsolidated

Sources: Company data; FSSIA estimates

Exhibit 17: Thailand banks under coverage – 2021 results summary

2021	BBL (THB m)	KBANK (THB m)	KKP (THB m)	KTB (THB m)	SCB (THB m)	TISCO (THB m)	TTB (THB m)	Coverage (THB m)	Comments
Net Interest Income	82,156	119,390	15,701	83,372	95,171	12,460	51,000	459,249	
<i>Change (y-y %)</i>	6.6	9.5	7.0	(5.6)	(1.8)	(4.9)	(5.2)	1.4	
Non-interest Income	50,162	43,958	8,545	32,414	55,171	6,369	14,537	211,157	
<i>Change (y-y %)</i>	20.3	(4.2)	30.4	(4.4)	15.3	9.7	(6.5)	7.1	
Net fee income	29,209	35,316	6,074	20,022	40,198	5,609	11,248	147,676	
<i>Change (y-y %)</i>	18.2	7.0	40.1	(2.5)	9.9	9.0	(0.9)	8.9	
Operating income	134,541	163,349	24,246	115,786	150,342	18,829	65,537	672,629	
<i>Change (y-y %)</i>	13.3	5.5	14.2	(5.3)	3.9	(0.4)	(5.5)	3.5	
Operating expenses	67,266	71,044	11,248	52,731	63,547	8,280	31,219	305,334	
<i>Change (y-y %)</i>	8.5	1.5	5.6	(1.4)	(1.2)	3.3	(3.0)	1.6	
Pre-provision profit	67,275	92,305	12,998	63,055	86,795	10,549	34,318	367,295	
<i>Change (y-y %)</i>	18.5	8.7	22.8	(8.3)	7.9	(3.1)	(7.7)	5.1	
Expected credit loss	34,134	40,332	5,201	32,524	42,024	2,060	21,514	177,789	
<i>Change (y-y %)</i>	9.4	(7.4)	27.0	(27.6)	(9.9)	(38.2)	(13.4)	(10.5)	
Income tax	6,189	9,729	1,442	5,975	9,376	1,708	2,327	36,745	
Normalised profit	26,507	38,053	6,318	21,588	35,599	6,781	10,474	145,320	
<i>Change (y-y %)</i>	25.1	29.0	23.3	29.0	30.8	11.8	3.6	25.4	
Net profit	26,507	38,053	6,318	21,588	35,599	6,781	10,474	145,320	
<i>Change (y-y %)</i>	54.3	29.0	23.3	29.0	30.8	11.8	3.6	29.8	
Key ratios	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	
Loan growth	9.29	7.88	16.37	12.60	2.07	(9.72)	(1.48)	6.66	
Net interest margin	2.07	3.26	4.27	2.49	3.00	4.79	2.95	2.78	
Credit cost	1.38	1.73	1.82	1.31	1.84	0.96	1.56	1.55	
Cost to income	50.0	43.5	46.4	45.5	42.3	44.0	47.6	45.4	
Reported loan-loss-coverage	226	159	162	162	139	237	129	163	
Actual vs FSSIA's 2021E	(2)	9	9	(0)	2	(0)	5	3	% difference (actual and forecast)
Actual vs BBG's 2021E	(0)	2	(2)	(1)	0	(2)	1	0	% difference (actual and forecast)

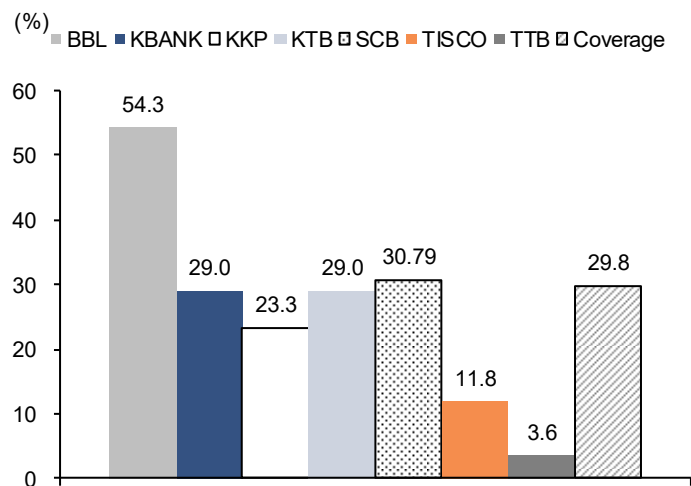
Sources: Company data; FSSIA estimates

2022 net profit should increase continuously

We project the BUC's 2022 aggregate net profit to increase by 10% y-y, driven by three factors. First, we forecast banks' provisioning setup to decline by 10% y-y due to the excess provisions that were set aside in 2020-21 plus the benefits of CDR programs. Second, we expect net fee incomes to increase gradually by 5% y-y, 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 minor OPEX increase of 2% y-y.

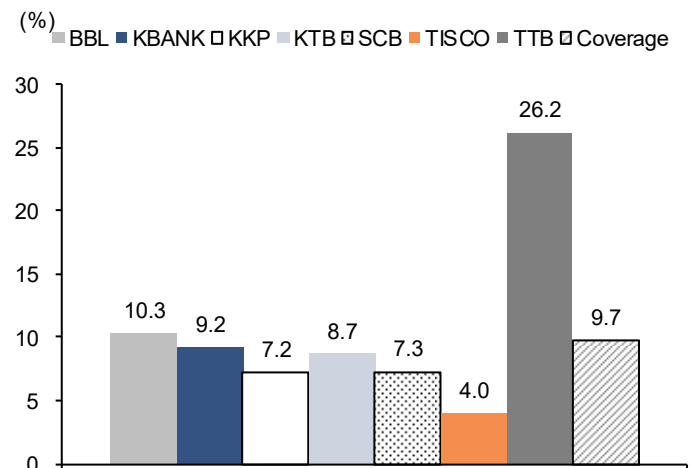
We project TTB to deliver the best performance, with a 26% y-y increase in its 2022 net profit. TISCO, on the other hand, could deliver the lowest net profit growth at 4% y-y in 2022.

Exhibit 18: 2021 net profit growth of banking sector



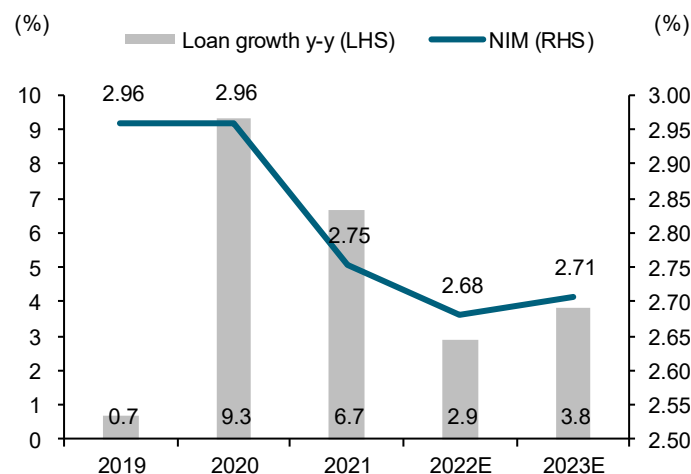
Source: Company data

Exhibit 19: 2022 net profit growth of banking sector



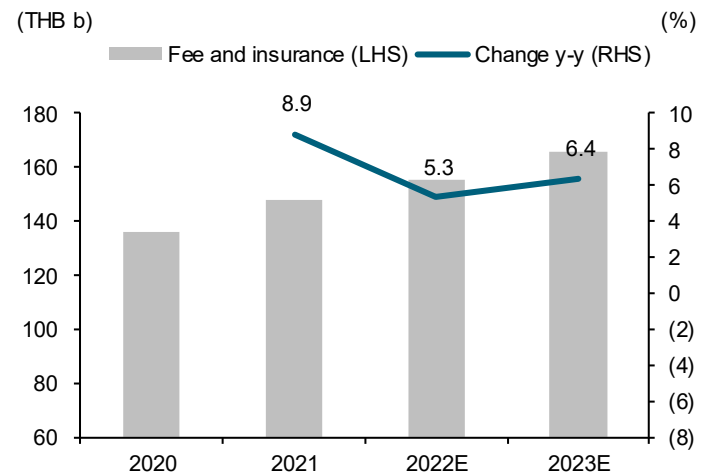
Source: FSSIA estimates

Exhibit 20: The sector's loan growth and NIM



Source: FSSIA estimates

Exhibit 21: The sector's fee income growth



Source: FSSIA estimates

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 reiterate 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.

KKP is our most preferred among small banks. We maintain our BUY call on the back of its strong fee income franchise and solid loan growth.

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.

We maintain our BUY call on KTB as we believe it will utilise its digital users' big data to generate top line growth. 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 22: Peers comparison

Company name	BBG code	Rec	--- Share price ---		Up side (%)	Market Cap (USD m)	EPS growth		---- PE ----		-- Div Yld -		--- ROE ---		--- PBV ---	
			Current	Target			21	22E	21	22E	21	22E	21	22E	21	22E
			(THB)	(THB)			(%)	(%)	(x)	(x)	(%)	(%)	(%)	(%)	(x)	(x)
Bangkok Bank	BBL TB	HOLD	130.00	134.00	3	7,542	25.1	10.3	9.4	8.5	3.1	3.8	5.6	6.0	0.5	0.5
Kasikornbank	KBANK TB	BUY	140.00	180.00	29	10,081	29.0	9.2	8.7	8.0	1.9	3.2	8.3	8.4	0.7	0.6
Kiatnakin Bank	KKP TB	BUY	68.00	74.00	9	1,750	23.3	17.3	9.1	8.5	3.7	5.5	13.0	13.1	1.1	1.1
Krung Thai Bank	KTB TB	BUY	13.70	15.50	13	5,819	29.0	8.7	8.9	8.2	3.4	4.3	6.1	6.4	0.5	0.5
Siam Commercial Bank	SCB TB	BUY	123.50	160.00	30	12,745	30.8	1.9	11.8	11.6	5.4	4.0	8.4	8.0	1.0	0.9
Tisco Financial	TISCO TB	BUY	97.00	110.00	13	2,360	11.8	4.0	11.5	11.0	7.2	8.0	16.8	16.7	1.9	1.8
TMBThanachart	TTB TB	BUY	1.39	1.80	29	4,082	3.3	26.5	12.8	10.1	3.1	4.4	5.0	6.1	0.6	0.6
Coverage						44,379	8.7	8.4	10.3	9.5	3.8	4.2	7.9	8.0	0.8	0.8

Share prices as of 21 Jan 2022

Sources: Company data; FSSIA estimates

Exhibit 23: Thailand banks under coverage – estimates and key ratios

		BBL	KBANK	KKP	KTB	SCB	TISCO	TTB	Coverage
Rating		HOLD	BUY	BUY	BUY	BUY	BUY	BUY	
Target price	(THB)	134.00	180.00	74.00	15.50	160.00	110.00	1.80	
Share price	(THB)	130.00	140.00	68.00	13.70	123.50	97.00	1.39	
Upside/(downside)	(%)	3	29	9	13	30	13	29	
Total mkt cap	(USD m)	7,511	10,040	1,749	5,796	12,693	2,363	3,948	44,100
3-mth avg trading value	(USD m)	44	107	7	16	68	13	20	
Net interest income (THB m)	2020	77,047	109,022	14,679	88,343	96,899	13,098	53,805	452,893
	2021	82,156	119,390	15,701	83,372	95,171	12,460	51,000	459,249
	2022E	85,390	124,346	16,111	88,379	93,558	12,187	51,416	471,387
	2023E	83,817	127,198	16,392	92,637	94,513	12,407	52,056	479,020
Net interest income growth (%)	2020	8.4	6.2	19.2	0.0	(2.5)	2.4	100.3	9.5
	2021	6.6	9.5	7.0	(5.6)	(1.8)	(4.9)	(5.2)	1.4
	2022E	3.9	4.2	2.6	6.0	(1.7)	(2.2)	0.8	2.6
	2023E	(1.8)	2.3	1.7	4.8	1.0	1.8	1.2	1.6
Net fee income (THB m)	2020	24,711	33,004	4,336	20,528	36,586	5,146	11,348	135,660
	2021	29,209	35,316	6,074	20,022	40,198	5,609	11,248	147,676
	2022E	28,752	37,273	6,193	21,708	43,709	5,809	12,041	155,485
	2023E	29,327	39,137	6,255	23,445	47,424	6,527	13,245	165,360
Net fee income growth (%)	2020	(13.3)	(10.2)	(5.8)	(11.7)	23.3	(16.8)	40.1	(1.0)
	2021	18.2	7.0	40.1	(2.5)	9.9	9.0	(0.9)	8.9
	2022E	(1.6)	5.5	2.0	8.4	8.7	3.6	7.0	5.3
	2023E	2.0	5.0	1.0	8.0	8.5	12.4	10.0	6.4
Non-interest income (THB m)	2020	41,682	45,869	6,554	33,905	47,869	5,806	15,541	197,226
	2021	50,162	43,958	8,545	32,414	55,171	6,369	14,537	211,157
	2022E	44,653	48,131	7,817	34,050	53,688	6,684	16,030	211,054
	2023E	45,980	51,549	7,946	36,231	57,903	7,471	17,471	224,550
Non-interest income growth (%)	2020	(33.5)	(20.6)	(4.3)	(9.2)	12.2	(12.6)	19.9	(13.1)
	2021	20.3	(4.2)	30.4	(4.4)	15.3	9.7	(6.5)	7.1
	2022E	(11.0)	9.5	(8.5)	5.0	(2.7)	4.9	10.3	(0.0)
	2023E	3.0	7.1	1.7	6.4	7.8	11.8	9.0	6.4
OPEX (THB m)	2020	61,974	69,997	10,652	53,465	64,330	8,012	32,177	300,607
	2021	67,266	71,044	11,248	52,731	63,547	8,280	31,219	305,334
	2022E	67,621	74,353	11,203	54,285	64,917	8,379	30,509	311,266
	2023E	68,416	75,742	11,100	57,232	66,325	8,520	30,368	317,703
OPEX growth (%)	2020	12.8	(3.8)	4.5	(14.4)	(8.8)	(13.6)	55.6	(0.1)
	2021	8.5	1.5	5.6	(1.4)	(1.2)	3.3	(3.0)	1.6
	2022E	0.5	4.7	(0.4)	2.9	2.2	1.2	(2.3)	1.9
	2023E	1.2	1.9	(0.9)	5.4	2.2	1.7	(0.5)	2.1
Pre-provision profit (THB m)	2020	56,755	84,895	10,581	68,783	80,437	10,892	37,169	349,512
	2021	67,275	92,305	12,998	63,055	86,795	10,549	34,318	367,295
	2022E	62,422	98,125	12,724	68,144	82,330	10,493	36,938	371,176
	2023E	61,381	103,004	13,238	71,637	86,090	11,358	39,158	385,867
Pre-provision profit growth (%)	2020	(28.0)	(3.3)	17.9	8.9	12.4	7.2	94.1	2.9
	2021	18.5	8.7	22.8	(8.3)	7.9	(3.1)	(7.7)	5.1
	2022E	(7.2)	6.3	(2.1)	8.1	(5.1)	(0.5)	7.6	1.1
	2023E	(1.7)	5.0	4.0	5.1	4.6	8.2	6.0	4.0
Net profit (THB m)	2020	17,181	29,487	5,123	16,732	27,218	6,063	10,112	111,916
	2021	26,507	38,053	6,318	21,588	35,599	6,781	10,474	145,320
	2022E	29,229	41,542	6,774	23,458	38,181	7,052	13,217	159,453
	2023E	30,623	45,695	7,713	25,827	42,621	7,693	15,129	175,302
Norm profit (THB m)	2020	21,181	29,487	5,123	16,732	27,218	6,063	10,112	115,916
	2021	26,507	38,053	6,318	21,588	35,599	6,781	10,474	145,320
	2022E	29,229	41,542	6,774	23,458	38,181	7,052	13,217	159,453
	2023E	29,229	41,542	6,774	23,458	38,181	7,052	13,217	159,453
Norm profit growth (%)	2020	(40.9)	(23.9)	(14.4)	(42.9)	(24.5)	(16.6)	40.0	(27.7)
	2021	25.1	29.0	23.3	29.0	30.8	11.8	3.6	25.4
	2022E	10.3	9.2	7.2	8.7	7.3	4.0	26.2	9.7
	2023E	4.8	10.0	13.9	10.1	11.6	9.1	14.5	9.9
Gross loans (THB b)	2020	2,368	2,245	265	2,335	2,255	225	1,393	11,086
	2021	2,588	2,422	308	2,629	2,302	203	1,372	11,824
	2022E	2,598	2,543	311	2,734	2,371	209	1,400	12,167
	2023E	2,676	2,670	327	2,843	2,442	219	1,456	12,634

Sources: Company data; FSSIA's estimates

Exhibit 24: Thailand banks under coverage – key financial data and ratios (cont.)

		BBL	KBANK	KKP	KTB	SCB	TISCO	TTB	Coverage
Rating		HOLD	BUY	BUY	BUY	BUY	BUY	BUY	
Target price	(THB)	134.00	180.00	74.00	15.50	160.00	110.00	1.80	
Loan growth (%)	2020	14.9	12.1	11.7	11.7	6.7	(7.4)	0.1	9.3
	2021	9.3	7.9	16.4	12.6	2.1	(9.7)	(1.5)	6.7
	2022E	0.4	5.0	1.1	4.0	3.0	3.0	2.0	2.9
	2023E	3.0	5.0	5.0	4.0	3.0	5.0	4.0	3.8
Deposit (THB b)	2020	2,811	2,345	252	2,463	2,420	203	1,373	11,868
	2021	3,157	2,599	288	2,615	2,467	167	1,339	12,631
	2022E	3,260	2,774	271	2,738	2,491	177	1,357	13,068
	2023E	3,309	2,857	274	2,792	2,541	180	1,385	13,338
Deposit growth (%)	2020	18.6	13.2	46.1	14.3	12.1	(5.8)	(1.8)	12.6
	2021	12.3	10.8	14.7	6.2	1.9	(18.2)	(2.5)	6.4
	2022E	3.3	6.7	(6.0)	4.7	1.0	6.2	1.4	3.5
	2023E	1.5	3.0	1.0	2.0	2.0	2.0	2.0	2.1
LDR (%)	2020	84.3	95.7	105.3	94.8	93.2	110.5	101.4	93.4
	2021	79.9	93.2	111.8	100.5	93.3	121.9	102.5	93.6
	2022E	79.7	91.7	114.9	99.9	95.2	118.2	103.1	93.1
	2023E	80.9	93.5	119.4	101.8	96.1	121.7	105.1	94.7
Net interest margin - NIM (%)	2020	2.26	3.30	4.81	2.91	3.23	4.56	3.04	3.00
	2021	2.09	3.26	4.57	2.49	3.00	4.79	2.95	2.78
	2022E	2.03	3.16	4.48	2.50	2.90	4.93	2.97	2.72
	2023E	1.95	3.12	4.41	2.55	2.87	4.90	2.94	2.71
Cost to income (%)	2020	52.2	45.2	50.2	43.7	44.4	42.4	46.4	46.2
	2021	50.4	43.5	47.2	45.5	42.3	44.0	47.6	45.4
	2022E	52.0	43.1	46.8	44.3	44.1	44.4	45.2	45.6
	2023E	52.7	42.4	45.6	44.4	43.5	42.9	43.7	45.2
Credit cost (bp)	2020	141	205	163	203	214	142	178	187
	2021	130	173	176	131	184	96	156	155
	2022E	100	160	140	128	148	85	150	134
	2023E	86	155	120	125	138	85	145	127
NPL ratio (%)	2020	4.41	4.50	3.19	4.59	4.50	2.50	2.84	4.22
	2021	4.60	4.30	3.76	4.06	4.74	2.44	3.07	4.05
	2022E	4.55	4.21	3.87	4.22	4.60	2.49	3.31	4.22
	2023E	4.68	4.09	3.98	4.38	4.56	2.49	3.44	4.27
Loan-loss-coverage (%)	2020	181.6	149.2	155.0	147.3	140.8	210.5	131.2	146.9
	2021	182.6	159.1	147.0	147.8	139.4	236.7	129.3	115.4
	2022E	187.8	138.9	156.0	161.0	133.5	221.0	126.2	154.1
	2023E	186.8	139.0	158.8	158.8	127.8	205.6	123.3	152.1
ROE (%)	2020	3.9	7.0	11.3	4.9	6.7	15.4	5.1	5.9
	2021	5.6	8.3	13.0	6.1	8.4	16.8	5.0	7.3
	2022E	6.0	8.4	12.9	6.4	8.4	16.7	6.1	7.5
	2023E	6.2	8.6	13.8	6.7	8.8	17.4	6.7	7.9
Tier 1 (%)	2020	14.9	15.5	14.3	14.8	17.2	17.5	14.4	15.4
	2021	16.9	16.0	14.3	15.6	17.6	18.7	15.8	16.5
	2022E	15.5	16.4	14.1	16.7	17.7	19.3	15.0	16.3
	2023E	15.7	16.8	14.4	16.8	18.2	19.0	15.0	16.6
CAR (%)	2020	18.3	18.8	18.3	18.8	18.2	21.9	19.6	18.7
	2021	21.9	18.5	18.3	19.9	18.7	23.3	19.9	19.8
	2022E	17.8	18.8	17.4	19.9	18.8	23.8	18.7	18.8
	2023E	17.9	19.1	17.6	19.9	19.2	23.2	18.6	18.9
P/E - recurring (x)	2020	11.7	11.2	11.2	11.4	15.4	12.8	13.3	
	2021	9.4	8.7	9.1	8.9	11.8	11.5	12.8	
	2022E	8.5	8.0	8.5	8.2	11.0	11.0	10.1	
	2023E	8.1	7.3	7.5	7.4	9.8	10.1	8.9	
P/BV (x)	2020	0.6	0.8	1.2	0.6	1.0	2.0	0.7	
	2021	0.5	0.7	1.1	0.5	1.0	1.9	0.6	
	2022E	0.5	0.6	1.1	0.5	0.9	1.8	0.6	
	2023E	0.5	0.6	1.0	0.5	0.8	1.7	0.6	
Dividend yield (%)	2020	1.9	1.8	3.3	2.0	1.9	6.5	3.2	
	2021	3.1	1.9	3.7	3.4	5.4	7.2	3.1	
	2022E	3.8	3.2	5.5	4.3	4.0	8.0	4.4	
	2023E	5.4	3.6	6.3	4.7	4.9	8.5	5.1	

Sources: Company data; FSSIA's 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	PG	PHOL	PLANB
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	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 Suwanumphai 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.

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Company	Ticker	Price	Rating	Valuation & Risks
Bangkok Bank	BBL TB	THB 130.00	HOLD	Downside risks to our GGM-based TP are 1) prolonged economic sluggishness and further waves of the Covid-19 pandemic affecting loan growth and asset quality; and 2) the impact of further interest rate cuts on its NIM and potential new regulations from the Bank of Thailand on debt-servicing programs. The upside risk would be better-than-expected synergies with Permata.
Kasikornbank	KBANK TB	THB 140.00	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 68.00	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; and 3) an increase in OPEX due to aggressive digital investment.
Siam Commercial Bank	SCB TB	THB 123.50	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 97.00	BUY	Downside risks to our GGM-based TP are 1) prolonged economic sluggishness and further waves of the Covid-19 pandemic affecting loan growth and asset quality; 2) the impact of new regulations from the Bank of Thailand on debt-servicing programs; and 3) the slow expansion of its high-yield auto cash portfolio.
TMBThanachart Bank	TTB TB	THB 1.39	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 21-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.