

# THANACHART CAPITAL

# TCAP TB

THAILAND / DIVERSIFIED FINANCIALS

# HOLD

UNCHANGED

## Exceptional dividend yield

- Solid 4Q21 NP of THB1.8m (+158% y-y, +33% q-q) on THANI and TTB's strong performance.
- Expect 2% y-y 2022 NP growth; few apparent positive catalysts for TCAP's earnings in the near term.
- Maintain HOLD for dividend; higher TP to THB42 from THB35.

TARGET PRICE	THB42.00
CLOSE	THB40.50
UP/DOWNSIDE	+3.7%
PRIOR TP	THB35.00
CHANGE IN TP	+20.0%
TP vs CONSENSUS	+13.8%

## KEY STOCK DATA

YE Dec (THB m)	2021	2022E	2023E	2024E
Operating profit	5,572	4,922	5,389	5,907
Net profit	5,287	5,401	5,862	6,524
EPS (THB)	5.04	5.23	5.70	6.34
vs Consensus (%)	-	24.3	20.4	-
Core net profit	5,287	5,401	5,862	6,524
Core EPS (THB)	5.04	5.25	5.70	6.34
Chg. In EPS est. (%)	-	19.7	14.2	-
EPS growth (%)	38.7	4.1	8.5	11.3
Core P/E (x)	8.0	7.7	7.1	6.4
Dividend yield (%)	7.4	7.9	8.6	9.4
Price/book (x)	0.7	0.6	0.6	0.5
ROE (%)	8.2	8.0	8.2	8.7
ROA (%)	4.7	4.6	4.8	5.2

## Solid 4Q21 net profit on THANI and TTB's strong performance

TCAP reported a 4Q21 net profit of THB1,769m (+158% y-y, +33% q-q). The solid net profit came mainly from a rise in the earnings of Ratchthani Leasing (THANI TB, BUY, TP THB4.8) – due to lower provisions – and TMBThanachart Bank (TTB TB, BUY, TP THB1.8) – due to lower provisions and stronger fee income. Its gains on debt repayment/assets transferred for debt repayment also increased strongly. On top of that, Thanachart Securities' (TNS) net profit rose thanks to an increase in its securities trading volume and stock market trading conditions. These positives fully compensated for a drop in Thanachart Insurance (TNI)'s net profit, which we think came from a higher volume of insurance claims following the economic reopening. Meanwhile, its new lending business, 'Thanachart Plus', has not contributed a significant profit yet.

## Increasing proportion in TTB and writing off repurchased shares

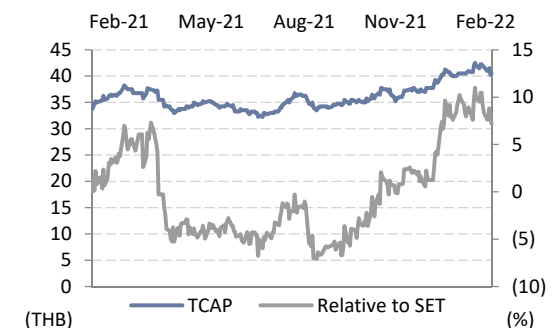
In 4Q21, TCAP increased its investment proportion in TTB to 23.32% from 22.78% in 3Q21. The maximum holding level is 24.9%. We think it will gradually increase its holding position in TTB to nearly 24.9%. We think this a good time for TCAP to accumulate TTB as we think TTB will deliver stronger performance from 2022 onward. TCAP also announced a decrease in its paid-up capital shares by writing off its repurchased shares that were not resold in the amount of 19.467m shares.

## Minimal growth expected in 2022

We revise up our net profit forecasts for 2022-23 by 17%/12% to mainly reflect the stronger-than-expected performance of its two subsidiaries, TNS and TNI, and the higher profit contribution from TTB following the shareholding increase in TTB. We think TCAP's 2022 net profit will rise by just 2% y-y as its new business has not generated outstanding earnings, while most of the existing businesses should rise at a low rate.

## One of the most attractive dividend yields

Even though there are few apparent positive catalysts for TCAP's earnings in the near term, we estimate that TCAP could offer a high dividend yield at 7-8% per year in the next three years. It announced a dividend of THB3 per share, implying a 7.4% yield in 2021. We maintain our HOLD call for its attractive dividend yield. We revise up our 2022 GGM-based TP to THB42 from THB35.



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	0.6	8.0	24.6
Relative to country (%)	(1.8)	6.0	11.0
Mkt cap (USD m)	1,307		
3m avg. daily turnover (USD m)	7.2		
Free float (%)	43		
Major shareholder	Thai NVDR (12%)		
12m high/low (THB)	42.75/31.75		
Issued shares (m)	1,029		

Sources: Bloomberg consensus; FSSIA estimates


**Yuvanart Suwanumphai**

 yuvanart.suw@fssia.com  
 +66 2611 3554

### Investment thesis

In the long run, we believe TCAP could be one of the best diversified financial stocks due to 1) its strong and diversified revenue contributions from its subsidiaries, comprising the leasing business of Ratchthani Leasing (THANI TB, BUY), the securities brokerage business of Thanachart Securities, and the non-life insurance business of Thanachart Insurance, together with profit sharing from commercial banking, given its 23% stake in TMBThanachart Bank (TTB TB, BUY); 2) low leverage; 3) adequate risk management; and 4) satisfactory funding and liquidity.

However, in the short to medium term, we expect its performance to increase slowly until the potential new businesses begin generating substantial returns.

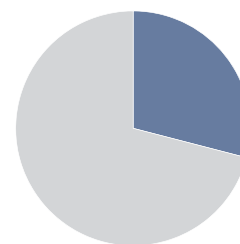
### Company profile

TCAP is the parent company of Thanachart Financial Conglomerate. The companies under Thanachart Financial Conglomerate are classified by their business types in two groups: 1) the financial business group, consisting of commercial banking, asset management, securities, insurance, hire purchase, and leasing; and 2) the supporting business group, consisting of brokerage, services, and training.

[www.thanachart.co.th](http://www.thanachart.co.th)

### Principal activities (revenue, 2021)

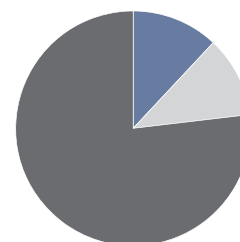
- Net interest income - 29.0 %
- Non-interest income - 71.0 %



Source: Thanachart Capital

### Major shareholders

- Thai NVDR - 12.0 %
- MBK Co. Ltd. - 11.2 %
- Others - 76.9 %



Source: Thanachart Capital

### Catalysts

Potential share price catalysts for TCAP include:

- 1 Faster investment in new businesses;
- 2 Share repurchases;
- 3 A higher dividend payment.

### Risks to our call

Upside risks to our GGM-based target price are the faster-than-expected net profit contributions from Thanachart Plus. Downside risks are impacts from a prolonged weak macro outlook on loan growth and asset quality which could lead to higher provisions for both TTB and THANI.

### Event calendar

Date	Event
4 Mar 2022	Analyst meeting

### Key assumptions

Year to Dec	2022E	2023E	2024E
	(%)	(%)	(%)
Net profit (THB m)	5,401	5,862	6,524
Net profit growth	2.1	8.5	11.3
NIM	1.85	1.92	2.05
Loan growth	8.0	10.0	10.0
Fee growth	7.9	6.0	6.0
Non-NII growth*	8.8	7.9	8.0
Credit cost (bp)	100	80	75
Cost to income*	27.3	26.2	24.9

\* Including share of profits from associates

Source: FSSIA estimates

### Earnings sensitivity

		----- 2022E -----		
		6.00	8.00	10.00
<b>Loan growth</b>	<b>±2ppt</b>			
% change in net profit		(0.4)	0.0	0.4
<b>NIM (%)</b>	<b>±5bp</b>			
% change in net profit		(0.8)	0.0	0.8
<b>Credit cost (bp)</b>	<b>±10bp</b>			
% change in net profit		0.7	0.0	(0.7)

Source: FSSIA estimates

## Solid 4Q21 net profit on THANI and TTB's strong performance

TCAP reported a 4Q21 net profit of THB1,769m (+158% y-y, +33% q-q). The solid net profit came mainly from a rise in the earnings of THANI – due to lower provisions – and TTB – due to lower provisions and stronger fee income. Its gains on debt repayment/assets transferred for debt repayment also increased strongly. On top of that, TNS' net profit rose thanks to an increase in its securities trading volume and stock market trading conditions. These positives fully compensated for a drop in TNI's net profit, which we think came from a higher volume of insurance claims following the economic reopening. Meanwhile, its new lending business, 'Thanachart Plus', has not contributed a significant profit yet.

TCAP's 2021 net profit came in at THB5.3b, dropping 21% y-y, thanks to the absence of a special gain on its investment in Ajinomoto Company (Thailand). Excluding this item, its 2021 normalised profit increased strongly by 39% y-y, driven by 1) a rise in TNS' fee income following a rise in brokerage fees as well as an increase in fees received from unit trust trading and fees received from investment advisory; 2) an increase in TNI's net profit following a lower amount of claims thanks to the lockdown measures; and 3) a rise in its Non-NII due to the reversal of provisions in its asset management business and an increase in gains on debt repayment/assets transferred for debt repayment.

TCAP announced a 2021 cash dividend payment of THB3 per share (1H21 = THB1.2), implying a 7.4% full-year dividend yield. The XD is on 19 Apr-21. TCAP also announced a decrease in its paid-up capital amounting to THB194.67m by writing off its repurchased shares that were not resold in the amount of 19.467 m shares (par value THB10 per share).

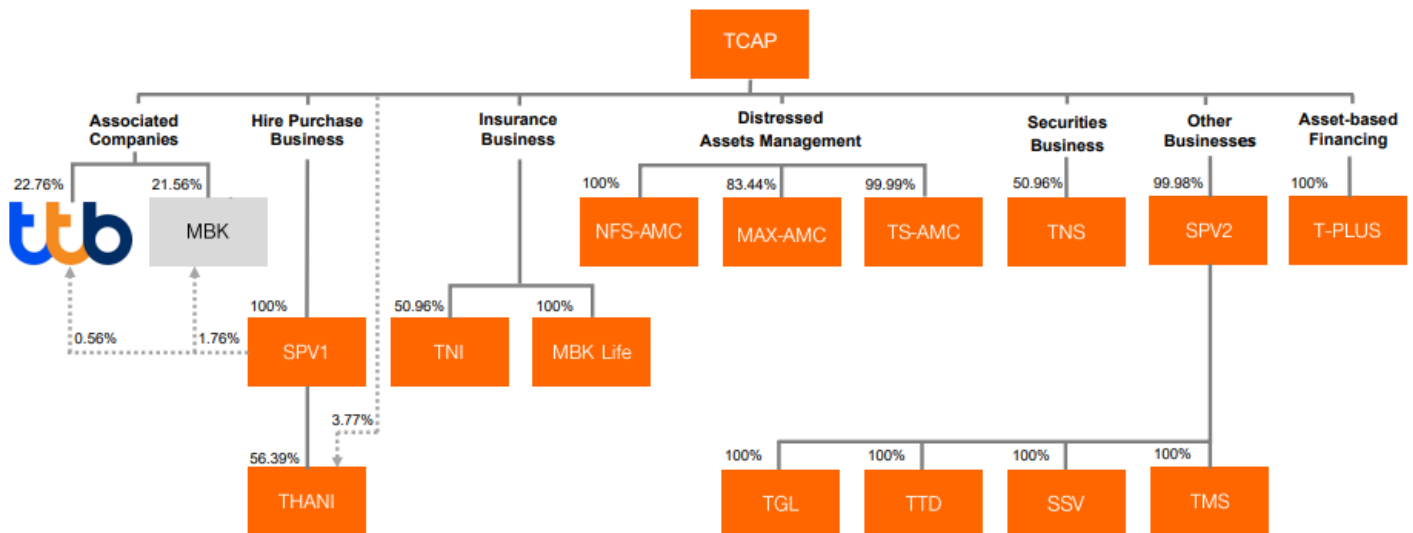
### Exhibit 1: TCAP – 2021/4Q21 results summary

Year-end Dec 31	4Q20	3Q21	4Q21	---- Change ----		2021	Change	4Q21 comments
	(THB m)	(THB m)	(THB m)	(y-y %)	(q-q %)	(THB m)	(y-y %)	
Net interest income	647	730	649	0	(11)	2,671	3	
Non-interest income*	1,435	2,009	2,553	78	27	8,513	30	Stronger profit sharing from TTB and higher gains on debt repayment/assets transferred for debt repayment
<b>Operating income*</b>	<b>2,082</b>	<b>2,739</b>	<b>3,202</b>	<b>54</b>	<b>17</b>	<b>11,184</b>	<b>22</b>	
Operating expenses	771	758	820	6	8	3,143	8	
<b>PPOP before tax*</b>	<b>1,311</b>	<b>1,981</b>	<b>2,382</b>	<b>82</b>	<b>20</b>	<b>8,041</b>	<b>29</b>	
Provision	218	164	83	(62)	(50)	483	(19)	
Income tax	133	130	223	68	72	836	25	
Minority interest	275	354	308	12	(13)	1,435	22	
Normalised profit	685	1,333	1,769	158	33	5,287	39	
Extraordinary items	0	0	0			0	(100)	
<b>Net profit</b>	<b>685</b>	<b>1,333</b>	<b>1,769</b>	<b>158</b>	<b>33</b>	<b>5,287</b>	<b>(21)</b>	
EPS (THB)	0.65	1.27	1.69	158	33	5.04	(21)	
<b>Profitability ratio</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(ppt)</b>	<b>(ppt)</b>	<b>(%)</b>	<b>(ppt)</b>	
Cost to income ratio*	37.0	27.7	25.6	(11.4)	(2.1)	28.1	(3.6)	
Average yield (%)	3.0	3.2	2.9	(0.1)	(0.3)	3.0	0.1	
Cost of fund (%)	3.1	2.8	2.7	(0.4)	(0.1)	2.2	(0.5)	
Net interest margin (NIM)	1.9	2.2	1.9	0.0	(0.2)	2.0	0.2	
Non-interest income / total income	68.9	73.3	79.7	10.8	6.4	76.1	4.4	
<b>Loan growth</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>			<b>(%)</b>	<b>(ppt)</b>	
y-y	(6.6)	5.5	9.9			5.2	11.8	
q-q	(1.5)	1.1	2.5					

\*Including share of profits from associates

Sources: TCAP; FSSIA's compilation

Exhibit 2: Thanachart Group’s shareholding structure as of 31 Dec 2021



Remark : TCAP = Thanachart Capital PCL., ttb = TMBThanachart Bank PCL., MBK = MBK PCL., SPV 1 = Thanachart Special Purpose Vehicle 1 Co., Ltd., THANI = Ratchthani Leasing PCL., TNI = Thanachart Insurance PCL., MBK Life = MBK Life Assurance PCL., NFS-AMC = NFS Asset Management Co., Ltd., MAX-AMC = MAX Asset management Co., Ltd., TS-AMC = TS Asset management Co., Ltd., TNS = Thanachart Securities PCL., SPV2 = Thanachart Special Purpose Vehicle 2 Co., Ltd., TGL = Thanachart Group leasing Co., Ltd., TTD = Thanachart Training & Development Co., Ltd., SSV = Security Scib Services Co., Ltd., TMS = Thanachart Management and Service Co., Ltd., T-PLUS = Thanachart Plus Co., Ltd.

Source: TCAP

Exhibit 3: Operating results of subsidiaries

Subsidiaries	% holding			4Q20 (THB m)	3Q21 (THB m)	4Q21 (THB m)	y-y (%)	q-q (%)
	2Q21 (%)	3Q21 (%)	4Q21 (%)					
Thanachart Securities Public Company Limited	50.96	50.96	50.96	173	141	161	(7)	14
Thanachart Insurance Public Company Limited	50.96	50.96	50.96	95	278	98	3	(65)
Ratchthani Leasing Public Company Limited	59.79	59.79	60.16	480	401	454	(5)	13
TS AMC Company Limited	99.99	99.99	99.99	(5)	(5)	13	n.a.	n.a.
NFS AMC Company Limited	100	100	100	(4)	4	(2)	n.a.	n.a.
MAX AMC Company Limited	83.44	83.44	83.44	2	49	-	n.a.	n.a.
MBK Life Assurance Public Company Limited	51	100	100	(60)	12	26	n.a.	n.a.
<b>Total</b>				<b>681</b>	<b>880</b>	<b>750</b>	<b>10</b>	<b>(15)</b>

Sources: TCAP; FSSIA's compilation

## Net profit and TP revisions

We revise up our net profit forecasts for 2022-23 by 17%/12% to reflect 1) the lower provisions expected following THANI's healthier asset quality; and 2) our higher Non-NII assumptions. We raise our 2022-23 Non-NII assumptions by 20%/20% due to the higher-than-expected share of profits from TTB due to the shareholding increase in TTB and the stronger-than-expected performance of its two subsidiaries, TNS and TNI. Note that its EPS will increase at a higher rate thanks to the writing off of its repurchased shares in 2022.

### Exhibit 4: Key changes in assumptions

	2021 (THB m)	-----2022E-----			-----2023E-----			2024E (THB m)
		Old (THB m)	New (THB m)	Change (%)	Old (THB m)	New (THB m)	Change (%)	
Net interest income	2,671	3,050	2,536	(16.85)	3,745	2,765	(26.17)	3,114
Non-interest income*	8,513	7,747	9,265	19.60	8,325	9,995	20.05	10,793
<b>Operating income*</b>	<b>11,184</b>	<b>10,797</b>	<b>11,802</b>	<b>9.30</b>	<b>12,071</b>	<b>12,760</b>	<b>5.71</b>	<b>13,906</b>
Operating expenses	3,143	3,084	3,223	4.52	3,166	3,342	5.56	3,465
<b>PPOP before tax*</b>	<b>8,041</b>	<b>7,714</b>	<b>8,579</b>	<b>11.22</b>	<b>8,905</b>	<b>9,418</b>	<b>5.76</b>	<b>10,441</b>
Expected credit loss (Reversal)	483	599	574	(4.09)	735	501	(31.81)	517
Tax expenses	836	1,352	1,237	(8.52)	1,558	1,516	(2.70)	1,687
Minority interest	1,435	1,164	1,367	17.43	1,382	1,539	11.43	1,713
<b>Normalised profit</b>	<b>5,287</b>	<b>4,599</b>	<b>5,401</b>	<b>17.43</b>	<b>5,231</b>	<b>5,862</b>	<b>12.07</b>	<b>6,524</b>
Extraordinary items	-	-	-	-	-	-	-	-
<b>Net profit</b>	<b>5,287</b>	<b>4,599</b>	<b>5,401</b>	<b>17.43</b>	<b>5,231</b>	<b>5,862</b>	<b>12.07</b>	<b>6,524</b>
EPS (THB)	5.04	4.38	5.25	19.69	5.00	5.70	14.22	6.34
<b>Key statistics and ratios</b>								
<b>Profitability ratio</b>								
Cost to income ratio*	28.10	28.56	27.31		26.23	26.19		24.92
Average yield	3.02	3.14	3.15		3.52	3.21		3.30
Cost of funds	2.20	2.76	2.71		2.68	2.76		2.74
Net interest margin (NIM)	2.01	2.04	1.85		2.45	1.92		2.05
<b>Loan growth</b>								
y-y	5.2	15.0	8.0		20.0	10.0		10.0

\*Including share of profits from associates

Sources: TCAP; FSSIA estimates

We increase our GGM-based TP to THB42 from THB35, as we: 1) increase our EPS forecast, leading to a higher book value; and 2) revise up our target 2022E P/BV from 0.55x to 0.62x, as a result of our higher average long-term ROE target of 8.3% from 7.7%.

### Exhibit 5: GGM-derived target price

Target price	THB 42 (from THB 35)
Recommendation	HOLD (unchanged)
Risk-free rate (%)	3.0 (unchanged)
Market risk premium (%)	8.0 (unchanged)
Cost to equity (%)	11.2 (unchanged)
Terminal growth (%)	3.6 (3.5)
ROE target (%)	8.3 (from 7.7)
Risk to TP	Upside risks to our GGM-based target price are the faster-than-expected net profit contribution from Thanachart Plus. Downside risks are impacts from a prolonged weak macro outlook on loan growth and asset quality which could lead to higher provisions for both TTB and THANI.

Source: FSSIA estimates

## Financial Statements

### Thanachart Capital

Profit and Loss (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Interest Income	4,213	4,027	4,307	4,624	5,015
Interest expense	(1,620)	(1,355)	(1,771)	(1,858)	(1,901)
Net interest income	2,593	2,671	2,536	2,765	3,114
Net fees & commission	1,249	1,454	1,569	1,663	1,763
Foreign exchange trading income	0	0	0	0	0
Securities trading income	13	(3)	(3)	(4)	(4)
Dividend income	308	145	153	160	176
Other income	2,849	4,930	4,465	4,647	4,840
Non interest income	4,419	6,527	6,183	6,467	6,775
Total income	7,012	9,198	8,719	9,232	9,889
Staff costs	(1,887)	(2,052)	(2,093)	(2,156)	(2,235)
Other operating costs	(1,023)	(1,091)	(1,130)	(1,186)	(1,230)
Operating costs	(2,910)	(3,143)	(3,223)	(3,342)	(3,465)
Pre provision operating profit	4,102	6,055	5,496	5,890	6,424
Provision for bad and doubtful debt	(595)	(483)	(574)	(501)	(517)
Other provisions	-	-	-	-	-
Operating profit	3,506	5,572	4,922	5,389	5,907
Recurring non operating income	2,154	1,986	3,082	3,528	4,017
Associates	2,154	1,986	3,082	3,528	4,017
Goodwill amortization	-	-	-	-	-
Non recurring items	2,855	0	0	0	0
Profit before tax	8,516	7,558	8,004	8,917	9,924
Tax	(667)	(836)	(1,237)	(1,516)	(1,687)
Profit after tax	7,849	6,722	6,768	7,401	8,237
Minority interests	(1,179)	(1,435)	(1,367)	(1,539)	(1,713)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	6,669	5,287	5,401	5,862	6,524
Non recurring items & goodwill (net)	-	-	0	0	0
Recurring net profit	3,814	5,287	5,401	5,862	6,524
<b>Per share (THB)</b>					
Recurring EPS *	3.64	5.04	5.25	5.70	6.34
Reported EPS	6.36	5.04	5.23	5.70	6.34
DPS	3.00	3.00	3.20	3.50	3.80
<b>Growth</b>					
Net interest income (%)	(5.4)	3.0	(5.0)	9.0	12.6
Non interest income (%)	0.9	47.7	(5.3)	4.6	4.8
Pre provision operating profit (%)	0.5	47.6	(9.2)	7.2	9.1
Operating profit (%)	(20.3)	58.9	(11.7)	9.5	9.6
Reported net profit (%)	(38.3)	(20.7)	2.1	8.5	11.3
Recurring EPS (%)	(46.7)	38.7	4.1	8.5	11.3
Reported EPS (%)	(32.6)	(20.7)	3.8	8.9	11.3
<b>Income Breakdown</b>					
Net interest income (%)	37.0	29.0	29.1	30.0	31.5
Net fees & commission (%)	17.8	15.8	18.0	18.0	17.8
Foreign exchange trading income (%)	-	-	-	-	-
Securities trading income (%)	0.2	0.0	0.0	0.0	0.0
Dividend income (%)	4.4	1.6	1.8	1.7	1.8
Other income (%)	40.6	53.6	51.2	50.3	48.9
<b>Operating performance</b>					
Gross interest yield (%)	2.97	3.02	3.15	3.21	3.30
Cost of funds (%)	2.72	2.20	2.71	2.76	2.74
Net interest spread (%)	0.25	0.82	0.44	0.45	0.56
Net interest margin (%)	1.8	2.0	1.9	1.9	2.0
Cost/income(%)	41.5	34.2	37.0	36.2	35.0
Cost/assets(%)	1.9	2.2	2.2	2.2	2.2
Effective tax rate (%)	7.8	11.1	15.5	17.0	17.0
Dividend payout on recurring profit (%)	82.5	59.5	61.0	61.4	59.9
ROE (%)	5.9	8.2	8.0	8.2	8.7
ROE - COE (%)	(4.9)	(2.6)	(2.8)	(2.6)	(2.1)
ROA (%)	3.3	4.7	4.6	4.8	5.2
RORWA (%)	-	-	-	-	-

\* Pre-exceptional, pre-goodwill and fully diluted

Sources: Thanachart Capital; FSSIA estimates

## Financial Statements

### Thanachart Capital

Balance Sheet (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Gross customer loans	52,509	55,221	59,638	65,602	72,162
Total provisions	(2,342)	0	(574)	(1,075)	(1,592)
interest in suspense	84	0	0	0	0
<b>Net customer loans</b>	<b>50,251</b>	<b>55,221</b>	<b>59,064</b>	<b>64,527</b>	<b>70,570</b>
Bank loans	7,812	8,947	9,077	17,444	27,170
Government securities	-	-	-	-	-
Trading securities	-	-	-	-	-
Investment securities	73,014	68,860	71,975	64,397	57,252
Cash & equivalents	2	4	408	621	979
Other interesting assets	-	-	-	-	-
Tangible fixed assets	3,732	4,435	4,450	4,466	4,481
Associates	-	-	-	-	-
Goodwill	-	-	-	-	-
Other intangible assets	-	-	-	-	-
Other assets	5,946	5,268	4,484	4,684	4,868
<b>Total assets</b>	<b>140,756</b>	<b>142,735</b>	<b>149,457</b>	<b>156,139</b>	<b>165,320</b>
Customer deposits	0	0	0	0	0
Bank deposits	-	-	-	-	-
Other interest bearing liabilities	58,763	64,405	66,337	68,327	70,524
Non interest bearing liabilities	9,224	4,188	4,314	4,443	4,577
Hybrid Capital	-	-	-	-	-
<b>Total liabilities</b>	<b>67,987</b>	<b>68,594</b>	<b>70,651</b>	<b>72,771</b>	<b>75,100</b>
Share capital	11,651	11,651	11,651	11,651	11,651
Reserves	51,659	53,463	57,559	61,567	64,893
<b>Total equity</b>	<b>63,311</b>	<b>65,114</b>	<b>69,211</b>	<b>73,218</b>	<b>76,545</b>
Minority interests	9,458	9,027	9,595	10,150	10,611
<b>Total liabilities &amp; equity</b>	<b>140,756</b>	<b>142,735</b>	<b>149,457</b>	<b>156,140</b>	<b>162,256</b>
<b>Supplementary items</b>					
Risk weighted assets (RWA)	0	0	0	0	0
Average interest earning assets	141,988	133,181	136,859	144,066	152,014
Average interest bearing liabilities	59,602	61,584	65,371	67,332	69,426
Tier 1 capital	0	0	0	0	0
Total capital	0	0	0	0	0
Gross non performing loans (NPL)	3,028	3,750	3,101	3,411	3,752
<b>Per share (THB)</b>					
Book value per share	60.36	62.10	67.25	71.15	74.38
Tangible book value per share	60.36	62.10	67.25	71.15	74.38
<b>Growth</b>					
Gross customer loans	(6.7)	5.2	8.0	10.0	10.0
Average interest earning assets	(75.9)	(6.2)	2.8	5.3	5.5
Total asset (%)	(12.5)	1.4	4.7	4.5	5.9
Risk weighted assets (%)	nm	nm	nm	nm	nm
Customer deposits (%)	nm	nm	nm	nm	nm
<b>Leverage &amp; capital measures</b>					
Customer loan/deposits (%)	-	-	-	-	-
Equity/assets (%)	45.0	45.6	46.3	46.9	46.3
Tangible equity/assets (%)	45.0	45.6	46.3	46.9	46.3
RWA/assets (%)	-	-	-	-	-
Tier 1 CAR (%)	-	-	-	-	-
Total CAR (%)	-	-	-	-	-
<b>Asset Quality</b>					
Change in NPL (%)	(23.1)	23.8	(17.3)	10.0	10.0
NPL/gross loans (%)	5.8	6.8	5.2	5.2	5.2
Total provisions/gross loans (%)	4.5	-	1.0	1.5	2.2
Total provisions/NPL (%)	77.3	-	18.5	31.5	42.4
<b>Valuation</b>					
Recurring P/E (x) *	11.1	8.0	7.7	7.1	6.4
Recurring P/E @ target price (x) *	11.6	8.3	8.0	7.4	6.6
Reported P/E (x)	6.4	8.0	7.7	7.1	6.4
Dividend yield (%)	7.4	7.4	7.9	8.6	9.4
Price/book (x)	0.7	0.7	0.6	0.6	0.5
Price/tangible book (x)	0.7	0.7	0.6	0.6	0.5
Price/tangible book @ target price (x)	0.7	0.7	0.6	0.6	0.6

\* Pre-exceptional, pre-goodwill and fully diluted

Sources: Thanachart Capital; FSSIA estimates

## Corporate Governance report of Thai listed companies 2020

EXCELLENT LEVEL										
AAV	ADVANC	AF	AIRA	AKP	AKR	ALT	AMA	AMATA	AMATAV	ANAN
AOT	AP	ARIP	ARROW	ASP	BAFS	BANPU	BAY	BCP	BCPG	BDMS
BEC	BEM	BGRIM	BIZ	BKI	BLA	BOL	BPP	BRR	BTS	BWG
CENTEL	CFRESH	CHEWA	CHO	CIMBT	CK	CKP	CM	CNT	COL	COMAN
COTTO	CPALL	CPF	CPI	CPN	CSS	DELTA	DEMCO	DRT	DTAC	DTC
DV8	EA	EASTW	ECF	ECL	EGCO	EPG	ETE	FNS	FPI	FPT
FSMART	GBX	GC	GCAP	GEL	GFPT	GGC	GPSC	GRAMMY	GUNKUL	HANA
HARN	HMPRO	ICC	ICI	III	ILINK	INTUCH	IRPC	IVL	JKN	JSP
JWD	K	KBANK	KCE	KKP	KSL	KTB	KTC	LANNA	LH	LHFG
LIT	LPN	MAKRO	MALEE	MBK	MBKET	MC	MCOT	METCO	MFEC	MINT
MONO	MOONG	MSC	MTC	NCH	NCL	NEP	NKI	NOBLE	NSI	NVD
NYT	OISHI	ORI	OTO	PAP	PCSGH	PDJ	PG	PHOL	PLANB	PLANET
PLAT	PORT	PPS	PR9	PREB	PRG	PRM	PSH	PSL	PTG	PTT
PTTEP	PTTGC	PYLON	Q-CON	QH	QTC	RATCH	RS	S	S & J	SAAM
SABINA	SAMART	SAMTEL	SAT	SC	SCB	SCC	SCCC	SCG	SCN	SDC
SEAFCO	SEOIL	SE-ED	SELIC	SENA	SIRI	SIS	SITHAI	SMK	SMPC	SNC
SONIC	SORKON	SPALI	SPI	SPRC	SPVI	SSSC	SST	STA	SUSCO	SUTHA
SVI	SYMC	SYNTEC	TACC	TASCO	TCAP	TFMAMA	THANA	THANI	THCOM	THG
THIP	THRE	THREL	TIP	TIPCO	TISCO	TK	TKT	TTB	TMILL	TNDT
TNL	TOA	TOP	TPBI	TQM	TRC	TRC	TSC	TSR	TSTE	TSTH
TTCL	TTW	TU	TVD	TVI	TVO	TWPC	U	UAC	UBIS	UV
VGI	VIH	WACOAL	WAVE	WHA	WHAUP	WICE	WINNER	TRUE		

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

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

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

**Disclaimer:**

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

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

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

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



## Anti-corruption Progress Indicator 2020

CERTIFIED										
2S	ADVANC	AI	AIE	AIRA	AKP	AMA	AMANAHA	AP	AQUA	ARROW
ASK	ASP	AYUD	B	BAFS	BANPU	BAY	BBL	BCH	BCP	BCPG
BGC	BGRIM	BJCHI	BKI	BLA	BPP	BROOK	BRR	BSBM	BTS	BWG
CEN	CENTEL	CFRESH	CGH	CHEWA	CHOTI	CHOW	CIG	CIMBT	CM	CMC
COL	COM7	CPALL	CPF	CPI	CPN	CSC	DCC	DELTA	DEMCO	DIMET
DRT	DTAC	DTC	EASTW	ECL	EGCO	FE	FNS	FPI	FPT	FSS
FTE	GBX	GC	GCAP	GEL	GFPT	GGC	GJS	GPSC	GSTEEL	GUNKUL
HANA	HARN	HMPRO	HTC	ICC	ICHI	IFS	INET	INSURE	INTUCH	IRPC
ITEL	IVL	K	KASET	KBANK	KBS	KCAR	KCE	KGI	KKP	KSL
KTB	KTC	KWC	L&E	LANNA	LHFG	LHK	LPN	LRH	M	MAKRO
MALEE	MBAX	MBK	MBKET	MC	MCOT	MFC	MFEC	MINT	MONO	MOONG
MPG	MSC	MTC	MTI	NBC	NEP	NINE	NKI	NMG	NNCL	NSI
NWR	OCC	OCEAN	OGC	ORI	PAP	PATO	PB	PCSGH	PDG	PDI
PDJ	PE	PG	PHOL	PL	PLANB	PLANET	PLAT	PM	PPP	PPPM
PPS	PREB	PRG	PRINC	PRM	PSH	PSL	PSTC	PT	PTG	PTT
PTTEP	PTTGC	PYLON	Q-CON	QH	QLT	QTC	RATCH	RML	RWI	S & J
SABINA	SAT	SC	SCB	SCC	SCCC	SCG	SCN	SEAOIL	SE-ED	SELIC
SENA	SGP	SIRI	SITHAI	SMIT	SMK	SMPC	SNC	SNP	SORKON	SPACK
SPC	SPI	SPRC	SRICHA	SSF	SSSC	SST	STA	SUSCO	SVI	SYNTEC
TAE	TAKUNI	TASCO	TBSP	TCAP	TCMC	TFG	TFI	TFMAMA	THANI	THCOM
THIP	THRE	THREL	TIP	TIPCO	TISCO	TKT	TTB	TMD	TMILL	TMT
TNITY	TNL	TNP	TNR	TOG	TOP	TPA	TPCORP	TPP	TRU	TSC
TSTH	TTCL	TU	TVD	TVI	TVO	TWPC	U	UBIS	UEC	UKEM
UOBKH	UWC	VGI	VIH	VNT	WACOAL	WHA	WHAUP	WICE	WIJK	XO
ZEN	TRUE									
DECLARED										
7UP	ABICO	AF	ALT	AMARIN	AMATA	AMATAV	ANAN	APURE	B52	BKD
BM	BROCK	BUI	CHO	CI	COTTO	DDD	EA	EFORL	EP	ERW
ESTAR	ETE	EVER	FSMART	GPI	ILINK	IRC	J	JKN	JMART	JMT
JSP	JTS	KWG	LDC	MAJOR	META	NCL	NOBLE	NOK	PK	PLE
ROJNA	SAAM	SAPPE	SCI	SE	SHANG	SINGER	SKR	SPALI	SSP	STANLY
SUPER	SYNEX	THAI	TKS	TOPP	TRITN	TTA	UPF	UV	WIN	ZIGA

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

### Disclaimer:

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

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

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

**GENERAL DISCLAIMER**

**ANALYST(S) CERTIFICATION**

Yuvanart Suwanumphai FSS International Investment Advisory Securities Co., Ltd

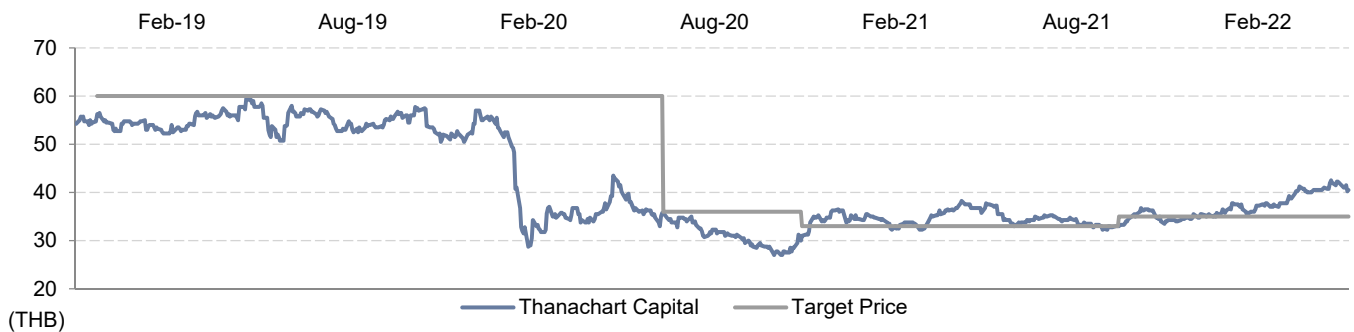
The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s) was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed herein.

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**History of change in investment rating and/or target price**

**Thanachart Capital (TCAP TB)**



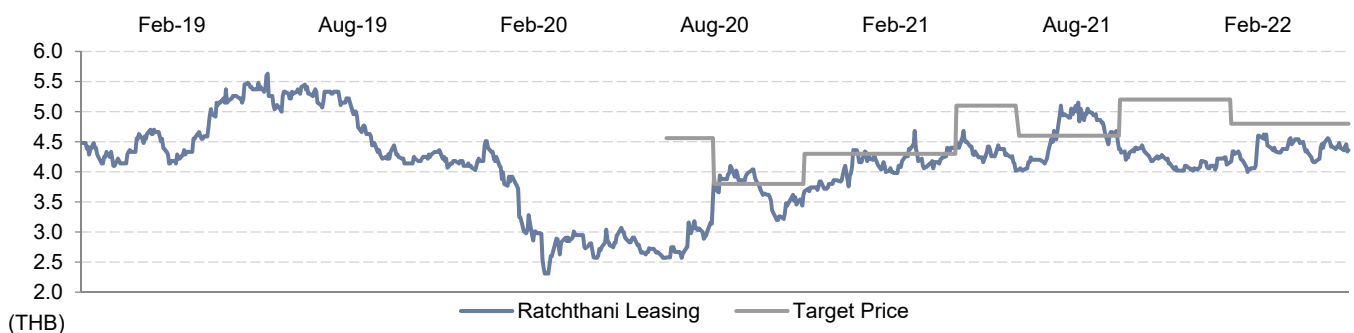
Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
19-Mar-2019	HOLD	60.00	12-Nov-2020	HOLD	33.00	-	-	-
16-Jul-2020	HOLD	36.00	11-Aug-2021	HOLD	35.00			

Yuvanart Suwanumphai started covering this stock from 16-Jul-2020

Price and TP are in local currency

Source: FSSIA estimates

**Ratchthani Leasing (THANI TB)**



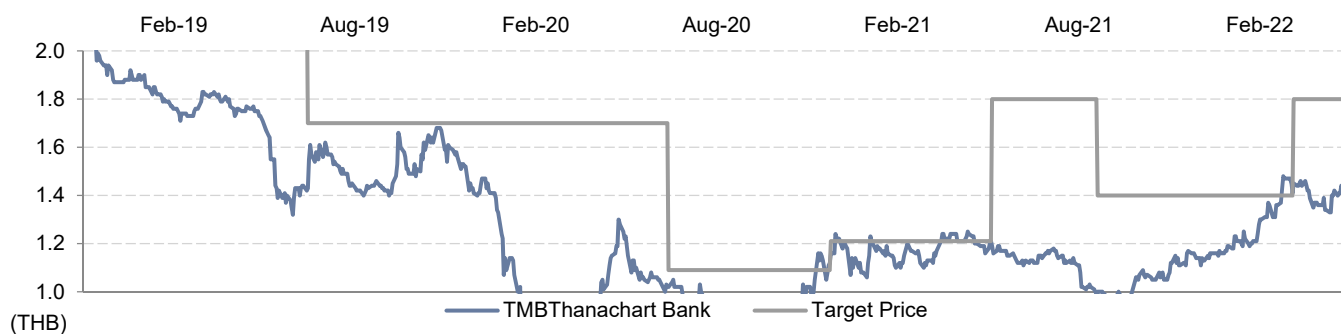
Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
16-Jul-2020	BUY	4.56	23-Mar-2021	BUY	5.10	15-Nov-2021	BUY	4.80
26-Aug-2020	BUY	3.80	14-May-2021	BUY	4.60			
12-Nov-2020	BUY	4.30	11-Aug-2021	BUY	5.20			

Yuvanart Suwanumphai started covering this stock from 16-Jul-2020

Price and TP are in local currency

Source: FSSIA estimates

**TMBThanachart Bank (TTB TB)**



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
22-Apr-2019	HOLD	2.28	03-Dec-2020	HOLD	1.21	06-Jan-2022	BUY	1.80
10-Sep-2019	HOLD	1.70	21-Apr-2021	BUY	1.80			
16-Jul-2020	HOLD	1.09	21-Jul-2021	BUY	1.40			

Yuvanart Suwanumphai started covering this stock from 16-Jul-2020

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Thanachart Capital	TCAP TB	THB 40.50	HOLD	Upside risks to our GGM-based target price are the faster-than-expected net profit contributions from Thanachart Plus. Downside risks are impacts from a prolonged weak macro outlook on loan growth and asset quality which could lead to higher provisions for both TTB and THANI.
Ratchthani Leasing	THANI TB	THB 4.36	BUY	Downside risks to our GGM-derived TP include 1) an economic slowdown, especially for logistics activities and private investment; 2) deteriorating asset quality; and 3) changes in financial regulations from the Bank of Thailand.
TMBThanachart Bank	TTB TB	THB 1.37	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 25-Feb-2022 unless otherwise stated.

**RECOMMENDATION STRUCTURE**

**Stock ratings**

Stock ratings are based on absolute upside or downside, which we define as (target price\* - current price) / current price.

BUY (B). The upside is 10% or more.

HOLD (H). The upside or downside is less than 10%.

REDUCE (R). The downside is 10% or more.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause a temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.

\* In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

## Industry Recommendations

**Overweight.** The analyst expects the fundamental conditions of the sector to be positive over the next 12 months.

**Neutral.** The analyst expects the fundamental conditions of the sector to be maintained over the next 12 months.

**Underweight.** The analyst expects the fundamental conditions of the sector to be negative over the next 12 months.

## Country (Strategy) Recommendations

**Overweight (O).** Over the next 12 months, the analyst expects the market to score positively on two or more of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

**Neutral (N).** Over the next 12 months, the analyst expects the market to score positively on one of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

**Underweight (U).** Over the next 12 months, the analyst does not expect the market to score positively on any of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.