Thailand Bank Sector

Better COVID-relief measures

Sector Valuation Company	BBG Code	Rec.	Current price (Bt)	Target price (Bt)	Norm EPS grw 2021F (%)	Norm EPS grw 2022F (%)	Norm PE 2021F (x)	Norm PE 2022F (x)	P/BV 2021F (x)	P/BV 2022F (x)	Div yield 2021F (%)	Div yield 2022F (%)
Bank of Ayudhya	BAY TB	HOLD	33.75	34.00	3.4	3.5	10.4	10.1	0.8	0.7	2.6	2.5
Bangkok Bank	BBL TB	HOLD	118.50	130.00	41.4	12.4	9.3	8.3	0.5	0.5	3.0	3.4
KASIKORNBANK	KBANK TB	BUY	135.00	160.00	18.7	10.6	9.2	8.3	0.7	0.6	2.2	2.4
Kiatnakin Bank	KKP TB	BUY	55.25	70.00	7.1	15.3	8.5	7.4	0.9	0.9	4.3	5.0
Krung Thai Bank	KTB TB	BUY	11.40	15.00	34.9	26.0	7.1	5.6	0.4	0.4	3.3	4.1
Siam Com. Bank	SCB TB	BUY	128.00	150.00	13.0	11.8	14.1	12.6	1.0	0.9	2.1	2.4
Tisco Fin. Group	TISCO TB	BUY	93.00	110.00	8.2	6.5	11.3	10.6	1.8	1.7	6.2	6.6
TMBThanachart	TTB TB	HOLD	1.15	1.10	(8.0)	15.5	11.9	10.3	0.5	0.5	3.9	4.2

Source: Thanachart estimates, note: based on 27 September 2021 closing prices

The Thai bank sector is entering the second stage of COVID-relief help, which should result in better balance-sheet management than during the first stage of forbearance loan measures. We lift our earnings by an average of 16% in 2021-23F and stay OVERWEIGHT.

Second phase of NPL resolution

The Bank of Thailand's (BoT) COVID-relief measures in the first stage were to allow banks to have forbearance loans to reduce debt-payment burdens for COVID-hit clients. Some NPLs whose booking was delayed could become NPLs when the relief period ended anyway. The BoT recently devised a second-stage relief measure of allowing multi-year debt restructuring and this should help banks to manage NPLs and provisioning better. This, together with a shorter-than-expected lockdown period and lower FIDF fees, leads us to lift our earnings estimates by 14%, 24% and 11% in 2021-23F. We maintain our Overweight stance on the sector given the pent-up loan demand outlook and falling provisions that we expect to support double-digit earnings growth in 2021-23F.

Smooth transition

As fears of a post-forbearance NPL jump and further provisioning requirements have eased with the BoT's relaxed COVID-relief measures, we think sector credit costs passed their peak of 1.8% in 2020. Though debt restructuring will hurt NIM, benefits from falling provisions should outweigh this. Setting aside provisions, we expect banks' core operations to bottom in 3Q21F, before turning around from 4Q21F when we project 2021-23F pre-provisioning profit growth of 2%, 5% and 3%. Including provisioning, we forecast earnings growth of 17%,13% and 9% y-y.

What lies beyond 2023F?

We expect sector earnings to normalize via COVID-relief measures from 2024F. By then, banks are still likely to have low NIM and weak loan growth. The fee income outlook is also not bright under the regulator's watch and with the growing impact of no intermediaries. Key drivers will be loan mixes geared toward high-yield retail lending, the ability to cross sell discretionary fee products, and very effective cost management.

Overweight with SCB and KBANK our new top picks

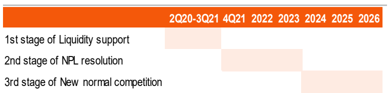
We expect the sector's underperformance to reverse on a better macro outlook, solid earnings and an ROE recovery. We like SCB's reorganization move as it would unlock both its growth and value traps. Please refer to the "X factors" report published along with this sector note. We add KBANK to our top picks for its inexpensive valuation and potential reorganization benefits led by its tech subsidiary, KBTG.

SARACHADA SORNSONG

662 – 779 9106

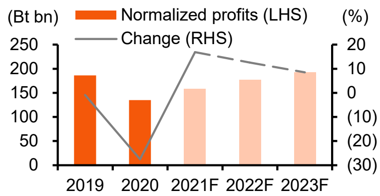
sarachada.sor@thanachartsec.co.th

Covid-19 Battle Journey



Source: Thanachart

Clear Earnings Recovery



Sources: Company data; Thanachart estimates

Change In Ratings And TPs

	TP (Bt/share) New	TP (Bt/share) Old	Rating New	Rating Old
BAY	34.00	34.00	HOLD	BUY
BBL	130.00	116.00	HOLD	HOLD
KBANK	160.00	150.00	BUY	BUY
KKP	70.00	69.00	BUY	BUY
KTB	15.00	13.00	BUY	BUY
SCB	150.00	120.00	BUY	BUY
TISCO	110.00	107.00	BUY	BUY
TTB	1.10	1.12	HOLD	HOLD

Source: Thanachart

Second phase of NPL resolution

In the midst of a COVID-19 battle journey

The COVID-19 pandemic is a chronic crisis that has severely derailed the tourism-related industry, the economy, banking operations and asset quality. We expect it to take two to three years for the economy to recover to the pre-COVID level. As discussed in our earlier sector report, *A long journey*, published on 27 April 2020, we don't see the sector's virus battle as being short-lived. It has lingered for almost two years and the sector has just passed the first phase of liquidity support while it is entering the second phase of NPL resolution.

To recap, we have divided the banking sector's battle against COVID-19 into three phases as follows:

First phase of liquidity support through various financial assistance measures from April 2020 to September 2021.

Second phase of NPL resolution starting from September this year to end 2023. This is supposed to be the period when the banks' focus is to pre-empt NPLs in more sustainable ways. The intention for this to be carried out is via undergoing deep restructuring plans with regulatory support from the Bank of Thailand (BoT).

Third phase is competition in the 'new normal' from 2024 when all COVID-relief measures are due to be lifted. We will discuss this in detail in section 3 of this report.

Ex 1: Entering The Second Phase Of NPL Resolution

	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	2022	2023	2024	2025	2026
1st stage of liquidity support												
2nd stage of NPL resolution												
3rd stage of 'new normal' competition												

Source: Thanachart estimates

First phase of liquidity support

Loans under relief plans were at 11% of the total in 2Q21 from 33% in 2Q20

The Thai government has been trying very hard to contain the spread of the COVID-19 virus via imposing various degrees of lockdown measures since 1Q20. To alleviate the impact of the economic shock and prevent systemic risk or malfunctioning of the country's financial markets during the full lockdown in 2Q20, many bailout measures were announced by the government and the BoT. While the government has been trying to curb the magnitude of the downward economic spiral, the BoT's key focus has been to tackle liquidity and interest rate problems in the financial markets. The BoT also relaxed debt-reclassification rules for banks in order to encourage them to grant moratorium plans to COVID-hit borrowers. This delayed the downgrade of COVID-affected loans to NPLs which in turn helped prevent the sector from suffering a severe profitability erosion and balance sheet shock. We summarize the relief measures for COVID-19 impacts in Exhibit 2.

Ex 2: Relief Measures For COVID-19 Impacts

BOT	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21
	Blanket measures			→	Targeted measures			
Businesses	**Feb-20** Issued proactive measures to assist borrowers and relaxed pre-emptive debt restructuring rules **Mar-20** Issued minimum guidelines covering various types of loan products (inc. the first phase of relief measures for retail borrowers)	**Apr-20** Launched debt holiday for SMEs* for a 6-month period	**Sep-20** Launched DR BIZ to help expedite debt restructuring for multi-creditor businesses	**Oct-20** Issued debt-restructuring guidelines for SMEs after debt holiday ended	**Jan-21** Extended current measures to help borrowers affected by the new wave of COVID-19**	**Apr-21** ▪ Issued two new measures* to support business recovery and transformation post-COVID-19 **Jun-21** ▪ Released guidelines for debt ▪ forbearance and restructuring	**Jul-21** ▪ Provided a two-month debt holiday for individuals and SMEs suffering a direct impact from the latest lockdown	
Individuals		**Jun-20** Implemented second phase of relief measures to assist retail borrowers	**Sep-20** Implemented debt consolidation		**Feb-21** Rolled out credit card and personal loan "Debt Mediation Fair" for both NPL and non-NPL status loans	**Apr-21** ▪ Changed the methods for calculation of default interest and application of debt repayment proceeds **May-21** ▪ Issued third phase of relief measures for retail borrowers		

Effective Period of BoT Relief measures

Loan classification guidelines

The BoT temporarily allowed banks to relax loan classifications for two years for loans in the relief-measure suspension period

After the debt holiday ended, the BoT allowed the freezing of loan stages in two cases:

May – Oct 20 Debt holiday for a six-month period, ended on 22 Oct 2020	**Oct 20 – Dec 20** 1) SMEs which are in the debt-restructuring process
	Oct 20 – Jun 21 2) SMEs which cannot forecast their cash flows clearly**

Source: KBANK, Bank of Thailand

Note: * According to the Emergency Decree on Financial Rehabilitation and Recovery to Support Businesses Affected by COVID-19 (B.E. 2564), dated 19 April 2021. (ie, soft loans and asset warehousing)

Ex 2: Relief Measures For COVID-19 Impacts *(Con't)*

Measures from BoT

Credit Adjustments

For Businesses:

- **Loan Payments for SMEs:**
  - ✓ 6-month debt holiday on principal and interest payments for SMEs having credit lines not over Bt100mn (ended in October 2020); 2-month debt holiday for SMEs hit by COVID-19

For Individuals: First phase is the minimum guideline for the general public. Measure ended in June 2020

- **Credit Card and Revolving Loans:**
  - ✓ Reducing minimum installment payment to 5% in 2020-21 and 8% in 2022, returning to 10% in 2023; refinancing into long-term loans with lower interest rates
- **Personal Loans with Installment Payments and Auto Title Loans:**
  - ✓ (Banks and SFIs), 3-month grace period on principal and interest payments
  - ✓ (Other lenders), 3-month grace period on principal and interest payments, or pay up to 70% of installments for 6 months
- **Hire Purchase:**
  - ✓ 3-month grace period on principal and interest payments, or 6-month grace period on principal payments for motorcycles (<=Bt35,000), automobiles (<=250,000), and leasing (<=Bt3m)
- **Housing Loans and Micro and Nanofinance:**
  - ✓ 3-month grace period on principal payments and case-by-case interest rate cuts for housing (<=Bt3m) and micro and nano finance (<=Bt20m)
- **Ease Commercial Bank Loan Rules for Easier Access**

Phase 2: For Individuals: Second phase is to ease the burden of affected people; customers can opt in for alternative measures suited to their debt-servicing ability

- **Reduce the interest rate ceiling for credit cards and personal loans** by 2% to 4% p.a., effective from 1 August 2020 onwards.
- **Increase credit limit from 1.5x to 2x of monthly income** for good debtors with a monthly income of less than Bt30,000, from August 2020 to December 2021
- **Provide alternative measures to help debtors hit by COVID-19** whose loans do not become NPLs, such as suspension of principal and/or interest payments, extension of loan terms, payment reductions, or postponement of debt repayments
- **Restructure debt:** FIs must focus on debtors' debt-servicing ability in order to relieve their burden

Debt Consolidation Program for Individuals:

- **Consolidate** unsecured loans, hire purchase and housing loans from the same creditor to utilize the collateral. For the combined unsecured loan, the interest rate is capped to be no higher than the Minimum Retail Rate (MRR), while the loan repayment period can be extended according to the debt-servicing ability of the debtor

"DR BIZ" Project for Businesses which have Multiple Financial Institution Creditors with Total Loans of Bt50m–500m:

- **Receive** relief measures with all financial institutions in an integrated manner
- **Have** main creditors take care of debtors and coordinate with other creditors
- **Around** 8,400 debtors with total loans of Bt1.2trn have qualified to take part in the scheme

Phase 3: For Individuals: Extend most measures in phase 2, but add options for customers who want to return cars to close loan contracts

Loan Classifications

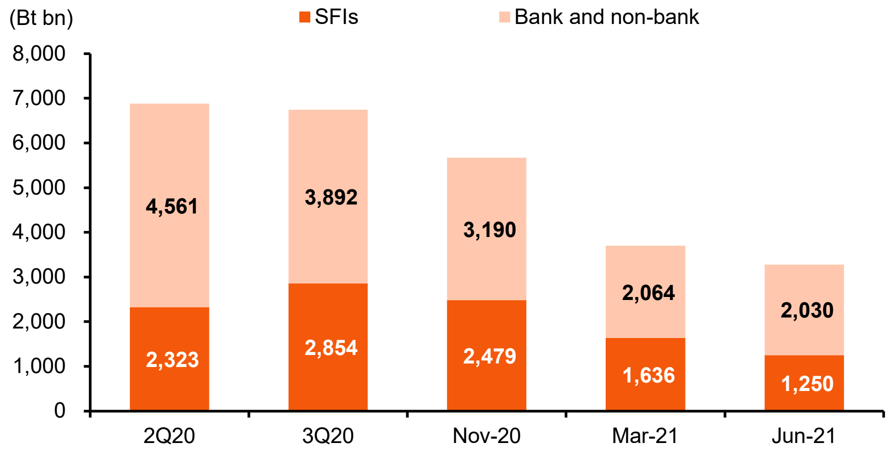
- **Standstill:** For debt holidays, allow SMEs to maintain loan stages which are in the process of debt restructuring until 31 December 2020; and SMEs which cannot forecast their cash flows clearly until 31 December 2021
- **Non-NPL (Pre-emptive):**
  1) Can immediately classify non-NPL debtors as stage 1 (stage 1 or stage 2 >> stage 1)
  2) Not to be deemed as TDR and not to be reported to the National Credit Bureau
- **NPL:** Classified as stage 1, under a 3 consecutive-month payment period (from the previous 12 months)
- **Additional Working Capital:** Can be classified as stage 1, provided that the debtors have sufficient cash flows for repayment

Regulation Relaxation	Report to the BoT	Other measures
▪ No additional provisions for unused credit lines ▪ Easing liquidity-related regulations, including NSFR and LCR ▪ Reducing the FIDF fee from 0.46% of the deposit base to 0.23% per annum for a period of two years	▪ Financial institutions are required to submit reports to the BoT detailing the target loans and outstanding debts of the debtors who are subject to these measures	▪ Relaxing credit lines in emergency cases

Source: KBANK, Bank of Thailand

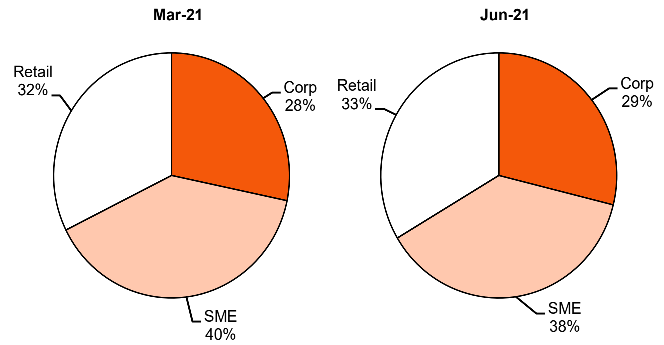
The above relief measures led to a jump in commercial banks' COVID-19 forbearance loans from 33% of the total in 2Q20 to 12% in 2Q21. Exhibits 3-6 show the movement of forbearance loans system wide and per individual bank.

Ex 3: Loans Under Relief Program – System Wide



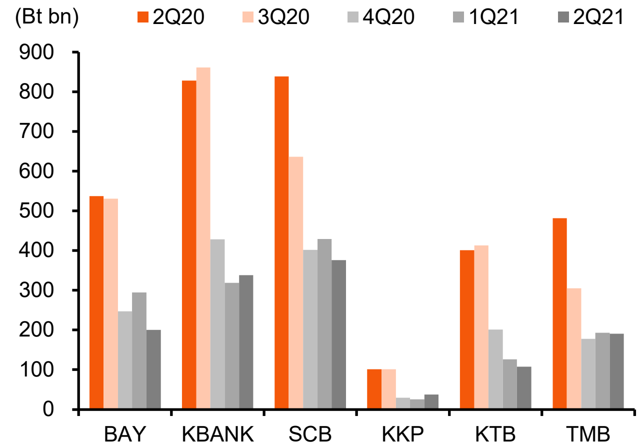
Source: Bank of Thailand

Ex 4: Loans Under Relief Program- Banks And Non-banks



Source: Bank Of Thailand

Ex 5: Forbearance Loans Comparison



Source: Company data

Ex 6: Forbearance Loans Comparison In Detail

KBANK's Loans Under COVID-19 Relief Program

(Bt bn)	2Q20	3Q20	4Q20	1Q21	2Q21
Loans outstanding	2,126.75	2,156.65	2,244.82	2,300.00	2,400.00
% under relief plan	38.90%	39.90%	19.10%	13.87%	14.08%
Forbearance loans	**828**	**861**	**428**	**319**	**338**
- Retail	82	219	150	89	108
- Corporate	746	137	129	94	95
- SME		505	149	136	135

SCB's Loans Under COVID-19 Relief Program

(Bt bn)	2Q20	3Q20	4Q20	1Q21	2Q21
Loans outstanding	2,144.39	2,170.78	2,255.24	2,277.00	2,297.00
% under relief plan	38.93%	29.30%	17.83%	18.8%	16.4%
Forbearance loans	**839**	**636**	**402**	**429**	**376**
- Retail	406	208	119	81	72
- Corporate	216	210	177	161	145
- SME	217	218	106	187	159

TMB's Loans Under COVID-19 Relief Program

(Bt bn)	2Q20	3Q20	4Q20	1Q21	2Q21
Loans outstanding	1,381.86	1,363.16	1,392.93	1,380.00	1,359.00
% under relief plan	41.75%	22.35%	12.76%	13.83%	14.39%
Forbearance loans	**577**	**305**	**178**	**191**	**196**
- Retail	351	77	70	78	101
- Corporate	131	137	82	40	44
- SME	95	90	25	73	51

KKP's Loans Under COVID-19 Relief Program

(Bt bn)	2Q20	3Q20	4Q20	1Q21	2Q21
Loans outstanding	247.68	254.98	267.74	277.76	290.19
% under relief plan	41.00%	40.00%	11.00%	9.00%	13.00%
Forbearance loans	**101**	**101**	**29.5**	**25.0**	**37.7**
- Retail	76	76	0	8.33	14.51
- Corporate	25	25	29.5	16.67	23.22
- SME					

BAY's Loans Under COVID-19 Relief Program

Bt bn	2Q20	4Q20	1Q21	2Q21
Loans outstanding	1,854.74	1,832.94	1,839.30	1,820.70
% under relief plan	28.66%	13.48%	16.00%	11.10%
Forbearance loans	**532**	**247**	**294**	**202**
- Retail	271	55	94	77
- Corporate	260	192	200	125
- SME				

KTB's Loans Under COVID-19 Relief Program

(Bt bn)	2Q20	3Q20	4Q20	1Q21	2Q21
Loans outstanding	2,227.78	2,294.44	2,233.33	2,520.00	2,700.00
% under relief plan	18.00%	18.00%	9.00%	5.00%	4.00%
Forbearance loans	**401**	**413**	**201**	**126**	**108**
- Retail	204	201	38	33	18
- Corporate	197	212	163	93	90
- SME					

Source: Company data

Second phase of NPL resolution

More sustainable solutions

With stricter lockdown measures during July-August for 29 provinces in maximum-control dark-red zones, we expect an increase in forbearance loans in 3Q21F. As COVID cases have subsided, the government has been easing the lockdown measures phase by phase from 1 September 2021. Even so, COVID-19 is unlikely to go away and we believe the government intends to limit lockdowns and resume economic activities while living with the disease. That being said, the BoT and also banks believe it could take at least two to three years from now for the economy to return to the pre-COVID level.

Ex 7: Easing Lockdown Measures

Here's what the overall situation in high-risk areas (ie, Bangkok) will look like during this initial phase from 1 September 2021:

1) Restaurants can reopen for dine-in until 8pm. It is noteworthy that those with aircon can open at 50% of their capacity, whereas those without can open at 75%. Restaurant staff need to be fully vaccinated and a weekly antigen test is required. It has also been reported that diners must be vaccinated to eat indoors, but the details are still unclear.
2) Shopping malls, department stores, and community malls can return to business until as late as 8pm.
3) Tutoring schools, cinemas, spas, amusement parks, water parks, fitness centers, public pools, and convention halls located inside shopping centers must remain closed.
4) Barbers and beauty parlors can reopen. Meanwhile, massage parlors can open but only for foot massages.
5) Outdoor sports venues and public parks can reopen until 8pm. Sports competitions can be carried out, but no spectators are allowed.
6) Domestic travel is allowed with public transport able to run at 75% of capacity. However, it is only advised if it is really necessary.
7) The night curfew is still in place between 9pm-4am.

While from 1 October following places are allowed to reopen:

1) Learning center and museums (75% visitors are allowed or 1 people per 4 sqm)
2) Nail salons can reopen but only for in advance appointments.
3) Tattoo shops can reopen but only for in advance appointments of full inoculated customers.
4) Spa can reopen but limit services not exceeding two customers per hours. Full inoculated customers or having negative rapid test 72 hours before services are allowed.
5) Cinema and theatre can reopen at 50% utilization rate until as late as 9pm. Moviegoers are required to wear masks all the time, no food and drink are allowed.
6) Live music is allowed to perform in restaurants. Limit number of musicians to 3 people and they have to wear masks all the time. Singer can perform without mask. And the restaurants have to comply with COVID-19 Free Setting procedure.
7) Exhibitions and events remain to be closed.
8) Opening hours for shopping malls, department stores, and community malls are extended to 9pm.
9) Outdoor sports venues can reopen until 9pm. Sports competitions can be carried out and 25% of spectators are allowed.
10) The night curfew is still in place but from 10pm to 4am instead.

Source: Thanachart compilations

The BoT in collaboration with Thai Bankers' Association (TBA) recently announced additional debt assistance measures to provide sustainable aid to borrowers struggling with the pandemic's impact. The fresh debt aid measures effective from late August cover debt restructuring, soft loans and the asset warehousing program. We summarize the revised relief measures in Exhibit 8.

Ex 8: Fresh COVID-19 Relief Measures = Sustainable Solutions

Additional debt aid measures

1) **The measures** cover the adjustment, improvement, relaxation and extension of existing measures for all borrower segments, especially retail and small and medium-sized enterprises.
2) **Relaxation of rules for credit card, personal loan and digital lending**:
   - Credit card and personal loans: Minimum payment to be no lower than 5% for 2021, 8% for 2022 and 10% from 2023 onwards. Together with an increase in the credit limit for personal loans for borrowers who have a salary of less than Bt30,000 per month to 2x their income in 2021 and the removal of the cap on the number of lenders.
   - Digital lending: Increasing credit line to Bt40,000 and loan duration to 12 months with the right to extend for another 12 months going to 2023.

Loan classification

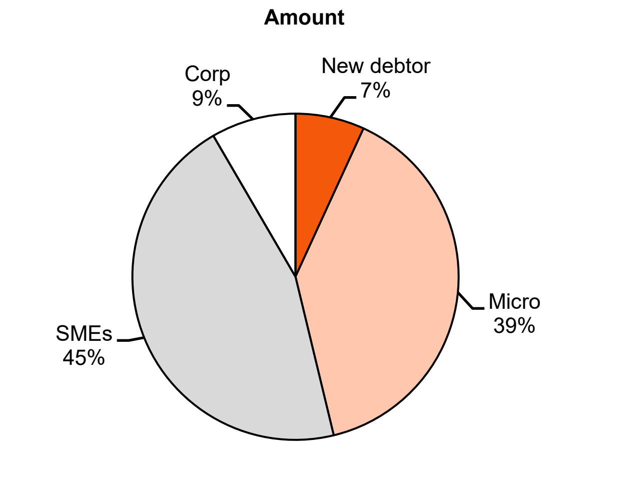
1) **Standstill**: allows retail and SMEs which are in the process of debt restructuring to maintain loan stages until 31 March 2021, extension from 31 December 2021.
2) **COVID-impacted loans that have been restructured from 1 January 2021 - 31 December 2021 and for plans that have proven to reduce the financial burden for borrowers:**
   - **Non-NPL (pre-emptive):** Can immediately classify non-NPL debtors as stage 1 (stage 1 or stage 2 >> stage 1)
   - **NPL:** Classified as stage 1 under a three consecutive month payment period (from the previous 12 months)
   - **Additional working capital:** Can be classified as stage 1, provided that the debtors have sufficient cash flow for repayments
   - **Provisioning policy** for restructuring that causes an effective interest rate (EIR) is not a good reflection of cash flow received. Banks can apply the new EIR for their present value loss calculation.
   - **The above relaxations will last from 1 January 2022- 31 December 2023.**
3) **COVID-impacted loans that have been restructured from 1 January 2021 - 31 December 2021 though a modification of repayment terms either via the extension of the loan duration or grace period of the principal and/or interest. This also includes a transformation of short-term to long-term loans:**
   - Not applicable for the abovementioned relaxation.

Regulation Relaxation	Report to the BoT
▪ No additional provisions for unused credit lines ▪ Extension of the reduction in the FIDF fee from 0.46% of the deposit base to 0.23% per annum from end 2021 to 2022	▪ Financial institutions are required to submit reports to the BoT detailing the target loans and outstanding debts of debtors who are subject to these measures on a monthly basis within 21 days from month end ▪ Reporting to the National Credit Bureau (NCB) is required only for NPLs; there is no need to do so for non-NPLs.

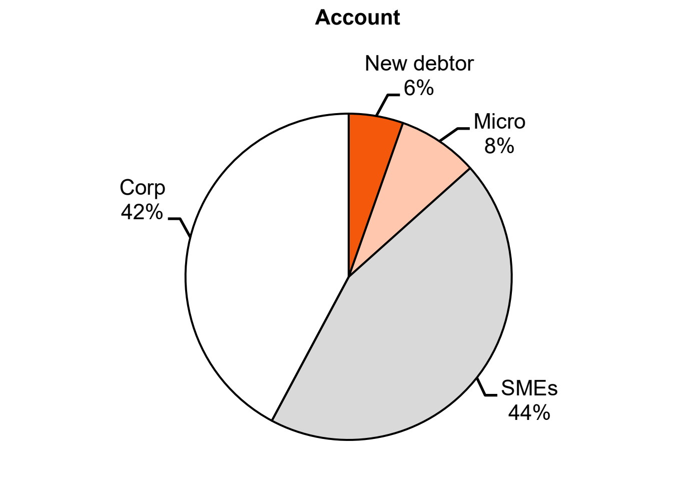
Sources: Company data, Thanachart estimates

As for SME's soft loans, BoT has increased the maximum credit limit from Bt20m to Bt50m for new customers. It has also reduced guarantee fees for highly volatile groups of borrowers. Under these new measures, borrowers can apply for the central bank's soft loan scheme from 6 September. As of 30 August, the central bank's soft loan approvals came to Bt98.3bn offered to 32,025 business operators, while the total credit line for the asset warehousing scheme was Bt11.7bn for 82 business operators.

Ex 9: Soft Loans By Lending Segment

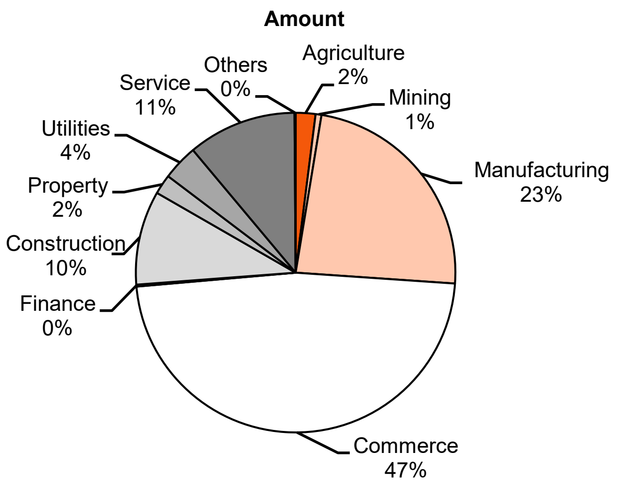


Sources: BoT

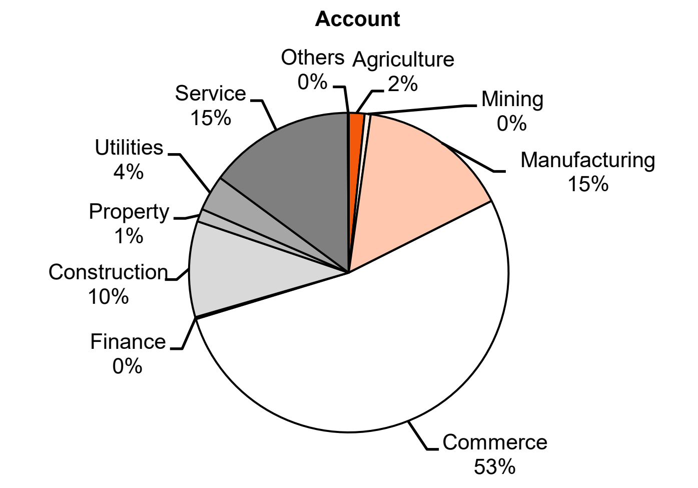


Sources: BoT

Ex 10: Soft Loans By Industry



Sources: BoT



Sources: BoT

We see the fresh relief programs as changing course from liquidity-support purposes to offering more sustainable NPL resolution programs. This answers the question of why we see the Thai banking sector as entering the second phase of NPL resolution. This is a better move, in our view. We discuss earnings and balance sheet impacts in the following section. As an executive summary here, we foresee the end results of the second phase as follows:

1) Better balance sheet management. Banks will likely come up with deep restructuring plans that suit borrowers' income and cash flows while the economy and their businesses are recovering slowly as the COVID-19 pandemic gradually subsides.

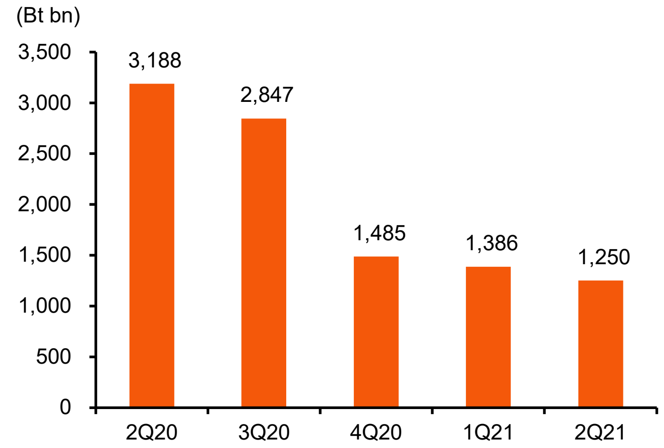
2) Limited risks of an NPL cliff effect and provisions overshooting.

3) The deep restructuring is hurting lending yield and EIR. But this should partly have been offset by lower FIDF fees and funding costs. Meanwhile, the benefits of provision cuts should be enough to outweigh the pain in our view.

Smooth transition

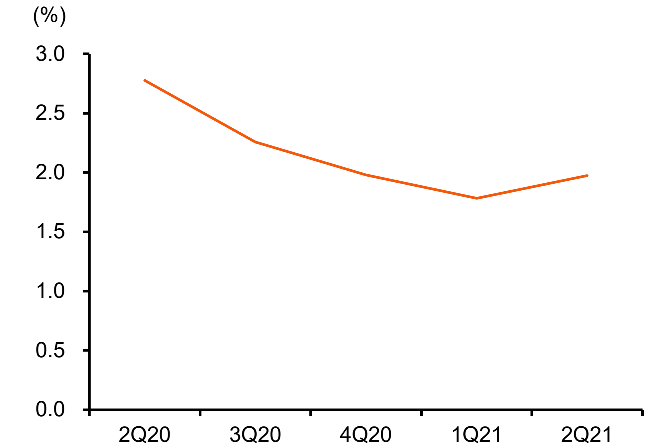
Offered blanket measures that any borrowers were eligible to opt into, loans under the relief programs overshot to 33% in 2Q21. Banks therefore raised their provisioning safeguards, leading to record-high credit costs of 2.8% in 1H20 followed by another 2% in 2H20. Having seen good progress with loans in the relief plans after the lockdown's easing in 4Q20 with the proportion of forbearance loans declining to 14.5% in 4Q20, banks started to cut provisions in 1Q21. But with the escalating number of COVID infections from 2Q21 to early 3Q21 leading to stricter lockdown policies from July to August 2021, provisions rose by 13% q-q, leading to a rise in credit costs from 1.8% in 1Q21 to 2% in 2Q21. Meanwhile, we expect to see an increase in forbearance loans in 3Q21.

Ex 11: Commercial Banks' Forbearance Loans



Source: Company data

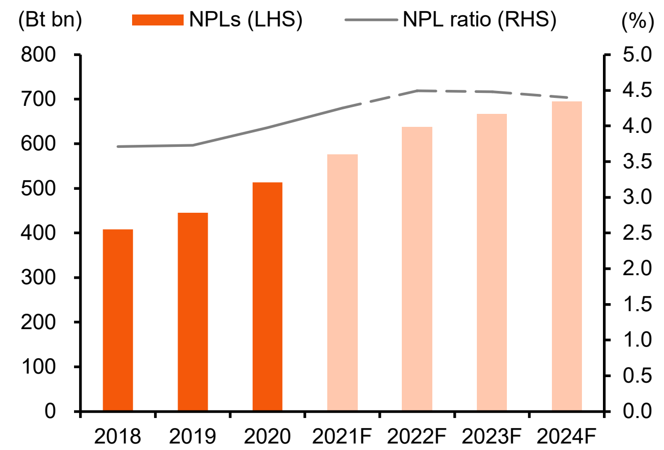
Ex 12: Sector's Credit Costs



Source: Company data

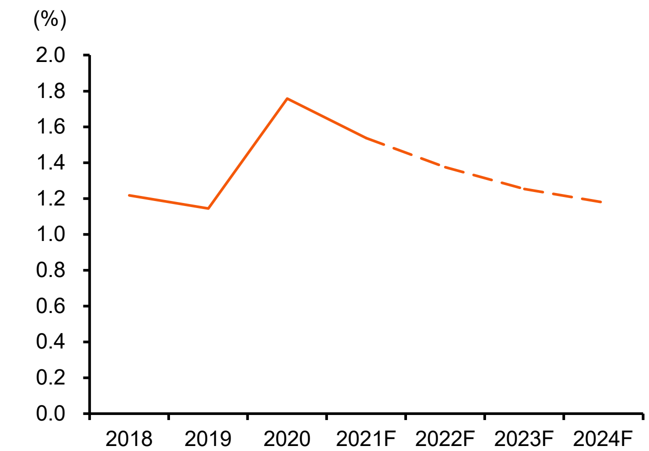
That being said, the fears about a post-forbearance NPL jump and more provisioning requirements have now subsided with the BoT's relaxed COVID-relief measures as we discussed in the previous section. Credit costs should remain high but we believe the sector's credit costs, on a full-year basis, passed their peak of 1.8% in 2020. As NPLs are still on the rise before they reach their peak in 2023F, Thai banks' credit costs should start converging to the normalized level from 2024 onwards.

Ex 13: NPLs Are On The Rise



Sources: Company data, Thanachart estimates

Ex 14: But Credit Costs Have Already Passed Their Peak



Sources: Company data, Thanachart estimates

While debt restructuring helps in prolonging NPL classification and smoothening the provisioning impact, it is hurting lending yield and thus NIM. However, the benefit from falling provisions should outweigh this and, together with a shorter-than-expected lockdown period and lower FIDF fees, we lift our earnings estimates by 14%/24%/11% in 2021-23F.

Ex 15: Earnings Revisions

	2019A	2020A	2021F	2022F	2023F
Normalized profits (Bt bn)					
- New	186.25	134.96	157.78	177.52	192.57
- Old			138.17	142.86	173.50
- Change (%)			*14.19*	*24.26*	*10.99*
NIM (%)					
- New	2.95	2.93	2.72	2.71	2.61
- Old			2.71	2.62	2.63
- Change (pp)			*0.02*	*0.09*	*(0.01)*
Net fee income (Bt bn)					
- New	158.82	152.45	160.08	168.82	178.85
- Old			158.05	165.29	174.66
- Change (%)			*1.28*	*2.13*	*2.40*
Provisions (Bt bn)					
- New	158.61	235.20	211.69	207.05	199.75
- Old			216.80	211.91	202.09
- Change (%)			*(2.36)*	*(2.29)*	*(1.16)*
OPEX (Bt bn)					
- New	353.01	352.52	350.02	355.56	363.06
- Old			356.72	364.34	372.14
- Change (%)			*(1.88)*	*(2.41)*	*(2.44)*

Sources: Company data, Thanachart estimates

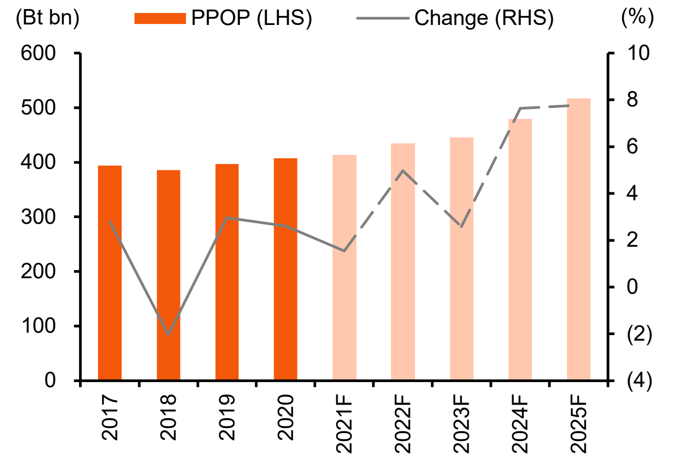
Ex 16: Key Assumptions Comparison

		BAY	BBL	KBANK	KKP	KTB	SCB	TISCO	TTB	Industry
Rating		**HOLD**	**HOLD**	**BUY**	**BUY**	**BUY**	**BUY**	**BUY**	**HOLD**	**Overweight**
Target price	**(Bt)**	**34.00**	**130.00**	**160.00**	**70.00**	**15.00**	**150.00**	**110.00**	**1.10**	
Upside	(%)	*0.7*	*9.7*	*18.5*	*26.7*	*31.6*	*17.2*	*18.3*	*(4.3)*	
Consensus TP	**(Bt)**	**34.71**	**145.28**	**155.94**	**64.47**	**12.82**	**123.65**	**105.18**	**1.22**	
Differ from consensus	(%)	*(2.1)*	*(10.5)*	*2.6*	*8.6*	*17.0*	*21.3*	*4.6*	*(9.5)*	
Market cap.	**(US$ m)**	**7,242**	**6,742**	**9,330**	**1,419**	**4,832**	**13,270**	**2,232**	**3,249**	
Pre-provision profit (Bt m)	2020A	63,999	52,769	85,088	10,581	66,722	80,516	10,894	36,806	407,375
	2021F	60,027	60,417	93,373	11,558	62,498	80,888	10,825	34,099	413,685
	2022F	61,885	60,570	98,064	12,110	69,007	85,240	10,314	37,077	434,268
	2023F	63,151	62,831	100,186	12,851	71,601	86,582	10,676	37,618	445,496
Net profit (Bt m)	2020A	23,040	17,181	29,487	5,123	16,732	27,218	6,063	10,112	134,956
	2021F	32,004	24,288	35,005	5,485	22,563	30,753	6,561	9,304	165,962
	2022F	24,644	27,293	38,708	6,323	28,436	34,390	6,989	10,742	177,526
	2023F	25,625	30,688	40,452	7,314	31,921	37,073	7,238	12,275	192,586
Loan growth (y-y %)	2020A	0.83	14.89	12.13	11.65	11.72	6.69	(7.42)	0.05	8.04
	2021F	0.64	3.26	6.09	11.68	12.97	3.45	(2.89)	(0.08)	4.87
	2022F	5.31	4.82	6.04	6.70	7.78	4.14	2.97	2.96	5.38
	2023F	5.46	4.89	6.11	6.93	8.16	4.21	3.23	3.60	5.61
Deposit growth (y-y %)	2020A	17.08	18.56	13.17	46.09	14.26	12.09	(5.84)	(1.77)	13.14
	2021F	3.08	9.14	6.61	4.32	7.94	(1.41)	2.00	(2.52)	4.45
	2022F	4.63	5.00	5.64	7.23	8.17	3.88	2.00	3.53	5.32
	2023F	4.78	5.00	5.71	7.34	8.30	3.92	2.00	3.54	5.42
NIM (%)	2020A	3.27	2.19	3.14	4.35	2.79	3.10	4.57	2.93	2.93
	2021F	2.95	2.04	3.11	4.00	2.42	2.87	4.54	2.88	2.72
	2022F	2.93	2.00	3.04	4.03	2.45	2.91	4.38	2.91	2.71
	2023F	2.86	1.94	2.95	3.91	2.33	2.79	4.31	2.77	2.61
Fee income growth (%)	2020A	(19.34)	(13.31)	(10.17)	(5.82)	(11.66)	23.31	(16.80)	30.59	(4.01)
	2021F	(5.65)	13.16	5.22	30.93	(4.23)	9.14	6.98	(5.03)	5.00
	2022F	4.02	6.00	5.47	3.22	3.73	7.13	4.99	4.53	5.46
	2023F	5.74	6.00	4.85	6.28	4.73	7.13	6.68	6.80	5.94
Total provisions to loans (%)	2020A	4.17	7.84	5.99	4.95	6.45	6.18	5.26	3.80	5.92
	2021F	4.59	8.72	6.44	5.50	6.18	6.56	5.62	4.26	6.31
	2022F	4.78	8.83	6.78	5.97	6.09	7.05	5.16	4.78	6.54
	2023F	4.88	8.71	6.99	6.16	5.64	7.36	4.69	5.12	6.56
NPL ratio (%)	2020A	2.48	4.40	4.48	3.11	4.56	4.47	2.48	2.83	3.97
	2021F	2.83	4.85	4.86	4.30	3.95	4.85	3.06	3.54	4.25
	2022F	3.10	5.10	5.05	4.40	3.81	5.37	3.12	3.96	4.46
	2023F	3.08	5.10	5.00	4.50	3.67	5.35	3.12	3.98	4.42
ROE (%)	2020A	8.25	3.92	6.97	11.33	4.91	6.71	15.42	5.06	6.21
	2021F	7.91	5.30	7.71	11.36	6.40	7.27	16.27	4.49	7.26
	2022F	7.60	5.72	7.98	12.14	7.63	7.69	16.51	5.05	7.36
	2023F	7.47	6.15	7.82	12.98	8.07	7.84	16.34	5.58	7.56
LLC (%)	2020A	167.3	177.7	133.1	155.0	140.5	137.4	210.5	133.8	148.87
	2021F	161.3	179.1	132.1	124.3	155.3	134.6	181.9	119.7	148.54
	2022F	153.8	172.9	133.9	131.8	158.6	131.0	163.7	120.4	146.50
	2023F	157.7	170.4	139.5	133.1	152.7	137.1	149.4	128.4	148.34

Sources: Company data, Thanachart estimates
Based on 27 September 2021 closing prices

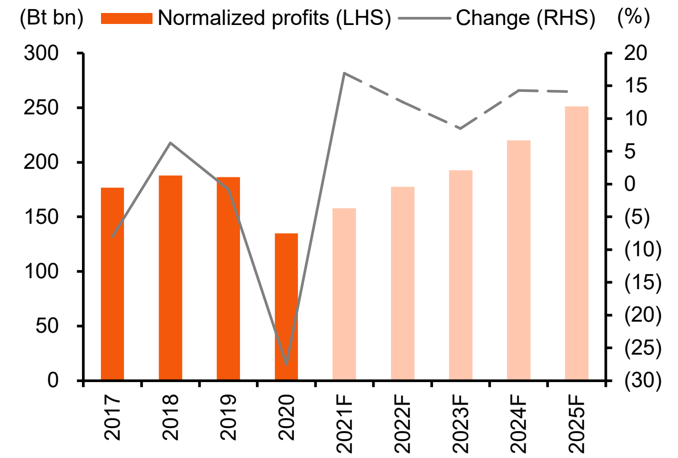
Putting aside provisions, we expect the banks' core operations to bottom in 3Q21F with a turnaround starting from 4Q21F while we estimate gradual pre-provisioning profit growth of 2%/5%/3% in 2021-23F. Including provisioning, our earnings growth projections are 17%/13%/9%.

Ex 17: PPOP Growth



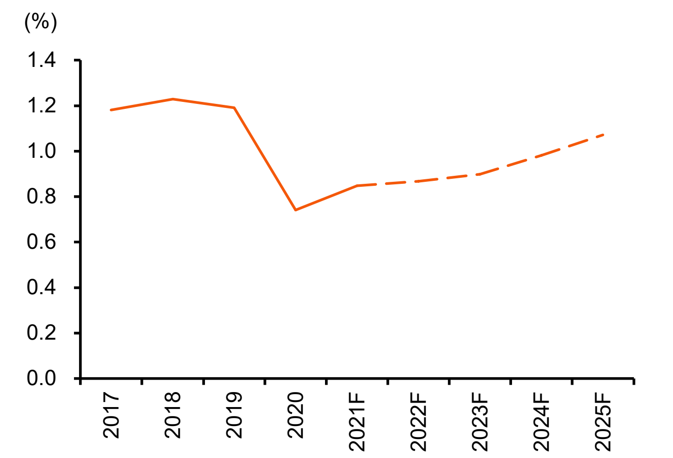
Sources: Company data, Thanachart estimates

Ex 18: Earnings Growth



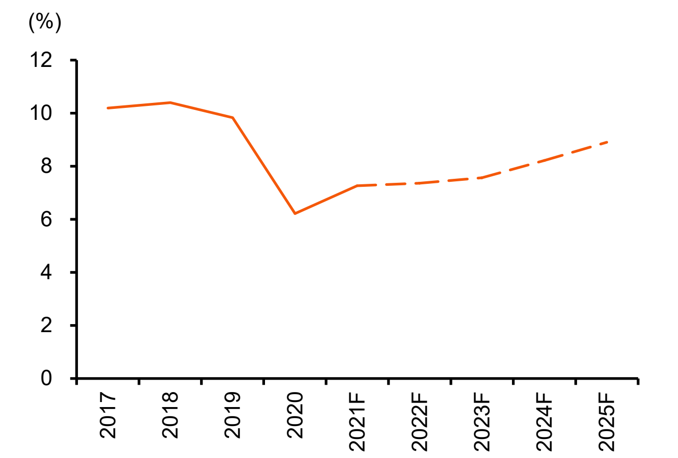
Sources: Company data, Thanachart estimates

Ex 19: ROA



Sources: Company data, Thanachart estimates

Ex 20: ROE



Sources: Company data, Thanachart estimates

What lies beyond 2023F?

We see sector earnings normalizing due to the effect of COVID measures from 2024F onward

We are in no doubt that the COVID-19 pandemic represents the worst crisis for decades. The wide spread of the disease and its mutations have caused many waves of outbreaks and yo-yo lockdown measures in many countries, especially Thailand. According to medical experts, the disease is unlikely to end. That is, the infection rate cannot be cut to zero and COVID is changing course from being a pandemic to being endemic. The government is pinning its hopes on inoculations to reduce hospitalizations and death rates.

We believe the Thai government is choosing to live with COVID-19. There are unlikely to be more grand-scale lockdowns as long as the hospital situation is not in crisis like it was during June-August 2021. The lockdown has been eased step-by-step from the beginning of this month and we expect a full country reopening next year. That being said, we don't foresee a V-shaped economic recovery. Thanachart Securities recently cut its GDP growth forecasts to 0.8% in 2021F, 3.2% in 2022F and 4.9% in 2023F. In other words, we believe it could take at least two years before economic momentum returns to the pre-COVID level.

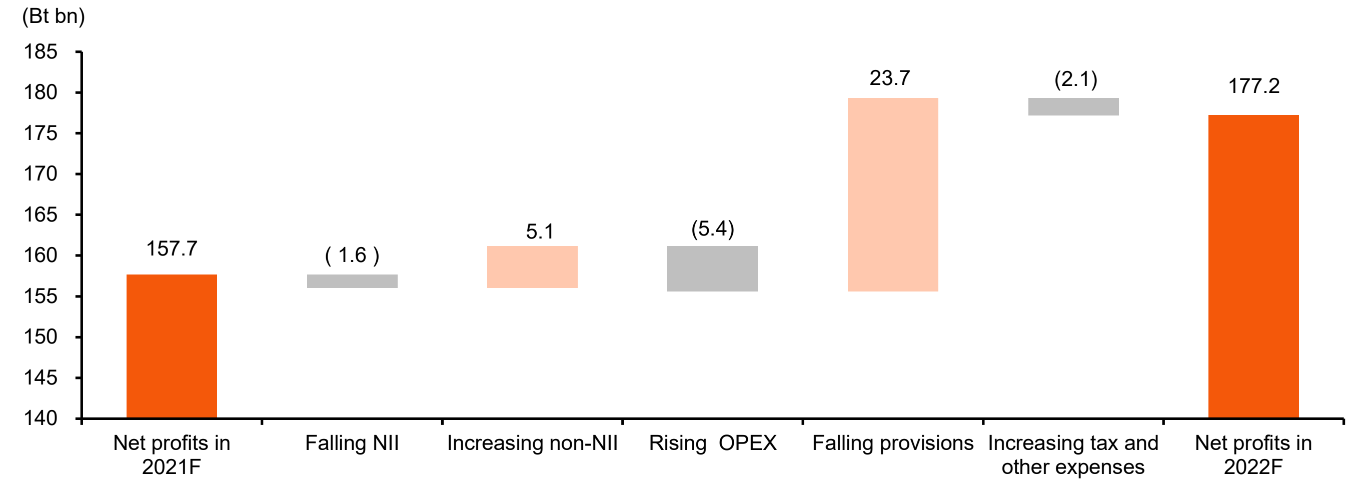
Ex 21: GDP Growth Revisions

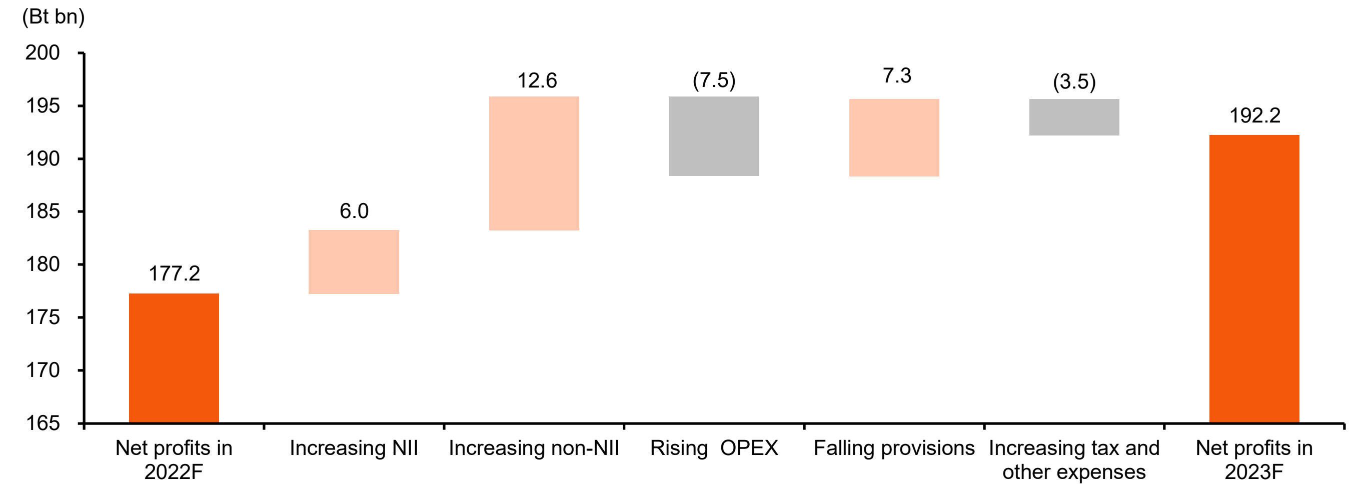
	2019	2020	— 2021F —		— 2022F —		— 2023F —	
			New	Old	New	Old	New	Old
	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)
Real GDP growth	**2.3**	**(6.1)**	**0.8**	**1.4**	**3.2**	**3.9**	**4.9**	**5.2**
Private consumption	4.0	(1.0)	1.7	2.6	2.2	2.1	2.6	2.5
Private investment	2.7	(8.4)	5.9	6.6	6.0	6.0	4.0	4.0
Government investment	0.1	5.7	8.2	8.2	6.8	6.8	4.0	4.0
Export (nominal US$ growth)	(3.3)	(6.5)	16.2	12.0	3.2	3.2	3.5	3.9
Import (nominal US$ growth)	(5.6)	(13.8)	23.7	18.7	3.7	4.5	4.5	4.8
Export of services	0.6	(60.8)	(28.8)	(27.5)	46.2	73.0	82.9	80.0
Current account (% to GDP)	7.0	3.5	2.4	4.3	7.1	6.5	6.9	6.3
Headline CPI	0.7	(0.9)	1.5	1.5	1.2	1.2	1.0	1.0
Bt/USD - average	31.05	31.30	31.6	31.1	31.8	30.6	31.0	29.6
Policy rate	1.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50

Sources: Bank of Thailand, NESDB, Bloomberg, Thanachart estimates

As discussed in the section above, the banks' earnings should be supported by provisioning reductions and improving business momentum over 2022-23F.

Ex 22: Earnings Recovery During Relief Programs In 2022-23F





Sources: Company data, Thanachart estimates

Cost management is crucial for profit growth and better profitability

We expect the sector's earnings to normalize from the impact of COVID-relief measures from 2024F onward. By then, with Thai governments' lackluster performances, we don't expect the country to come up with new economic drivers beyond service industries and the same old main export sectors, ie, automotive, electronics, food and agriculture and petrochemicals. Therefore, we expect the Thai economy to at best expand along with its potential rate, ie, at around 3-4% GDP growth. Along with this moderate economic growth run rate, the following developments would act as hindrances to banks' growth potential and profitability improvement.

- Intensifying market consolidation in many industries as mid- to small players have exited during the COVID-19 pandemic and are not able to return.
- Growing disruption via the disintermediation, cutting of intermediaries and digitalization trends, ie, increasing wholesale funding, P2P lending and higher usage of digital currencies.

For banks we believe this would mean weakening pricing power and more limited growth potential. So, the end results of the abovementioned developments will likely be low NIM and weak loan growth. The fee income outlook is also not bright under the regulator's watch and with the growing impact of the trend of no intermediaries. With rising household debt, the BoT has been very proactive in cutting loan-related fees. We also expect the complete loss of transaction and ATM/debit card-issuing fees. Bond and debenture underwriting fees are also at risk if P2P lending is widely executed. In order to overcome these hurdles, we believe banks need to focus on the following areas:

1) Raising the penetration of the high-yield retail and digital-lending segments. Banks would also have to be actively expanding outside Thailand. With the sector's strong capital base, we would expect banks to undertake inorganic expansion overseas.

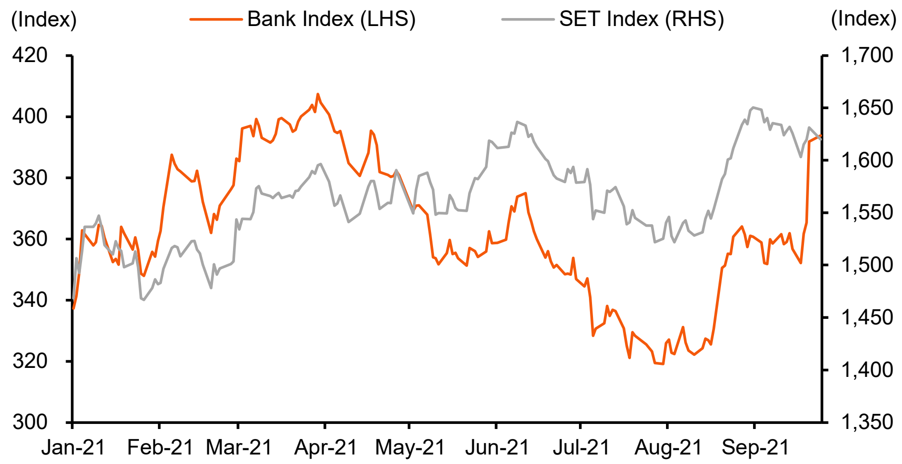
2) Focusing on value-added services and product innovations. As banks still have a customer base advantage, cross-selling capability and breakthroughs in new fee products are the keys to lifting fee income growth.

3) Lower opex. A low-cost structure is crucial as the banks' income-generating power is being hit by the country's limited growth potential, weakening pricing power and rising competition from non-banking peers. This is an area where we believe banks have to be able to beef up and improve their efficiency. We see room to do so via cutting overlapping staff and increasing digital usage.

Overweighting the sector

Despite the recent rally of the banking index and a YTD outperformance relative to the SET of 5%, the Thai bank sector looks inexpensive to us, trading below BV of 0.7x in 2022F.

Ex 23: Banking Index Vs. SET



Source: Bloomberg

We expect the banking sector's outperformance to continue for the following reasons:

New relief measures to help banks to manage provisions and NPLs

1) The BoT's fresh COVID-relief measures of allowing for multi-year debt restructuring, with more lenient loan staging and provisioning policies, should help banks to manage NPLs and provisioning better.

2) Less volatile earnings cycle. We estimate sector earnings growth of 12% in 2022F and 8% in 2023F, after 16% growth this year. ROE is also gradually recovering from 6% in 2021 to 7% in 2022-23F.

Improving macro outlook

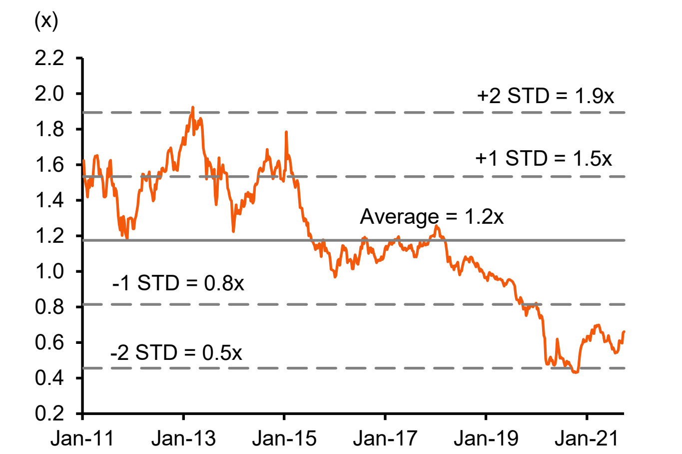
3) The sector is a prime beneficiary of the more limited lockdown measures thanks to a speeding up of the vaccination rate and substantial vaccine supply in 4Q21F. We expect a better COVID situation in the country in 2022F to unleash strong pent-up demand for urban consumption and domestic travel after two full years of the COVID crisis in 2020-21. Our in-house key assumptions for the reopening are domestic business activities resuming in the first three quarters of the year in 2022F and a return

of foreign tourists in the high season in 4Q22F. We anticipate overall business activities to resume and for this to improve the overall economic outlook.

4) As a big-cap macro-driven sector, banks are also a good play on an early election, in our view. Thanachart Securities expect the government to call an early election, say, in mid-2022F and this should spur rural spending with post-election infrastructure promises. Please refer to our Siam Senses report ***Optimism of the laggard***, published on 14 September 2021.

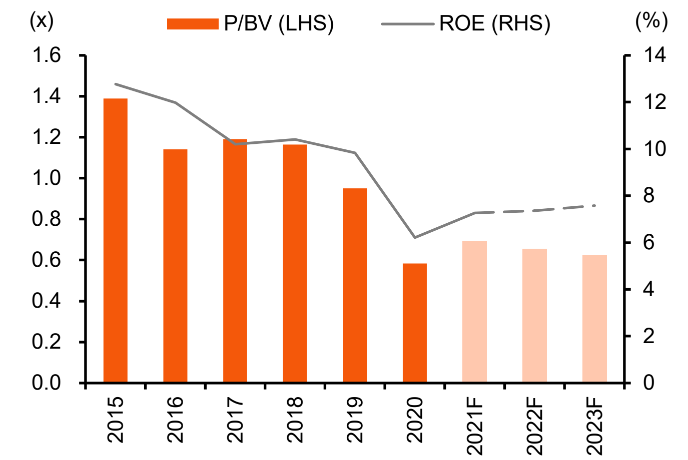
5) We expect other banks to follow SCB's reorganization plans to unlock their business growth and values.

Ex 24: Rock Bottom Valuation



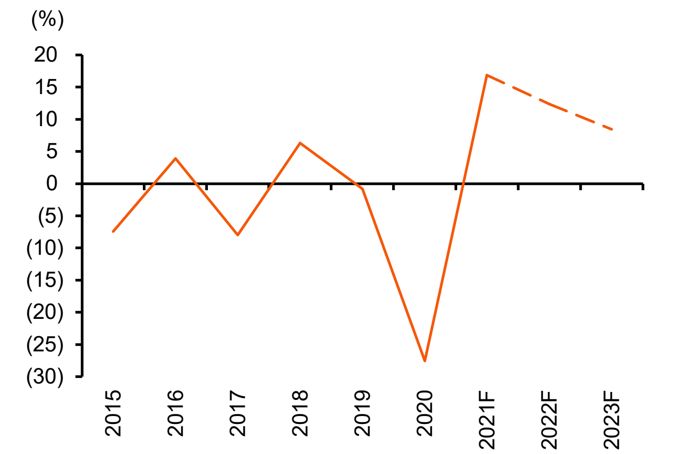
Sources: Bloomberg, Thanachart estimates

Ex 25: Toward The End Of The De-rating Cycle



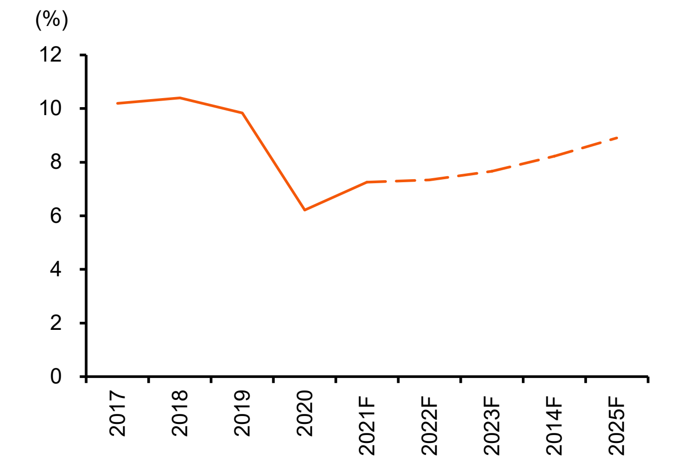
Sources: Company data, Thanachart estimates

Ex 26: Less Volatile Earnings



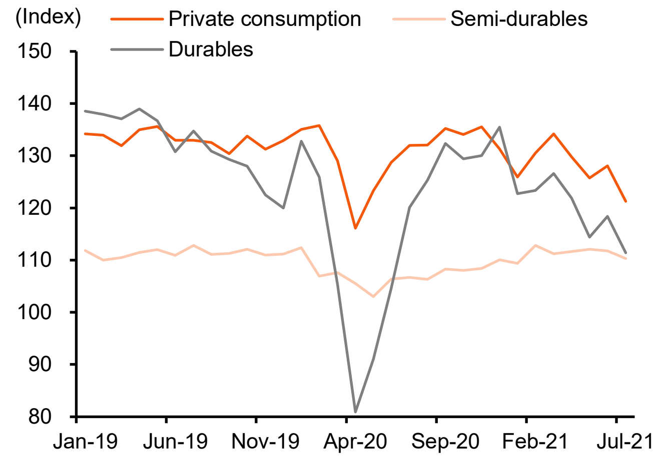
Sources: Company data, Thanachart estimates

Ex 27: Recovering ROE



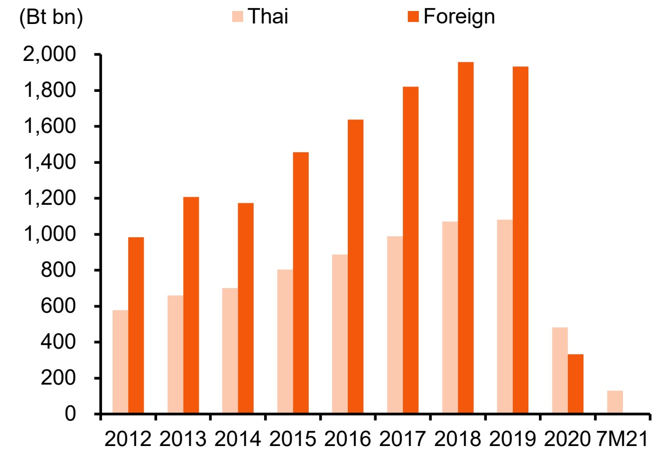
Sources: Company data, Thanachart estimates

Ex 28: Post-lockdown Pent-up Consumption



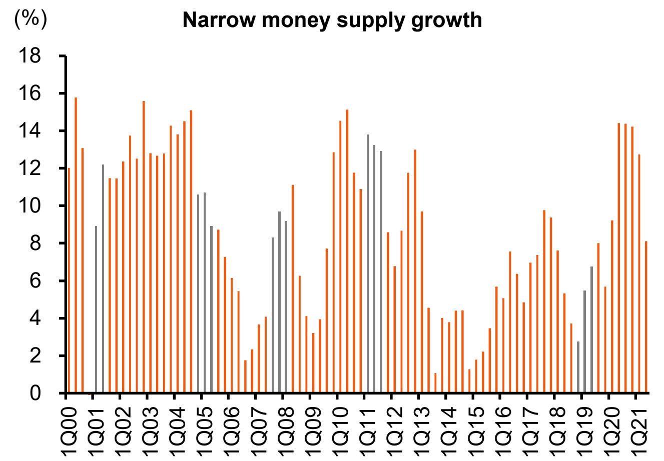
Source: Bank of Thailand

Ex 29: Thai Tourism Income Should Come Back First



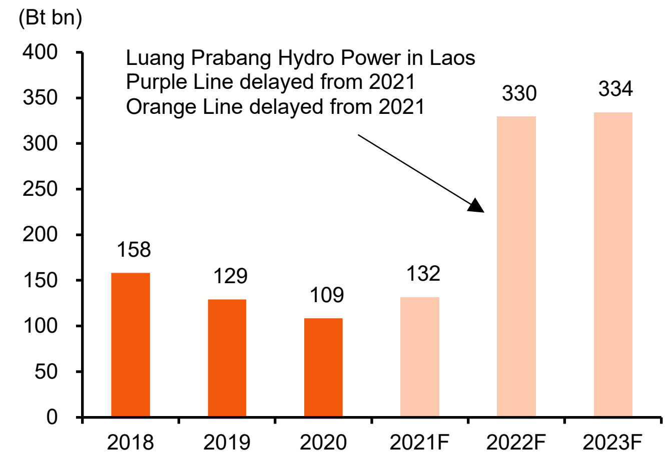
Source: Tourism Authority of Thailand

Ex 30: Money Supply Growth During Election Period



Source: Bank of Thailand

Ex 31: Large Backlog Without A New Infrastructure Cycle



Sources: Company data; Thanachart estimates

We add KBANK to our top picks

With the improving macro outlook and less concern over asset-quality management post-forbearance programs, we expect the big banks to outperform mid-small banks. Hence, KBANK replaces KKP and joins long-standing favourite SCB among our top sector picks. In light of its fair P/BV-to-ROE vs. big bank peers amid the bank's slow adjustment to the new ecosystem, BBL is still a HOLD while we downgrade BAY to HOLD from Buy. KKP and TISCO are still BUYs on their high dividend yields and their heavy exposure to the booming capital markets but they are no longer in our top picks list.

Ex 32: Valuation Comparison

Stocks	Ratings	TP (Bt/shr)	Norm EPS grw 2021F (%)	Norm EPS grw 2022F (%)	Norm PE 2021F (x)	Norm PE 2022F (x)	P/BV 2021F (x)	P/BV 2022F (x)	ROE 2021F (%)	ROE 2022F (%)	Div yield 2021F (%)	Div yield 2022F (%)
BAY	HOLD	34.00	3.4	3.5	10.4	10.1	0.8	0.7	7.9	7.6	2.6	2.5
BBL	HOLD	130.00	41.4	12.4	9.3	8.3	0.5	0.5	5.3	5.7	3.0	3.4
KBANK	BUY	160.00	18.7	10.6	9.2	8.3	0.7	0.6	7.7	8.0	2.2	2.4
KKP	BUY	70.00	7.1	15.3	8.5	7.4	0.9	0.9	11.4	12.1	4.3	5.0
KTB	BUY	15.00	34.9	26.0	7.1	5.6	0.4	0.4	6.4	7.6	3.3	4.1
SCB	BUY	150.00	13.0	11.8	14.1	12.6	1.0	0.9	7.3	7.7	2.1	2.4
TISCO	BUY	110.00	8.2	6.5	11.3	10.6	1.8	1.7	16.3	16.5	6.2	6.6
TTB	HOLD	1.10	(8.0)	15.5	11.9	10.3	0.5	0.5	4.5	5.0	3.9	4.2

Source: Thanachart estimates

Ex 33: Recommendation Summary

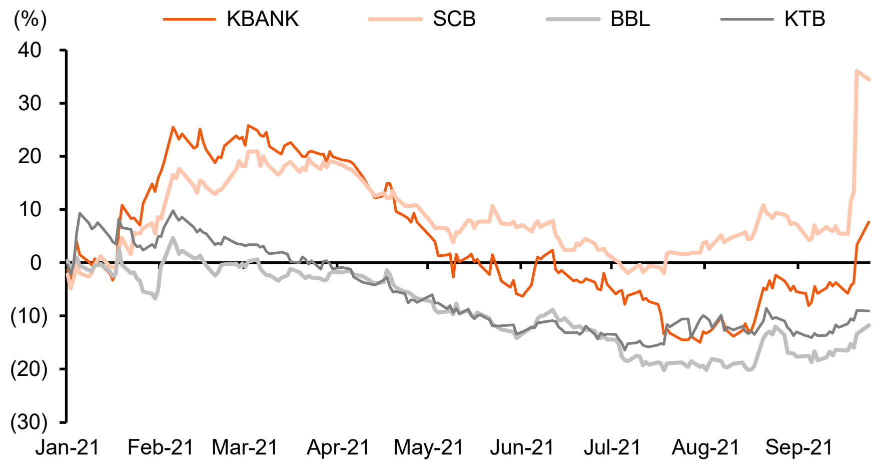
	Recommendation New	Recommendation Old	Reasons
BAY	HOLD	BUY	Severe margin pressure due to too much liquidity, market share lost.
BBL	HOLD	HOLD	Fairly priced and slow development to new ecosystem.
KBANK	BUY	BUY	PPOP growth has turned around while valuation is too much of a laggard to SCB
KKP	BUY	BUY	Prime beneficiary of capital markets due to the SET being a liquidity-driven market.
KTB	BUY	BUY	Very impressive balance sheet improvement while P/BV is still at a deep discount to peers'.
SCB	BUY	BUY	Bold reorganization move to unlock growth and value.
TISCO	BUY	BUY	Solid return-focused bank with very high dividend yield.
TTB	HOLD	HOLD	Smooth integration process should allow the bank to reap more synergy benefits in 2022.

Source: Thanachart

SCB: The X factors

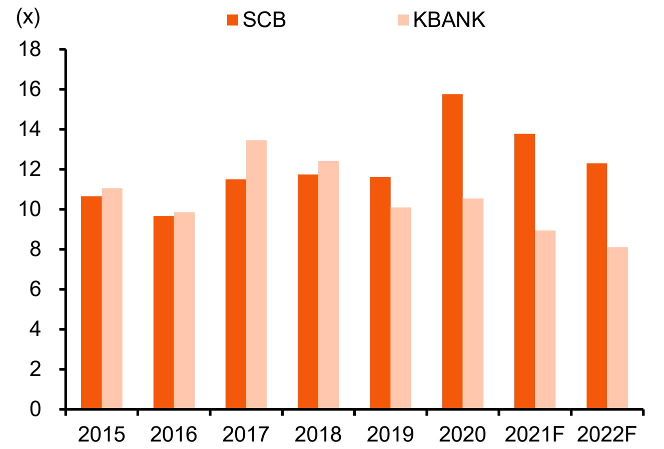
SCB has been our top sector pick since 2019 on improvement in its core operations, driven by a faster turnaround of fee income and lower opex. The counter has performed well and is the top big-bank outperformer YTD. Compared to its closest rival, KBANK, SCB's P/BV to ROE is 51% higher. The bank's P/BV gap to KBANK is now at an all-time high.

Ex 34: Big Banks' Share Price Performances Vs. SET



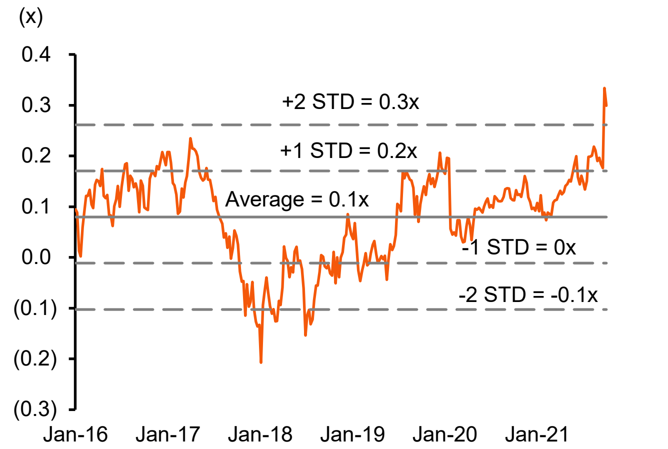
Source: Bloomberg

Ex 35: P/BV-To-ROE Of KBANK And SCB…



Sources: Company data, Thanachart estimates

Ex 36: …P/BV Gap Is Above The Mean



Sources: Bloomberg, Thanachart estimates

Clearly, the P/BV gap to KBANK has overshot after SCB announced a bold reorganization move last Wednesday. The plan is to transform the bank into SCB^X, a fintech holding company. The move would unlock the bank's growth and value traps. Please refer to our in-depth SCB report, *The X factors*, published along with this sector note. In the report we show value accretion from the spin-off growth pillars and derive a new SOTP-based TP of Bt150 (previously DDM-derived TP of Bt120). This would make the group deserve a much higher multiple vs. peers and it remains our top sector pick.

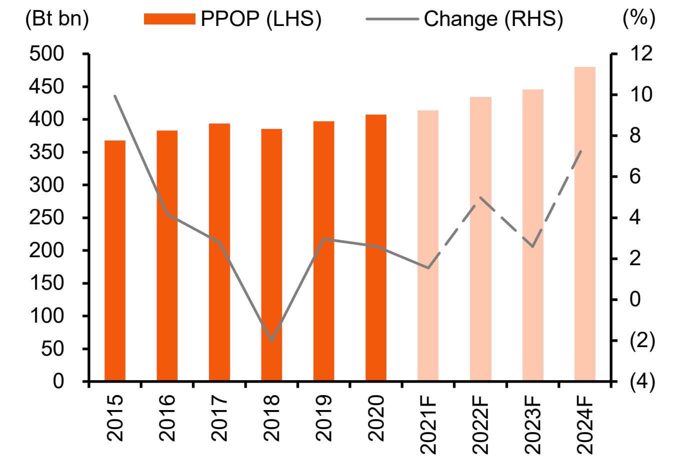
KBANK: Too much of a laggard to SCB

KBANK's valuation discount to SCB looks overdone, in our view

In light of growing mutual fund fees, the bank's minimum guarantee bancassurance fees of Bt1.27bn per year and efficient cost savings, KBANK's pre-provisioning profit growth has turned around to 10%/5%/2% over 2021-23F. This is after three years of contraction on collapsing transaction fees and lower NIM. The bank has also adjusted its loan mix, shifting away from the high-risk and structural-downturn SME segment to the retail and corporate segments. Having built up management overlay provisions of around 17-23% of the total, KBANK is quite confident that it has a sufficient provisioning cushion. The bank sees its provisions-to-loans ratio of 6% as being on the high side.

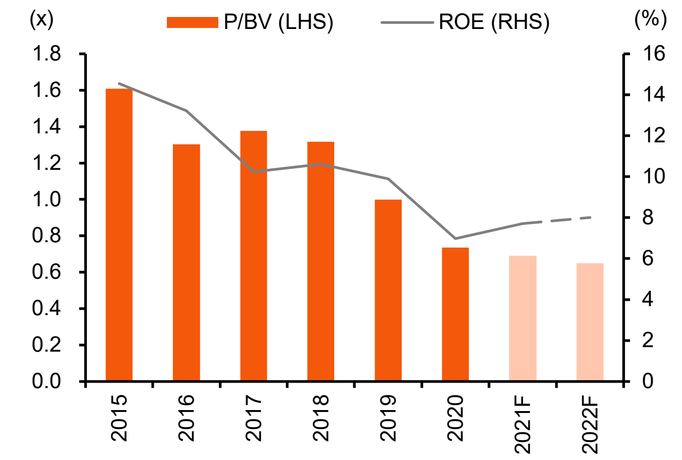
We believe the bank passed the peak of its credit costs at 1.9% in 2020. We conservatively expect a gradual decline in the risk-cost ratio to 1.8%, 1.7% and 1.6% over 2021-23F. This is still above its normalized level to support rising NPLs after the BoT's relaxation of loan stages and provisioning criteria ends in 2023F. Even so, we still foresee KBANK posting decent earnings growth of 19% in 2021F, 11% in 2022F and 5% in 2023F. ROE is also recovering from 6.7% in 2020 and we expect it to hover at around 8% over the next three years.

Ex 37: A Turnaround Of KBANK's PPOP



Sources: Company data, Thanachart estimates

Ex 38: KBANK's De-rating Looks To Have Been Overdone



Sources: Company data, Bloomberg, Thanachart estimates

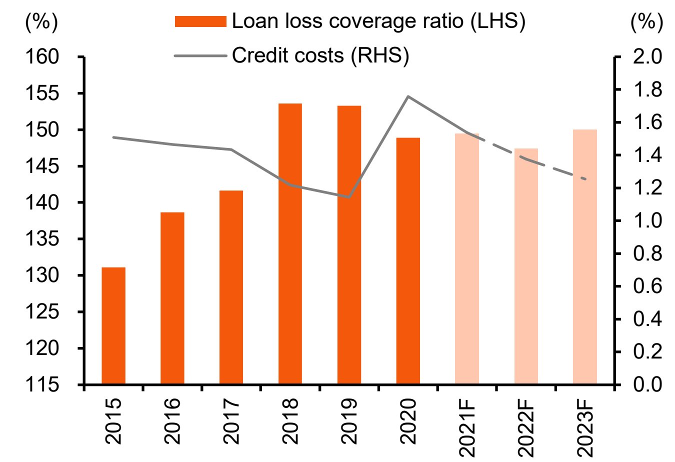
Being aware of the threat of banking disruption and the growing impact of the trend of no intermediaries, we believe KBANK will also be looking to reorganize and re-engineer its platform to deal with the new competitive landscape. Investing in the tech company KBTG and in many digital ventures, we see a good chance of a reorganization to unlock the group's growth potential and value. Leaving aside SCB's pioneer reorganization move, KBANK's pre-provisioning profit growth has improved and is no longer inferior to SCB's. So, we see the all-time high P/BV gap being too overdone and we recommend playing catch-up with KBANK.

KTB: Low-risk growth profile

KTB is an inexpensive, early election play, in our view

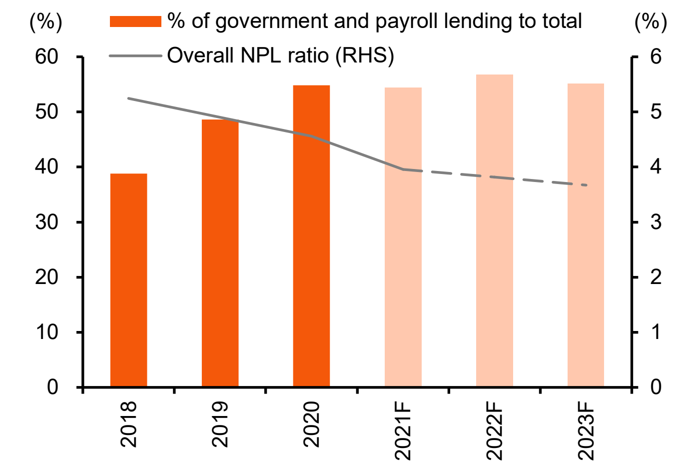
From the bank with weakest balance sheet quality, ie, high NPL and low loan-loss-coverage ratio, KTB now has a comparable loan-loss-coverage ratio and the lowest NPL ratio among the big banks. The bank achieved these results via proactive NPL write-offs, pre-emptive provisions and a shift of its loan mix toward government and retail loans for its captive payroll customers. KTB's exposure to safe-haven lending expanded from 39% in 2018 and 49% in 2019 to 55% in 2020. Boosted by the government's increasing need for funding, we estimate this portion to make up 57% of total loans in 2022F.

Ex 39: KTB's Credit Costs And Loan Loss Coverage Ratio



Sources: Company data, Thanachart estimates

Ex 40: Safe Haven Portion Vs. NPL Ratio At KTB



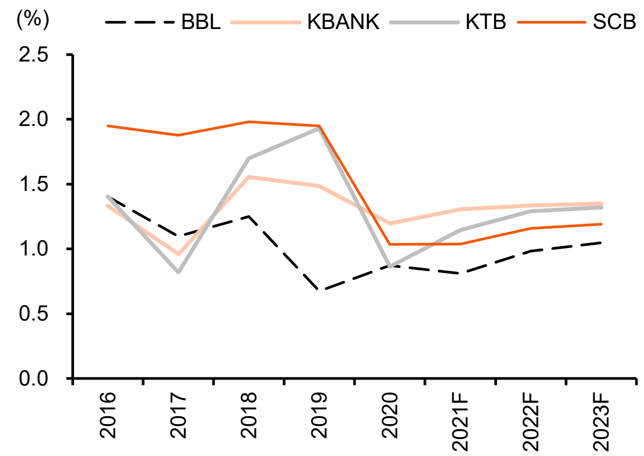
Sources: Company data, Thanachart estimates

We also like KTB's safe-haven-led growth strategy

Since most of its growth is coming from safe-haven lending, this has eroded KTB's loan yield as well as NIM. Having been satisfied with a loan-loss-coverage ratio of 150% with a falling NPL ratio, KTB is cutting credit costs. Putting credit costs in perspective, we don't see this safe-haven-led growth policy as being an ROE-dilutive strategy. KTB's net spread minus credit costs is not that inferior to peers'. To us, this strategy fits well with the current stage of the economy where government spending is needed to resume economic health.

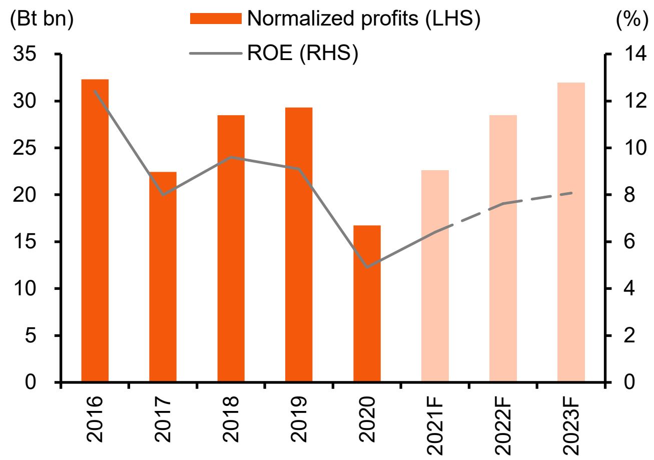
After the heavy parliamentary work (censure debate, charter amendments and budget bill) was completed this month, we expect the government to start planning stimulus packages for the new fiscal year starting in October. The packages will not require adjustments to the 2022 Budget Bill as the financing will come from the Bt500bn special borrowing decree for the battle against COVID. Since the Government Savings Bank's (GSB) focus is now on supporting rural lending, KTB is regaining market share of government loans. As discussed earlier, we expect an early election in mid-2022 and this should spur rural spending with post-election infrastructure promises. KTB has the largest customer base upcountry. It also has heavy exposure to the construction sector so the bank is a good infrastructure play, in our view. Regardless of the promises, we expect the bidding for the pending Bt125bn (Bt80bn construction value) South Purple Line and Bt129bn (Bt96bn) West Orange Line projects to take place soon after the election.

Ex 41: Net Spreads Minus Credit Costs Comparison



Sources: Company data, Thanachart estimates

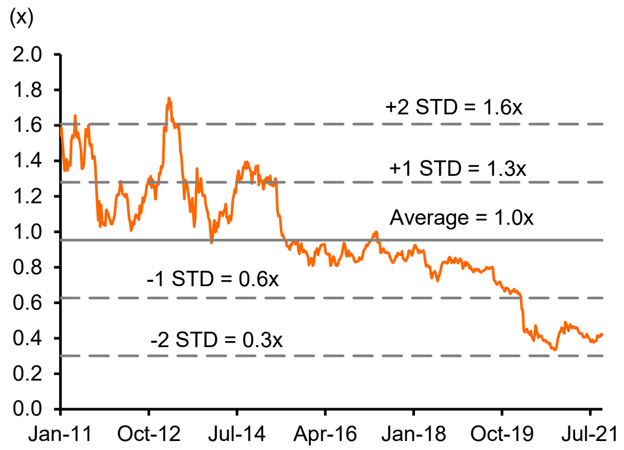
Ex 42: KTB's Strong Earnings Growth And Rising ROE



Sources: Company data, Thanachart estimates

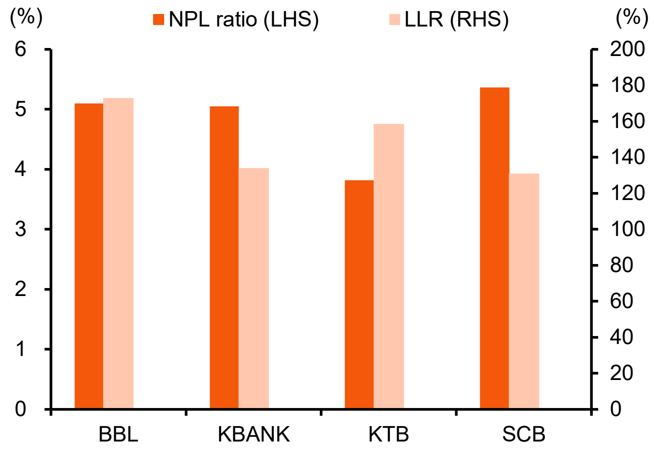
One of the bank's drawbacks is fee income. We believe KTB has started feeling the pinch of the rising adoption of digital banking. This is while it has yet to improve cross-selling capabilities to grow mutual fund and bancassurance fees to offset declining transaction fees. This is not an easy task that can be resolved over a short period of term. Therefore, KTB's fee income growth will likely continue underperforming peers'. But this should be fully discounted in its share price. KTB's P/BV of 5x is at a 36% discount to big banks' average of 8.5x. This is despite the bank's ROE being only 0.7% lower.

Ex 43: Too Deep A Discount For KTB



Sources: Company data, Bloomberg, Thanachart estimates

Ex 44: KTB's Balance Sheet Quality Is No Longer Inferior



Sources: Company data, Thanachart estimates; note as at xxx

BBL: Our least favorite big bank

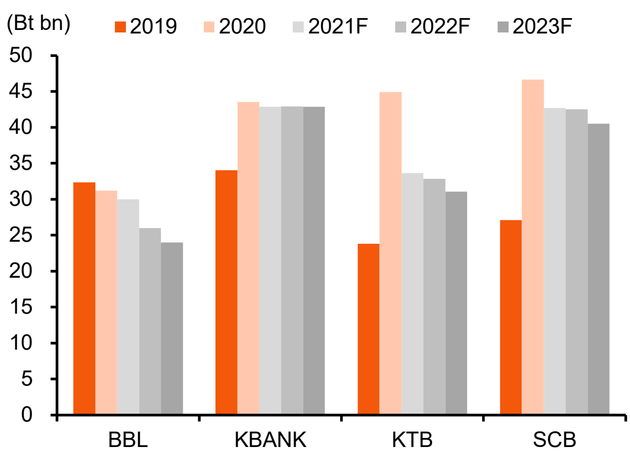
Fair valuation with slow adjustment to the new banking ecosystem

While we like SCB's improving core operation and reorganization move to unlock growth and value, KBANK is a less expensive catch-up play with a turnaround of PPOP and a potential re-engineering led by its tech subsidiary KBTG. We rate KTB a BUY for its balance sheet improvement along with it being an infrastructure and early election theme play.

As a corporate-led bank, BBL would also benefit from the improving macro outlook. Given that the bank's balance sheet has been hurt by the COVID-19 crisis to a much lesser degree than peers', provisions have been coming down since 2020. We see no material fundamental improvement for the bank. Looking beyond the COVID-19 impact to 2023 when we expect the start of "new normal" competition, BBL appears to be late in a game in adjusting itself to the new banking ecosystem.

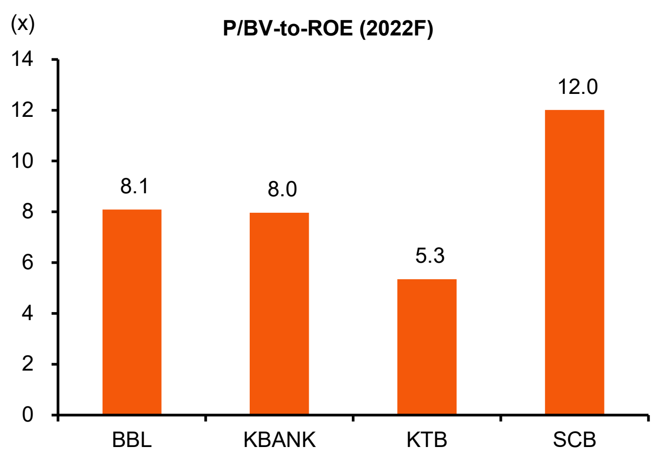
We like its overseas expansions. However, the incremental return from Permata Bank looks to be lower than it had assumed earlier as Indonesia has also been hit hard by COVID-19. And the pandemic is also hindering BBL from working closely with Permata to enjoy material synergistic benefits over the near term. Valuation wise, BBL doesn't look cheap to us on a P/BV-to-ROE basis. In fact, the ratio is comparable to KBANK's. Thus, KTB stands out to us as an undervalued bank, not BBL. We maintain our HOLD with a new TP of Bt130.

Ex 45: Hit Less Hard Than Peers By COVID-19



Sources: Company data, Thanachart estimates

Ex 46: Not As Inexpensive As It Looks



Sources: Bloomberg, Thanachart estimates

Ex 47: BAY –HOLD, Price Bt33.75, TP Bt34.00

Y/E Dec (Bt m)	2020A	2021F	2022F	2023F
Pre Provision Profit	63,999	60,027	61,885	63,151
Net profit	23,040	32,004	24,644	25,625
Consensus NP	—	30,700	25,128	27,872
Diff frm cons (%)	—	*4.2*	*(1.9)*	*(8.1)*
Norm profit	23,040	23,819	24,644	25,625
Prev. Norm profit	—	20,978	19,336	23,671
Chg frm prev (%)	—	*13.5*	*27.5*	*8.3*
Norm EPS (Bt)	3.1	3.2	3.4	3.5
Norm EPS grw (%)	(10.9)	3.4	3.5	4.0
Norm PE (x)	10.8	10.4	10.1	9.7
P/BV (x)	0.9	0.8	0.7	0.7
Div yield (%)	1.0	2.6	2.5	2.6
ROE (%)	8.3	7.9	7.6	7.5
ROA (%)	0.9	0.9	0.9	0.9

Sources: Company data, Bloomberg, Thanachart estimates

Ex 48: BBL – HOLD, Price Bt118.50, TP Bt130.00

Y/E Dec (Bt m)	2020A	2021F	2022F	2023F
Pre Provision Profit	52,769	60,417	60,570	62,831
Net profit	17,181	24,288	27,293	30,688
Consensus NP	—	25,605	27,927	33,478
Diff frm cons (%)	—	*(5.1)*	*(2.3)*	*(8.3)*
Norm profit	17,181	24,288	27,293	30,688
Prev. Norm profit	—	16,863	18,163	23,044
Chg frm prev (%)	—	*44.0*	*50.3*	*33.2*
Norm EPS (Bt)	9.0	12.7	14.3	16.1
Norm EPS grw (%)	(52.0)	41.4	12.4	12.4
Norm PE (x)	13.2	9.3	8.3	7.4
P/BV (x)	0.5	0.5	0.5	0.4
Div yield (%)	2.1	3.0	3.4	4.1
ROE (%)	3.9	5.3	5.7	6.2
ROA (%)	0.5	0.6	0.6	0.7

Sources: Company data, Bloomberg, Thanachart estimates

Ex 49: KBANK – BUY, Price Bt135.00, TP Bt160.00

Y/E Dec (Bt m)	2020A	2021F	2022F	2023F
Pre Provision Profit	85,088	93,373	98,064	100,186
Net profit	29,487	35,005	38,708	40,452
Consensus NP	—	33,428	37,026	43,003
Diff frm cons (%)	—	*4.7*	*4.5*	*(5.9)*
Norm profit	29,487	35,005	38,708	40,452
Prev. Norm profit	—	30,430	30,388	38,989
Chg frm prev (%)	—	*15.0*	*27.4*	*3.8*
Norm EPS (Bt)	12.3	14.6	16.2	16.9
Norm EPS grw (%)	(23.9)	18.7	10.6	4.5
Norm PE (x)	11.0	9.2	8.3	8.0
P/BV (x)	0.7	0.7	0.6	0.6
Div yield (%)	1.9	2.2	2.4	5.0
ROE (%)	7.0	7.7	8.0	7.8
ROA (%)	0.8	0.9	1.0	1.0

Sources: Company data, Bloomberg, Thanachart estimates

Ex 50: KKP – BUY, Price Bt55.25, TP Bt70.00

Y/E Dec (Bt m)	2020A	2021F	2022F	2023F
Pre Provision Profit	10,581	11,558	12,110	12,851
Net profit	5,123	5,485	6,323	7,314
Consensus NP	—	5,558	6,150	6,851
Diff frm cons (%)	—	*(1.3)*	*2.8*	*6.7*
Norm profit	5,123	5,485	6,323	7,314
Prev. Norm profit	—	5,552	5,751	7,178
Chg frm prev (%)	—	*(1.2)*	*9.9*	*1.9*
Norm EPS (Bt)	6.1	6.5	7.5	8.6
Norm EPS grw (%)	(14.4)	7.1	15.3	15.7
Norm PE (x)	9.1	8.5	7.4	6.4
P/BV (x)	1.0	0.9	0.9	0.8
Div yield (%)	4.1	4.3	5.0	7.8
ROE (%)	11.3	11.4	12.1	13.0
ROA (%)	1.5	1.5	1.6	1.7

Sources: Company data, Bloomberg, Thanachart estimates

Ex 51: KTB – BUY, Price Bt11.40, TP Bt15.00

Y/E Dec (Bt m)	2020A	2021F	2022F	2023F
Pre Provision Profit	66,722	62,498	69,007	71,601
Net profit	16,732	22,563	28,436	31,921
Consensus NP	—	18,897	21,141	24,948
Diff frm cons (%)	—	*19.4*	*34.5*	*27.9*
Norm profit	16,732	22,563	28,436	31,921
Prev. Norm profit	—	16,386	15,955	19,175
Chg frm prev (%)	—	*37.7*	*78.2*	*66.5*
Norm EPS (Bt)	1.2	1.6	2.0	2.3
Norm EPS grw (%)	(42.9)	34.9	26.0	12.3
Norm PE (x)	9.5	7.1	5.6	5.0
P/BV (x)	0.5	0.4	0.4	0.4
Div yield (%)	2.4	3.3	4.1	7.0
ROE (%)	4.9	6.4	7.6	8.1
ROA (%)	0.5	0.7	0.8	0.8

Sources: Company data, Bloomberg, Thanachart estimates

Ex 52: SCB – BUY, Price Bt128.00, TP Bt150.00

Y/E Dec (Bt m)	2020A	2021F	2022F	2023F
Pre Provision Profit	80,516	80,888	85,240	86,582
Net profit	27,218	30,753	34,390	37,073
Consensus NP	—	33,379	36,623	44,071
Diff frm cons (%)	—	*(7.9)*	*(6.1)*	*(15.9)*
Norm profit	27,218	30,753	34,390	37,073
Prev. Norm profit	—	30,654	34,091	36,705
Chg frm prev (%)	—	*0.3*	*0.9*	*1.0*
Norm EPS (Bt)	8.0	9.1	10.1	10.9
Norm EPS grw (%)	(24.6)	13.0	11.8	7.8
Norm PE (x)	16.0	14.1	12.6	11.7
P/BV (x)	1.1	1.0	0.9	0.9
Div yield (%)	1.8	2.1	2.4	4.3
ROE (%)	6.7	7.3	7.7	7.8
ROA (%)	0.9	0.9	1.0	1.1

Sources: Company data, Bloomberg, Thanachart estimates

Ex 53: TISCO – BUY, Price Bt93.00, TP Bt110.00

Y/E Dec (Bt m)	2020A	2021F	2022F	2023F
Pre Provision Profit	10,894	10,825	10,314	10,676
Net profit	6,063	6,561	6,989	7,238
Consensus NP	—	6,567	6,964	7,502
Diff frm cons (%)	—	*(0.1)*	*0.4*	*(3.5)*
Norm profit	6,063	6,561	6,989	7,238
Prev. Norm profit	—	6,309	6,596	7,050
Chg frm prev (%)	—	*4.0*	*6.0*	*2.7*
Norm EPS (Bt)	7.6	8.2	8.7	9.0
Norm EPS grw (%)	(16.6)	8.2	6.5	3.6
Norm PE (x)	12.3	11.3	10.6	10.3
P/BV (x)	1.9	1.8	1.7	1.6
Div yield (%)	6.8	6.2	6.6	8.3
ROE (%)	15.4	16.3	16.5	16.3
ROA (%)	2.1	2.4	2.5	2.5

Sources: Company data, Bloomberg, Thanachart estimates

Ex 54: TTB – HOLD, Price Bt1.15, TP Bt1.10

Y/E Dec (Bt m)	2020A	2021F	2022F	2023F
Pre Provision Profit	36,806	34,099	37,077	37,618
Net profit	10,112	9,304	10,742	12,275
Consensus NP	—	10,173	12,845	15,773
Diff frm cons (%)	—	*(8.5)*	*(16.4)*	*(22.2)*
Norm profit	10,112	9,304	10,742	12,275
Prev. Norm profit	—	9,373	10,014	13,064
Chg frm prev (%)	—	*(0.7)*	*7.3*	*(6.0)*
Norm EPS (Bt)	0.1	0.1	0.1	0.1
Norm EPS grw (%)	(31.0)	(8.0)	15.5	14.3
Norm PE (x)	11.0	11.9	10.3	9.0
P/BV (x)	0.5	0.5	0.5	0.5
Div yield (%)	3.9	3.9	4.2	5.5
ROE (%)	5.1	4.5	5.0	5.6
ROA (%)	0.6	0.5	0.6	0.7

Sources: Company data, Bloomberg, Thanachart estimates

Valuation Comparison

Ex 55: Valuation Comparison With Regional Peers

Name	BBG Code	Country	EPS growth 21F (%)	EPS growth 22F (%)	PE 21F (x)	PE 22F (x)	P/BV 21F (x)	P/BV 22F (x)	ROE 21F (%)	ROE 22F (%)	Div. Yield 21F (%)	Div. Yield 22F (%)
BOC Hong Kong Holdings	2388 HK	Hong Kong	(2.9)	12.8	9.4	8.3	0.8	0.7	8.7	9.3	5.4	6.0
Bank of East Asia	23 HK	Hong Kong	75.3	1.4	7.2	7.1	0.3	0.3	4.4	4.6	7.8	6.3
China Citic Bank Corp	998 HK	Hong Kong	11.3	7.7	3.2	3.0	0.3	0.3	10.1	10.2	8.4	9.1
Hang Seng Bank	11 HK	Hong Kong	2.3	9.6	14.9	13.6	1.4	1.3	9.6	10.4	4.5	4.9
Industrial & Commercial Bk	1398 HK	Hong Kong	6.2	7.4	4.6	4.3	0.5	0.5	11.7	11.3	6.7	7.2
Axis Bank	AXSB IN	India	(6.2)	93.8	35.1	18.1	2.6	2.2	6.3	12.8	0.6	2.4
ICICI Bank	ICICIBC IN	India	15.9	(2.5)	23.1	23.7	na	na	14.1	13.8	0.5	0.6
State Bank of India	SBIN IN	India	(97.8)	63.7	18.1	11.0	1.6	1.4	8.7	13.0	0.7	1.2
Bank Central Asia	BBCA IJ	Indonesia	(78.2)	492.5	137.1	23.1	7.1	3.6	5.7	16.5	0.1	1.9
Bank Danamon	BDMN IJ	Indonesia	86.2	na	10.7	na	0.6	na	5.7	na	1.7	na
Bank Internasional	BNII IJ	Indonesia	77.2	na	1.5	na	0.2	na	13.2	na	34.5	na
Bank Mandiri	BMRI IJ	Indonesia	77.2	245.4	25.8	7.5	3.2	0.8	13.2	11.5	2.0	3.2
Bank Pan	PNBN IJ	Indonesia	77.2	245.4	3.2	0.9	0.4	0.1	13.2	11.5	15.8	26.0
Bank Rakyat	BBRI IJ	Indonesia	53.3	245.4	16.4	4.8	2.1	0.5	13.2	11.5	3.1	5.1
Bank Negara	BBNI IJ	Indonesia	176.9	61.7	10.4	6.4	0.8	0.7	8.1	11.5	2.0	3.7
CIMB Group Holdings	CIMB MK	Malaysia	284.6	15.1	10.4	9.0	0.8	0.8	8.2	8.6	4.3	5.0
Hong Leong Bank	HLBK MK	Malaysia	(1.0)	10.9	13.6	12.2	1.3	1.2	10.2	10.4	2.4	3.0
Malayan Banking	MAY MK	Malaysia	na	na	na	10.5	na	1.0	na	9.8	na	7.5
Public Bank	PBKF MK	Malaysia	(77.1)	11.8	na	na	na	na	11.4	12.1	na	na
Industrial Bank of Korea	024110 KS	S Korea	29.0	(0.5)	4.0	4.0	0.3	0.3	8.0	7.5	6.2	6.4
DBS Group Holdings	DBS SP	Singapore	41.1	3.7	11.5	11.0	1.4	1.3	12.1	12.1	3.9	4.5
Oversea-Chinese Banking	OCBC SP	Singapore	37.5	7.5	10.6	9.8	1.0	1.0	9.9	10.1	4.4	4.8
United Overseas Bank	UOB SP	Singapore	37.8	12.2	11.1	9.9	1.0	1.0	9.5	10.2	4.7	5.2
Bank of Ayudhya	BAY TB*	Thailand	3.4	3.5	10.4	10.1	0.8	0.7	7.9	7.6	2.6	2.5
Bangkok Bank	BBL TB*	Thailand	41.4	12.4	9.3	8.3	0.5	0.5	5.3	5.7	3.0	3.4
KASIKORNBANK	KBANK TB*	Thailand	18.7	10.6	9.2	8.3	0.7	0.6	7.7	8.0	3.3	3.6
Kiatnakin Bank	KKP TB*	Thailand	7.1	15.3	8.5	7.4	0.9	0.9	11.4	12.1	4.3	5.0
Krung Thai Bank	KTB TB*	Thailand	34.9	26.0	7.1	5.6	0.4	0.4	6.4	7.6	3.3	4.1
Siam Commercial Bank	SCB TB*	Thailand	13.0	11.8	14.1	12.6	1.0	0.9	7.3	7.7	2.1	2.4
Tisco Financial Group	TISCO TB*	Thailand	8.2	6.5	11.3	10.6	1.8	1.7	16.3	16.5	6.2	6.6
TMBThanachart Bank	TTB TB*	Thailand	(8.0)	15.5	11.9	10.3	0.5	0.5	4.5	5.0	3.9	4.2
Average			**31.5**	**58.8**	**16.0**	**9.7**	**1.2**	**0.9**	**9.4**	**10.3**	**5.1**	**5.2**

Source: Bloomberg

Note: * Thanachart estimates , using Thanachart normalized EPS

Based on 27 September 2021 closing prices

Note: Thanachart Capital Public Company Limited (TCAP), TMBThanachart Bank Public Company Limited (TTB), are related companies to Thanachart Securities Public Company Limited (TNS). Thanachart Securities Pcl is a subsidiary of Thanachart Capital Pcl (TCAP) which holds 20.1% of the shareholding in TMBThanachart Bank Pcl.

STOCK PERFORMANCE

	Absolute (%)				Rel SET (%)			
	1M	3M	12M	YTD	1M	3M	12M	YTD
SET Index	**0.5**	**2.6**	**28.3**	**11.8**	**—**	**—**	**—**	**—**
BANK Index	**9.2**	**13.0**	**52.8**	**16.8**	**8.6**	**10.4**	**24.5**	**5.0**
BAY	7.1	9.8	67.9	8.0	6.6	7.2	39.6	(3.8)
BBL	0.9	3.9	17.9	0.0	0.3	1.4	(10.4)	(11.8)
KBANK	9.8	13.4	69.8	19.5	9.2	10.9	41.5	7.7
KKP	(0.9)	0.0	46.4	6.8	(1.4)	(2.6)	18.1	(5.0)
KTB	1.8	7.5	26.0	2.7	1.2	5.0	(2.3)	(9.1)
SCB	21.3	29.9	90.3	46.3	20.8	27.4	62.1	34.5
TISCO	(1.1)	5.1	43.1	5.1	(1.6)	2.5	14.8	(6.7)
TTB	7.5	1.8	23.7	6.5	6.9	(0.8)	(4.6)	(5.3)

Source: Bloomberg

SECTOR - SWOT ANALYSIS

S — Strength

- Solid balance sheet
- Strong capital base

W — Weakness

- Shortage of high-caliber personnel
- Slow development of product innovations

O — Opportunity

- Fee-based income expansion
- Rising penetration in personal loans
- Overseas expansion

T — Threat

- World economic recession
- New accounting standards and regulations

REGIONAL COMPARISON

	EPS growth		PE		P/BV		ROE		Div. Yield	
Name	21F (%)	22F (%)	21F (x)	22F (x)	21F (x)	22F (x)	21F (x)	22F (x)	21F (%)	22F (%)
Hong Kong	18.4	7.8	7.9	7.3	0.7	0.6	8.9	9.2	6.6	6.7
India	(29.3)	51.6	25.4	17.6	2.1	1.8	9.7	13.2	0.0	1.4
Indonesia	67.1	258.1	29.3	8.5	2.0	1.2	10.3	12.5	8.5	na
Malaysia	68.8	12.6	12.0	10.6	1.1	1.0	9.9	10.2	3.3	5.2
S. Korea	29.0	(0.5)	4.0	4.0	0.3	0.3	8.0	7.5	6.2	6.4
Singapore	38.8	7.8	11.0	10.2	1.1	1.1	10.5	10.8	4.3	4.8
Thailand	14.8	12.7	10.2	9.2	0.8	0.8	8.3	8.8	3.6	4.0
Average	**29.7**	**50.0**	**14.3**	**9.6**	**1.2**	**1.0**	**9.4**	**10.3**	**4.6**	**4.7**
BAY	3.4	3.5	10.4	10.1	0.8	0.7	7.9	7.6	2.6	2.5
BBL	41.4	12.4	9.3	8.3	0.5	0.5	5.3	5.7	3.0	3.4
KBANK	18.7	10.6	9.2	8.3	0.7	0.6	7.7	8.0	3.3	3.6
KKP	7.1	15.3	8.5	7.4	0.9	0.9	11.4	12.1	4.3	5.0
KTB	34.9	26.0	7.1	5.6	0.4	0.4	6.4	7.6	3.3	4.1
SCB	13.0	11.8	14.1	12.6	1.0	0.9	7.3	7.7	2.1	2.4
TISCO	8.2	6.5	11.3	10.6	1.8	1.7	16.3	16.5	6.2	6.6
TTB	(8.0)	15.5	11.9	10.3	0.5	0.5	4.5	5.0	3.9	4.2
Average*	**14.8**	**12.7**	**10.2**	**9.2**	**0.8**	**0.8**	**8.3**	**8.8**	**3.6**	**4.0**

Sources: Bloomberg Consensus
Note: * Thanachart estimate – using normalized EPS
Based on 27 September 2021 closing prices

Thanachart Securities

HOLD (From: BUY)

Change in Recommendation

TP: Bt 34.00 (Unchanged)

Upside : 0.7%

28 SEPTEMBER 2021

Bank of Ayudhya Pcl (BAY TB)

Less enticing

In light of too much liquidity, losses in market share and lower yield from consumer loans, BAY is facing severe NIM pressure. Trading above the sector-average valuation with its subpar earnings growth, we downgrade BAY to HOLD from Buy.

SARACHADA SORNSONG
662 – 779 9106
sarachada.sor@thanachartsec.co.th

Downgrading to HOLD

We downgrade our recommendation on BAY to Hold with an unchanged DDM-based 12-month TP, using a 2022F base year, of Bt34. 1) BAY's exciting story has ended after it completed the divestment of Ngern Tod Lor (TIDLOR TB, BUY, Bt35.00) and realized sizable investment gains in 2Q21. The bank is satisfied with having a 30% stake in TIDLOR and has no plans to divest any consumer lending subsidiaries. 2) After suffering from prime rate cuts, falling consumer lending yield and excess liquidity, BAY's NIM has contracted sharply and is still far from the bottom in our view. 3) With its cautious underwriting for retail loans, loss of auto-HP customers to rivals and slow investments by Japanese-based corporates, BAY's loan growth is almost flat this year. We assume a loan growth recovery of 5-6% but only 3-4% profit growth in 2022-23F. Lastly, BAY's P/BV to ROE is 10% above the sector's together with its lower dividend yield of 0.7%.

NIM pressure

After being upgraded to D-SIBs, BAY has lowered its prime rates to be equal to big banks'. This along with falling ceiling interest rates for credit card and personal loans (10% of BAY's loans), led BAY's lending yield to fall from above 6% in 2018 to 5.7% in 2020 and 5.2% this year. Given the negative carry of BAY's assets/liabilities of captive Japanese-based corporates and loss of market share in auto-HP loans, BAY's NIM has eroded all the way from 3.4% in 2019 and 3.3% in 2020 to 2.9% this year.

Loan recovery looks factored in

BAY's loans portfolio is 50% commercial (corporate + SME) and 50% retail lending. With the lockdown being eased, the country reopening in the offing and the improving macro outlook, we expect BAY to enjoy a decent loan growth turnaround of 5-6% in 2021-23F. We also expect to see a good fee income recovery and improving cost efficiency over the next three years. Being offset by a sharp contraction in margin, we estimate BAY's earnings growth at only 3-4% over 2021-23F

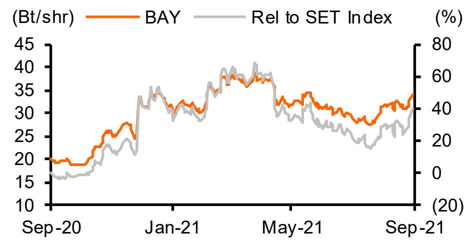
Solid balance sheet, a good cushion

BAY's balance sheet is one of the strongest under our coverage. The bank's portion of loans in relief plans was 11% as of 2Q20. NPL ratio is much lower than other big banks at just 2.5% this year, rising to 2.8% in 2022F and 3.1% in 2023F. Even with the bank's lower NPLs, BAY is maintaining its pre-emptive provisioning policy. Credit costs were at 1.8% in 2020, and down slightly to 1.7% in 1H21. Similar to other banks, we expect a falling credit costs trend for BAY. But loan-loss-coverage ratio could stay higher than the sector average of over 150%.

COMPANY VALUATION

Y/E Dec (Bt m)	2020A	2021F	2022F	2023F
Pre Provision Profit	63,999	60,027	61,885	63,151
Net profit	23,040	32,004	24,644	25,625
Consensus NP	—	30,700	25,128	27,872
Diff frm cons (%)	—	*4.2*	*(1.9)*	*(8.1)*
Norm profit	23,040	23,819	24,644	25,625
Prev. Norm profit	—	20,978	19,336	23,671
Chg frm prev (%)	—	*13.5*	*27.5*	*8.3*
Norm EPS (Bt)	3.1	3.2	3.4	3.5
Norm EPS grw (%)	(10.9)	3.4	3.5	4.0
Norm PE (x)	10.8	10.4	10.1	9.7
P/BV (x)	0.9	0.8	0.7	0.7
Div yield (%)	1.0	2.6	2.5	2.6
ROE (%)	8.3	7.9	7.6	7.5
ROA (%)	0.9	0.9	0.9	0.9

PRICE PERFORMANCE



COMPANY INFORMATION

Price: *as of* 27-Sep-21 (Bt)	33.75
Market Cap (US$ m)	7,408
Listed Shares (m shares)	7,355.8
Free Float (%)	23.1
Avg. Daily Turnover (US$ m)	1.1
12M Price H/L (Bt)	38.75/18.80
Sector	BANK
Major Shareholder	MUFG Bank 76.88%

Sources: Bloomberg, Company data, Thanachart estimates

Ex 1: 12-month DDM-based TP Calculation Using A Base Year Of 2022F

(Bt m)	2022F	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	Terminal Value
Dividend of common shares	6,281	6,284	7,636	11,376	14,609	19,302	27,906	34,150	37,532	41,257	47,059	47,059
Dividend of preferred shares	—	—	—	—	—	—	—	—	—	—	—	—
Dividend payment	6,281	6,284	7,636	11,376	14,609	19,302	27,906	34,150	37,532	41,257	47,059	480,582

Risk-free rate (%)	2.5
Market risk premium (%)	8.0
Beta	1.0
WACC (%)	11.0
Cost of equity	11.0
Terminal growth (%)	2.0
Equity value	249,897
No. of shares (m)	7,356
Equity value / share (Bt)	**34.00**

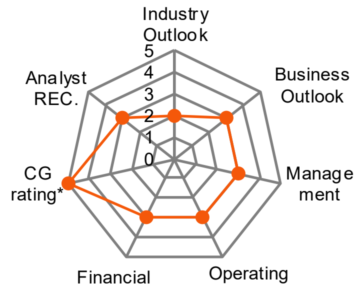
Sources: Company data, Thanachart estimates

COMPANY DESCRIPTION

Established on 27 January 1945, with initial registered capital of Bt1m, Bank of Ayudhya (BAY) officially opened for business on 1 April 1945. The bank was listed on the SET on 26 September 1977. As of March 2013, the bank had total registered capital of Bt71bn and Bt61bn in paid-up capital. After its strategic partnership with GE in 2007, BAY positioned itself and moved toward becoming a leading retail bank in Thailand. The bank was acquired by Bank of Tokyo Mitsubishi UFJ (BTMU) and integrated BTMU's Thailand operation in 2015. Total lending portfolio comprises 53% corporate and 47% SME and retail.

Source: Thanachart

COMPANY RATING



Rating Scale	
Excellent	**5**
Good	**4**
Fair	**3**
Weak	**2**
Very Weak	**1**
None	**0**

Source: Thanachart; *CG Rating

THANACHART'S SWOT ANALYSIS

S — Strength

- Extensive access to Japanese corporates
- Strong consumer lending franchise.
- Access to cheap funding via strong back up from BTMU
- Knowhow in product innovation.

W — Weakness

- High base of operating costs.
- Above-sector-average credit costs.
- Relatively low CASA portion.

O — Opportunity

- Digital/machine lending.
- M&As.

T — Threat

- Global economic recession.
- New accounting standards and regulations.

CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	34.71	34.00	-2%
Net profit 21F (Bt m)	30,700	32,004	4%
Net profit 22F (Bt m)	25,128	24,644	-2%
Consensus REC	**BUY: 5**	**HOLD: 3**	**SELL: 0**

HOW ARE WE DIFFERENT FROM THE STREET?

- We believe we are ahead of the Bloomberg consensus in factoring in manageable provisions. We think this is the reason why our earnings are higher for 2021F.

Sources: Bloomberg consensus, Thanachart estimates

RISKS TO OUR INVESTMENT CASE

- Slower economic momentum that would drag down consumption and, in turn, disrupt business activities more than we currently anticipate would present the key downside risk to our projections.
- In any circumstance that BAY would be able to improve NIM greater than we'd thought present upside risks to our earnings forecasts and TP.

Source: Thanachart

NIM under pressure

Loan growth looks set to improve next year

INCOME STATEMENT

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
Interest and Dividend Income	110,455	108,062	100,471	102,974	108,053
Interest Expenses	34,032	26,758	22,378	22,696	26,403
Net Interest Income	**76,423**	**81,304**	**78,092**	**80,278**	**81,650**
% of total income	68.5%	72.3%	71.3%	71.2%	70.5%
Gain on Investment	607	109	200	210	221
Fee Income	21,777	17,564	16,571	17,238	18,227
Gain on Exchange	4,350	4,112	4,300	4,343	4,386
Others	8,207	9,102	10,000	10,300	10,815
Non-interest Income	**35,151**	**31,160**	**31,471**	**32,511**	**34,090**
% of total income	31.5%	27.7%	28.7%	28.8%	29.5%
Total Income	**111,574**	**112,464**	**109,563**	**112,789**	**115,740**
Operating Expenses	52,169	48,465	49,536	50,904	52,589
Pre-provisioning Profit	**59,405**	**63,999**	**60,027**	**61,885**	**63,151**
Provisions	28,203	36,644	32,283	33,414	33,803
Pre-tax Profit	**31,202**	**27,355**	**27,744**	**28,471**	**29,348**
Income Tax	6,380	5,538	5,549	5,694	5,870
After Tax Profit	24,822	21,817	22,195	22,777	23,478
Equity Income	1,409	1,523	1,623	1,867	2,147
Minority Interest	(383)	(300)	0	0	0
Extraordinary Items	6,900	0	8,185	0	0
NET PROFIT	**32,749**	**23,040**	**32,004**	**24,644**	**25,625**
Normalized Profit	**25,849**	**23,040**	**23,819**	**24,644**	**25,625**
EPS (Bt)	4.5	3.1	4.4	3.4	3.5
Normalized EPS (Bt)	3.5	3.1	3.2	3.4	3.5

BALANCE SHEET

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
ASSETS:					
Liquid Items	**365,262**	**553,718**	**615,000**	**629,000**	**641,000**
cash & cash equivalents	33,830	30,333	30,000	30,000	30,000
interbank & money market	331,431	523,385	585,000	599,000	611,000
Securities under resale agreeme	0	0	0	0	0
Investments	130,292	176,465	184,870	193,680	202,916
Net loans	**1,754,976**	**1,765,623**	**1,768,024**	**1,856,780**	**1,956,035**
Gross and accrued interest	1,822,360	1,842,030	1,852,732	1,949,647	2,056,073
Provisions for doubtful	67,384	76,407	84,708	92,867	100,038
Fixed assets - net	32,530	34,562	33,133	31,703	29,350
Other assets	76,532	79,006	85,000	86,700	88,434
Total assets	**2,359,592**	**2,609,374**	**2,686,028**	**2,797,863**	**2,917,735**
LIABILITIES:					
Liquid Items	**1,822,808**	**2,083,682**	**2,127,237**	**2,219,752**	**2,319,391**
Deposit	1,566,885	1,834,505	1,890,937	1,978,468	2,073,003
Interbank & money market	252,121	243,570	232,000	236,640	241,373
Liability payable on demand	3,802	5,607	4,300	4,644	5,016
Borrowings	175,667	146,119	150,701	150,658	150,550
Other liabilities	89,001	90,394	91,394	92,394	93,394
Total liabilities	**2,087,476**	**2,320,195**	**2,369,332**	**2,462,804**	**2,563,335**
Minority interest	1,326	1,635	1,635	1,635	1,635
Shareholders' equity	**270,790**	**287,544**	**315,061**	**333,424**	**352,766**
Preferred capital	-	-	-	-	-
Paid-in capital	73,558	73,558	73,558	73,558	73,558
Share premium	52,879	52,879	52,879	52,879	52,879
Surplus/ Others	4,312	4,271	4,271	4,271	4,271
Retained earnings	140,041	156,836	184,352	202,716	222,057
Liabilities & equity	**2,359,592**	**2,609,374**	**2,686,028**	**2,797,863**	**2,917,735**

Sources: Company data, Thanachart estimates

VALUATION

Above the sector's mean

FY ending Dec	2019A	2020A	2021F	2022F	2023F
Normlized PE (x)	9.6	10.8	10.4	10.1	9.7
Normalized PE - at target price (x)	9.7	10.9	10.5	10.1	9.8
PE (x)	7.6	10.8	7.8	10.1	9.7
PE - at target price (x)	7.6	10.9	7.8	10.1	9.8
P/PPP (x)	4.2	3.9	4.1	4.0	3.9
P/PPP - at target price (x)	4.2	3.9	4.2	4.0	4.0
P/BV (x)	0.9	0.9	0.8	0.7	0.7
P/BV - at target price (x)	0.9	0.9	0.8	0.8	0.7
Dividend yield (%)	2.5	1.0	2.6	2.5	2.6
Market cap / net loans (x)	0.1	0.1	0.1	0.1	0.1
Market cap / deposit (x)	0.2	0.1	0.1	0.1	0.1
(Bt)					
Normalized EPS	3.5	3.1	3.2	3.4	3.5
EPS	4.5	3.1	4.4	3.4	3.5
DPS	0.9	0.4	0.9	0.8	0.9
PPP/Share	8.1	8.7	8.2	8.4	8.6
BV/Share	36.8	39.1	42.8	45.3	48.0

FINANCIAL RATIOS

Better cost control

FY ending Dec	2019A	2020A	2021F	2022F	2023F
Growth Rate (%)					
Net interest income (NII)	1.5	6.4	(4.0)	2.8	1.7
Non-interest income (Non-II)	3.8	(11.4)	1.0	3.3	4.9
Operating expenses	0.8	(7.1)	2.2	2.8	3.3
Pre-provisioning profit (PPP)	3.4	7.7	(6.2)	3.1	2.0
Net profit	32.0	(29.6)	38.9	(23.0)	4.0
Normalized profit growth	4.2	(10.9)	3.4	3.5	4.0
EPS	32.0	(29.6)	38.9	(23.0)	4.0
Normalized EPS	4.2	(10.9)	3.4	3.5	4.0
Dividend payout ratio	19.1	11.2	20.0	25.0	25.0
Loan - gross	8.7	0.8	0.6	5.3	5.5
Loan - net	8.7	0.6	0.1	5.0	5.3
Deposit	9.9	17.1	3.1	4.6	4.8
NPLs	7.5	10.5	15.0	15.0	5.0
Total assets	8.6	10.6	2.9	4.2	4.3
Total equity	11.6	6.2	9.6	5.8	5.8
Operating Ratios (%)					
Net interest margin (NIM)	3.4	3.3	2.9	2.9	2.9
Net interest spread	4.7	4.8	4.6	4.6	4.6
Yield on earnings assets	5.1	4.5	3.9	3.9	3.9
Avg cost of fund	1.8	1.3	1.0	1.0	1.1
NII / operating income	68.5	72.3	71.3	71.2	70.5
Non-II / operating income	31.5	27.7	28.7	28.8	29.5
Fee income / operating income	19.5	15.6	15.1	15.3	15.7
Normalized net margin	23.2	20.5	21.7	21.8	22.1
Cost-to-income	46.8	43.1	45.2	45.1	45.4
Credit cost - provision exp / loans	1.6	2.0	1.8	1.7	1.7
PPP / total assets	2.6	2.6	2.3	2.3	2.2
PPP / total equity	23.1	22.9	19.9	19.1	18.4
ROA	1.1	0.9	0.9	0.9	0.9
ROE	10.1	8.3	7.9	7.6	7.5

Sources: Company data, Thanachart estimates

Solid balance sheet

FINANCIAL RATIOS

FY ending Dec	2019A	2020A	2021F	2022F	2023F
Liquidity and Quality Ratio (%)					
Loan-to-deposit	116.0	99.9	97.6	98.2	98.8
Loan-to-deposit & S-T borrow ing	116.0	99.9	97.5	98.2	98.8
Net loan / assets	74.4	67.7	65.8	66.4	67.0
Net loan / equity	648.1	614.0	561.2	556.9	554.5
Investment / assets	5.5	6.8	6.9	6.9	7.0
Deposit / liabilities	75.1	79.1	79.8	80.3	80.9
Liabilities / equity	770.9	806.9	752.0	738.6	726.6
Net interbank lender (Bt m)	79,310	279,815	353,000	362,360	369,627
Tier 1 CAR	13.3	14.5	16.2	16.5	16.9
Tier 2 CAR	4.6	4.6	1.2	1.2	1.1
Total CAR	17.8	19.1	17.4	17.7	18.0
NPLs (Bt m)	41,334	45,672	52,523	60,401	63,421
NPLs / Total loans (NPL Ratio)	2.3	2.5	2.8	3.1	3.1
Loan-Loss-Coverage	163.0	167.3	161.3	153.8	157.7

Sources: Company data, Thanachart estimates

Thanachart Securities

BUY (Unchanged)

Change in Numbers

TP: Bt 150.00 (From: Bt 120.00)

Upside : 17.2%

28 SEPTEMBER 2021

Siam Commercial Bank (SCB TB)

The X factors

SARACHADA SORNSONG

662 – 779 9106

sarachada.sor@thanachartsec.co.th

We like SCB's reorganization plan to transform the bank into SCBˣ – a FinTech holding company. The move would unlock the bank's growth and value traps. In this report we show the value accretion from the spin-off growth pillars and derive a new SOTP-based TP of Bt150. BUY as our top sector pick.

A bold reorganization move

SCB's board has approved the set-up of SCBˣ as its parent, with SCB its 100%- held subsidiary. This would be done via a 1:1 share swap as SCB would be de-listed if it receives 90% shareholder approval at November's EGM. And SCBˣ will be the new listed entity. SCB would pay Bt70bn in one-off dividends to SCBˣ to settle the transfer of the consumer lending business and finance JV and venture capital investments of Bt50bn. The remaining Bt20bn would stay at SCBˣ for future investment and dividends. Post-reorganization, SCBˣ would comprise a cash cow bank, a conventional banking business and two growth pillars: 1) consumer finance and digital financial services; and 2) digital platform and technology services.

What are the key benefits?

We see the move unlocking both growth and value. *First,* the bank would be able to better utilize excess liquidity and allocate capital more efficiently. *Second,* the spun-off consumer lending businesses under many "X" subsidiaries and JVs would be well equipped with flexibility, agility and an entrepreneur-driven mindset. Growth potential would no longer be hindered by banking regulatory constraints. Therefore, they could raise penetration of blue ocean subprime lending and tap into unbanked customers, estimated at around 80% of the total population. This is not to mention plans to develop more partnerships and seek growth opportunities overseas. *Third*, we see clear value accretion of the two growth pillars via multiple re-ratings, IPOs and start-up unicorns.

New sum-of-the-parts TP of Bt150

We keep our earnings forecasts unchanged pending more details post-reorganization completion. In this report, we provide our detailed analysis of how we see profit and value creation from the two growth pillars. In summary, we see the reorganization lifting SCBˣ's profits by 3-10% and increasing ROE from 7% this year to 11% in 2026F. In our SOTP-based TP (previously DDM), we value the cash-cow conventional bank at Bt100 (down from Bt120 currently), the consumer finance and digital financial services at Bt40, and the digital platform and technology services at Bt10.

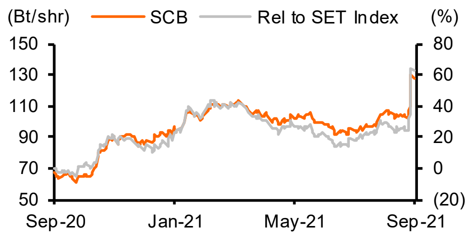
Upside to dividends

Given concerns over capital stability during the COVID crisis, the BoT has capped banks' dividend payout ratios. This led SCB's dividend payout ratio to fall to 29% in 2020 from 52% in 2019. The reorganization into a holding company would pave the way for SCBˣ to pay more dividends as there are no dividend caps at non-bank subsidiaries.

COMPANY VALUATION

Y/E Dec (Bt m)	2020A	2021F	2022F	2023F
Pre Provision Profit	80,516	80,888	85,240	86,582
Net profit	27,218	30,753	34,390	37,073
Consensus NP	—	33,379	36,623	44,071
Diff frm cons (%)	—	*(7.9)*	*(6.1)*	*(15.9)*
Norm profit	27,218	30,753	34,390	37,073
Prev. Norm profit	—	30,654	34,091	36,705
Chg frm prev (%)	—	*0.3*	*0.9*	*1.0*
Norm EPS (Bt)	8.0	9.1	10.1	10.9
Norm EPS grw (%)	(24.6)	13.0	11.8	7.8
Norm PE (x)	16.0	14.1	12.6	11.7
P/BV (x)	1.1	1.0	0.9	0.9
Div yield (%)	1.8	2.1	2.4	4.3
ROE (%)	6.7	7.3	7.7	7.8
ROA (%)	0.9	0.9	1.0	1.1

PRICE PERFORMANCE



COMPANY INFORMATION

Price: *as of* 27-Sep-21 (Bt)	128.00
Market Cap (US$ m)	12,970
Listed Shares (m shares)	3,395.6
Free Float (%)	76.6
Avg. Daily Turnover (US$ m)	46.2
12M Price H/L (Bt)	130.00/60.75
Sector	BANK
Major Shareholder	HM King Maha Vajiralongkorn Bodindradebayavarangkun 23.38%

Sources: Bloomberg, Company data, Thanachart estimates

A bold reorganization move in our view

We see the move unlocking the bank from its growth and value traps

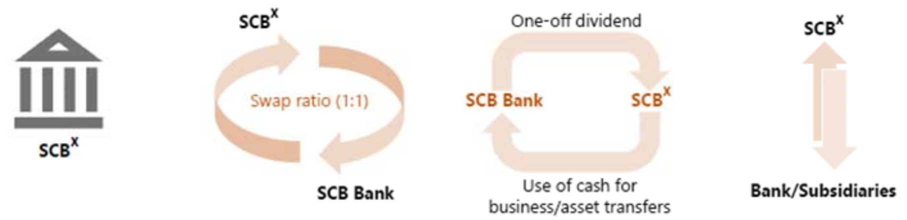
Siam Commercial Bank Pcl's (SCB) board has approved a reorganization plan to establish SCB^{X} as its parent company with the aspiration to be the most admired financial technology group in Asean. The "X" stands for "Exponential" and this also ties into our report title, *The X factors.*

Under the plan, SCB would become a 100%-held subsidiary of SCB^{X} via a one-to-one share swap. The bank would then be delisted and SCB^{X} would become the new listed entity. This would require 90% shareholder approval at the EGM scheduled for November 2021.

Then, SCB would pay Bt70bn of one-off dividends to SCB^{X} of which 70% of the proceeds, or around Bt50bn, would be used by SCB^{X} to acquire the unsecured lending businesses and selected companies under SCB. The remaining Bt20bn would be preserved for future investments and dividends.

Ex 1: Transformation Process

1) Initial setup	2) Share swaps	3) One-off dividend	4) Asset transfer



1) Initial setup	2) Share swaps	3) One-off dividend	4) Asset transfer
• Registered & Paid-up capital of Bt10,000	• SCB^{X} to increase registered capital to Bt34bn by a 1:1 share-for-share swap with SCB Bank • Conditional on a minimum 90% acceptance of the share swap[1/] • SCB Bank shares to be delisted/SCB^{X} the new listed entity	One-off dividend payment (Bt70bn) from SCB Bank to SCB^{X} for: • Business/asset transfers from SCB Bank to SCB^{X} • New investment • Future dividend payment to shareholders of SCB^{X}	• Business/assets transfer to SCB^{X} for investment in subsidiaries

Source: Company data

Note: [1/] vs. minimum legal requirement of 75%

Ex 2: Key Milestones For The Transaction

Indicative timeline	Key milestones
3Q21	Board approval on 22 September
4Q21	Shareholder approval at EGM on 15 November
	SEC filing (mid-November)
1Q22	Tender offer (January 2022)
	Listing of SCB^{X} / Delisting of SCB (February 2022)
2Q22	One-off dividend payment to SCB^{X}
	Business / asset transfer

Sources: Company data

Post-reorganization, SCB^{X} would comprise three business pillars:

Separating high-return growth businesses from low-return conventional banking platform

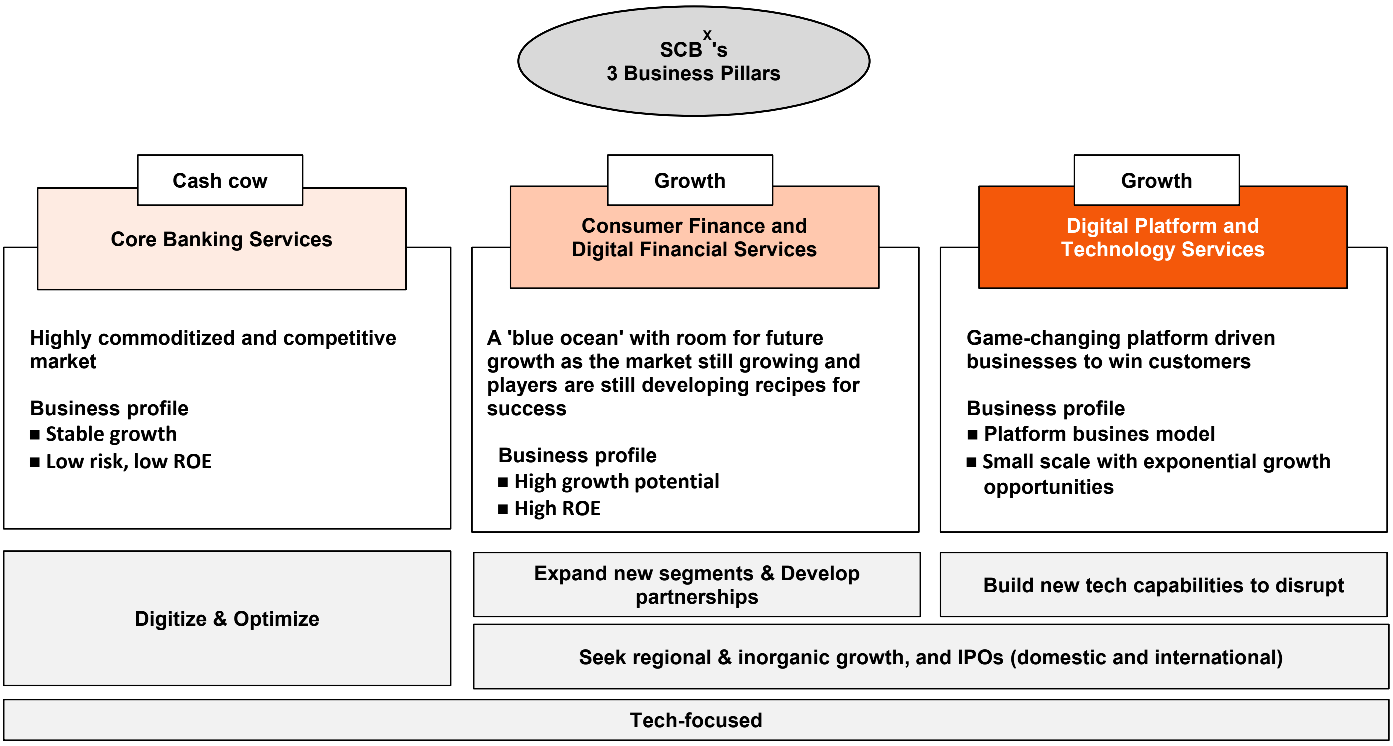
1st pillar: Cash-cow banking. The core conventional banking business covers corporate, SME, housing and auto-hire purchase lending. This is together with the bancassurance, mutual fund and wealth-management businesses and also the digital banking platform under SCB Easy. This is a highly commoditized and competitive market with an organic growth outlook and a low return.

2nd pillar: The consumer finance and digital financial services. This is a spin-off growth pillar focusing on high-yield consumer and digital loans as well as a digital asset business. Under this pillar, there would be Card X, Auto X, Alpha X, SCB Securities (SCBS) and its latest joint venture with Advanced Info Services Pcl (ADVANC TB, BUY, Bt195.50), AISCB. Of the X subsidiaries, CARD X and SCBS are well-established companies under the bank's umbrella. Auto X is a newly set-up company offering title loan services. Meanwhile, Alpha X is also a 50:50 JV with Millennium Group Corporation to offer hire-purchase and financial leasing for luxury car brands.

3rd pillar: Digital platform and technology services. Most of the companies under this pillar were originated by and invested in by SCB 10X, the bank's venture capital investment arms. This pillar would focus on building the platform's business model and equipping the group with new tech capabilities to avoid decentralized finance threats.

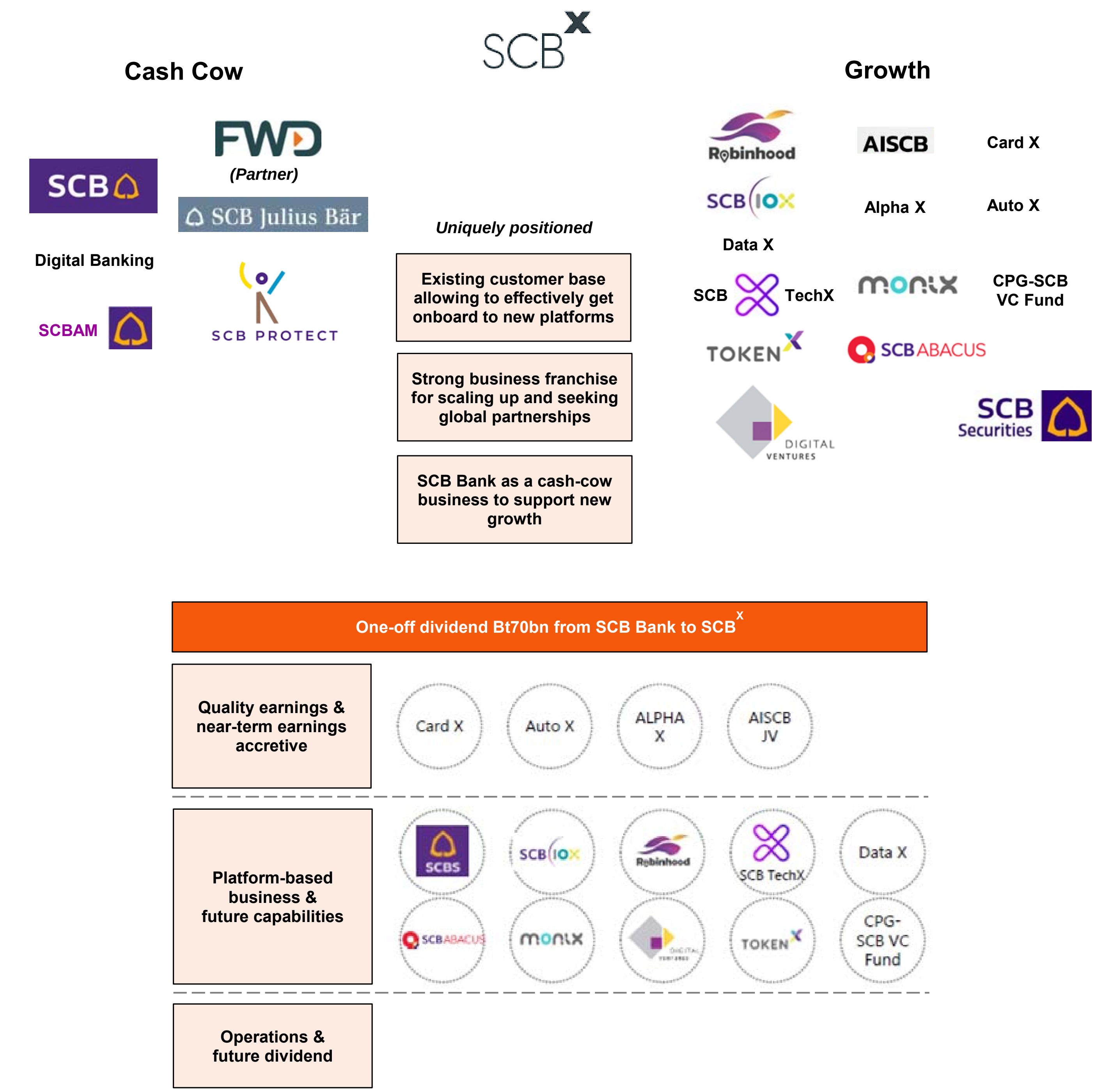
A newly set-up company under SCB 10X is Token X which is in process of applying for a digital asset license. It also announced a 50:50 JV with Charoen Pokphand Group (CPG) to set up another venture capital fund, CPG-SCB, with a total investment size of US$400m-600m, i.e. US$100m each from SCB^{X} and CPG and the rest to be funds raised from limited partners.

Ex 3: Three Business Pillars



Source: Company data

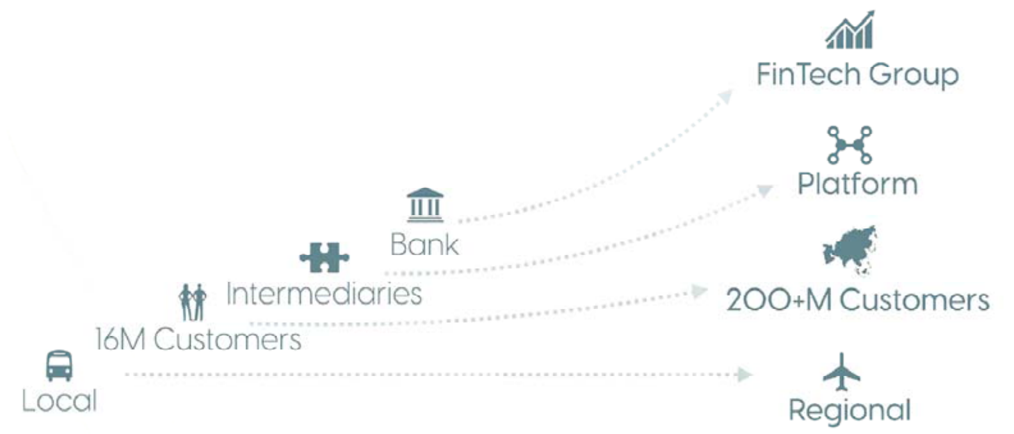
Ex 4: Cash Cow And New Growth Subsidiaries and Portfolios



Source: Company data

SCBX expects the reorganization to unlock growth potential and create value. The group's five-year aspirations are to become a regional player, enlarge its customer base from 16m to 200m, change from playing roles as intermediaries to becoming a platform, and transform the bank into a FinTech group. As for financial targets, SCBX aims to expand the 10% profit contribution of the two growth pillars to one-third in five years. It is also looking to have more than a Bt1trn market cap via unlocking subsidiaries' values through IPOs and start-up unicorns.

Ex 5: Five-year Vision



Source: Company data

What are the key benefits?

Reorganization to enhance return of banking entity…

…and unlock growth potential and value of the consumer lending business

We like the move as we see it as a good springboard for growth and value. We see the following three layers of benefits:

1) The move should allow the bank to better utilize excess liquidity and to allocate capital more efficiently. The one-off dividend payment from the bank is 17% of total equity and around 2% of its Tier I ratio. Some 70% of Bt70bn would be returned to the bank to settle the acquisition of unsecured lending businesses and selected companies. The net equity deduction would be Bt20bn at the bank level. This is 5% of the bank's total equity. Meanwhile, the leftover Bt20bn that remains at SCB^{X} would be further utilized to generate higher ROE either via investments in sunrise businesses or dividend payments. Post-reorganization, the cash cow bank's focuses would be to pursue digital transformation, ensure business optimization and manage capital more efficiently.

2) The spun-off consumer lending businesses under many "X" subsidiaries and JVs would be well equipped with flexibility, agility and an entrepreneurship-driven mindset. This would allow them to compete on the same level playing field as non-banks with the advantage of greater scale and lower cost of funds. Their growth potential would no longer be hindered by banking regulatory constraints. Therefore, they could raise their penetration of blue ocean subprime lending and tap into unbanked customers, estimated at around 80% of the total population, not to mention plans to develop more partnerships and seek growth opportunities overseas.

   The "X" subsidiaries and JVs are not new businesses for the bank. SCB is the leading player in the credit card business with Bt120bn of loans outstanding and a 13% market share. It also offers auto-title loans under "My car, My cash", with outstanding loans of Bt42bn, or 18% of auto-HP loans in 2020. As for digital lending, it started this under the SCB Easy application and through some startups under SCB 10X two years ago and had grown loans to Bt27bn as of 1H21. This accounts for 20% of the bank's unsecured lending. We discuss this in detail in the next section. As an executive summary here, we don't think SCB^{x} plans to start its business in the 2nd growth pillar from scratch. The group has been running most of the businesses before and we see the reorganization helping to expand the market to unlock its growth potential.

3) We see clear value accretion of the two growth pillars via multiple re-ratings, IPOs and start-up unicorns. Compared to the banking sector's P/BV and PE multiples of 0.7x and 9x, non-bank consumer finance companies are trading at much higher multiples. We foresee an immediate multiple re-rating of the 2nd growth pillar with potential IPOs over three to five years for the "X" consumer lending subsidiaries and AISCB.

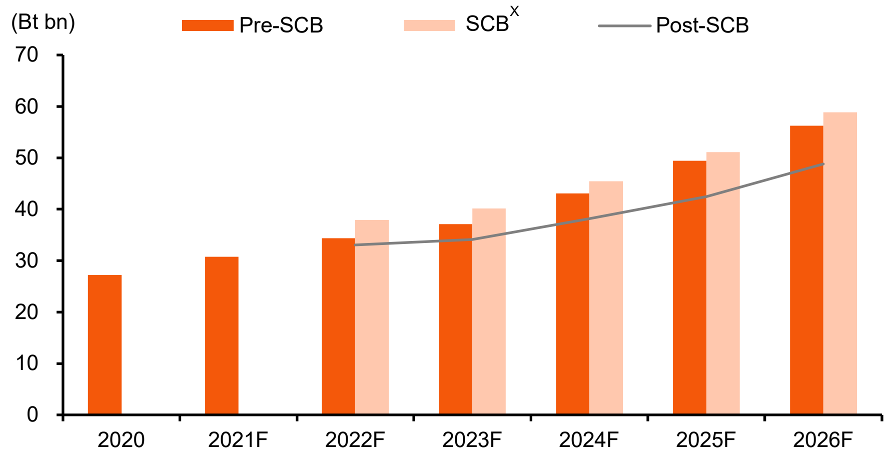
   As for the 3rd pillar of digital platform and technology services, they are start-ups and portfolio investments. They are unlikely to be earnings accretive over the near term. But we see them as a platform for future revenues and value enhancement as they become unicorns.

New sum-of-the-parts TP of Bt150

Bt50 value accretion from two growth pillars

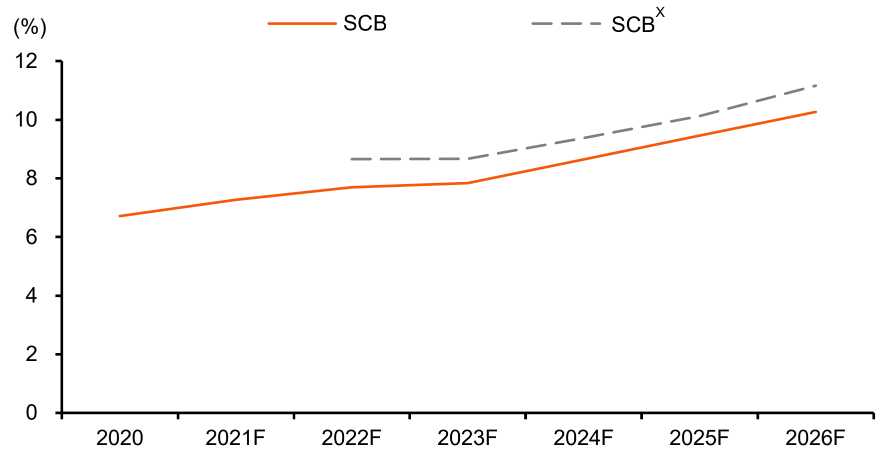
We keep our earnings forecasts unchanged pending more details post-reorganization completion. However, we provide our detailed analysis of how we foresee profit and value creation by the two growth pillars below. In summary, we see the reorganization lifting the profits of SCB^{X} by 3-10% and increasing ROE from 7% this year to 11% in 2026F.

Ex 6: Pre Vs. Post-Reorganization Profits Over The Next Five Years



Sources: Company data, Thanachart estimates

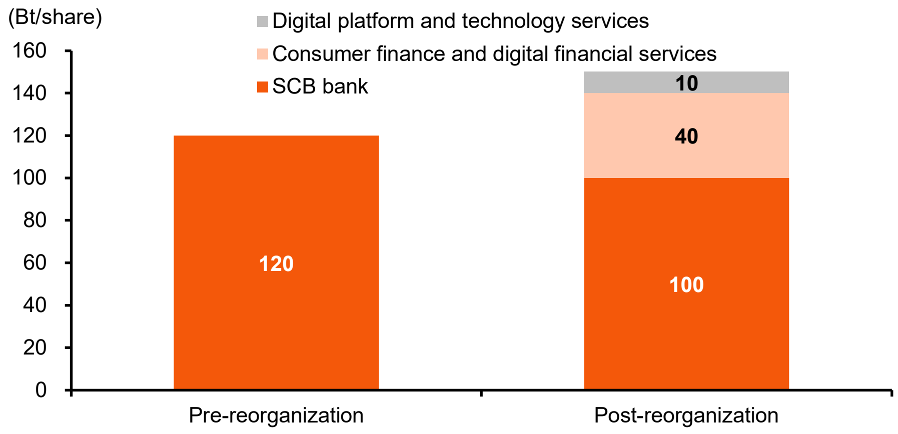
Ex 7: ROE Lifted



Sources: Company data, Thanachart estimates

In a nutshell, we value the cash-cow conventional bank at Bt100 (down from Bt120 currently), consumer finance and digital financial services at Bt40, and the digital platform and technology services at Bt10. The lower value of the bank reflects the spin-off of the unsecured consumer lending, securities business and portfolio companies. We also expect the bank to be the cost center, with rights over fixed assets and taking care of IT technology investments.

Ex 8: Clear Value Accretion Post-reorganization



Sources: Company data, Thanachart estimates

We see greater value accretion from the 2nd growth pillar. As discussed earlier, we don't foresee the group starting the business from scratch. We derive a Bt40 value for consumer finance and digital financial services through our five-year asset growth and profit generation model for each "X" subsidiary and JV as follows:

1. Card X

The candidate most ready for an IPO, in our view

From being the unsecured lending business unit in the bank, CARD X would act as SCBX's non-bank consumer lending subsidiary offering the simplest and most accessible services to all clientele segments. Pre-organization, SCB's credit card unit is of the largest consumer loan providers with Bt120bn of loans outstanding and a 13% market share. It has around 2.7m credit cards and 3.7m loan accounts. This is much larger than Krungthai Card Pcl (KTC TB, SELL, Bt58.00) with a Bt90bn loan book, 2.6m credit cards and less than 1m loan accounts as of 2020. However, looking at SCB's credit card revolving loan yield of 13% vs. KTC's 16%, we believe SCB has yet to penetrate the low-end market much and has a much lower proportion of revolving credit card loans.

As an independent company solely focused on the unsecured consumer loans business, CARD X would be well equipped with agility and speed. We believe it would expand into the mass/lower segment with new risk appetite. CARD X's business model would be different from previously as one of the bank's subsidiaries. New business models using innovation and technology capability to lower costs would allow it to compete better in the mass smaller-ticket market. Exhibit 9 below shows our asset growth and earnings forecasts for CARD X over the next five years.

Ex 9: Card X's Profit Generation

Card X	2022F	2023F	2024F	2025F	2026F
Loans outstanding (Bt m)	124,200.00	134,136.00	144,866.88	156,456.23	168,972.73
Total income (Bt m)	17,023.24	18,772.60	20,692.92	22,800.33	25,112.50
Operating expenses (Bt m)	5,106.97	5,537.92	6,000.95	6,498.10	7,031.50
Net profits (Bt m)	3,571.41	4,149.22	4,799.97	5,531.89	6,354.11
Net spread (%)	12.16	12.46	12.76	13.06	13.36
Credit costs (%)	6.00	6.00	6.00	6.00	6.00

Source: Thanachart estimates

We see CARD X as being the candidate that is most ready for an IPO. Loans are sizable to carry out a listing. Yield and cost structure to us are areas where CARD X needs to improve and beef up post-reorganization. These are not tough tasks in our view and should be achievable with CARD X's asset-light business model, cost-sharing structure with the cash-cow bank and funding cost advantage. SCB^{x} is looking to enhance the ROA and ROE of CARD X to 5% and 20% respectively over the next three to five years.

2. Auto X

Stepping into the sunrise title loan industry

This is a newly set-up company looking to offer title loans in 1Q22. SCB's "My car, My cash" program will remain under the bank. And we believe the reason for it setting up Auto X is that it aims to expand into Ngern Tid Lor Pcl (TIDLOR, BUY, Bt35.00) and eventually to Srisawad Corp (SAWAD TB, BUY, Bt63.50) and Muangthai Capital Pcl's (MTC TB, BUY, Bt58.25) markets. Title loans have been growing very quickly and have generated high returns despite intensifying pricing competition. With the country's 40m registered vehicle backlog and around 1m new car sales domestically every year, title loans are structurally a sunrise industry. We see plenty of market growth potential with room to expand loan volume for many years to come.

We expect Auto X to use omni distribution channels, similar to TIDLOR. Positioning in the group as a tech-driven firm, we don't expect Auto X to aggressively expand branches to play catch up with SAWAD and MTC. That being said, it could take at least three years for Auto X to scale up its loan book. But we see a good chance of Auto X emerging as a major title loan market player given strong funding and infrastructure support from the group.

Ex 10: Auto X's Profit Generation

Auto X	2022F	2023F	2024F	2025F	2026F
Loans outstanding (Bt m)	2,000.00	6,000.00	12,000.00	20,000.00	24,000.00
Total income (Bt m)	132.42	646.26	1,349.09	2,385.05	3,244.44
Operating expenses (Bt m)	39.73	190.65	391.24	679.74	908.44
Net profits (Bt m)	58.16	316.49	670.28	1,204.25	1,676.80
Net spread (%)	15.66	14.66	13.66	13.66	13.66
Credit costs (%)	1.00	1.00	1.00	1.00	1.00

Source: Thanachart estimates

3. Alpha X

Partnership with MGC, the leader in the automotive retail business

Alpha X is a 50:50 JV of SCB^{X} with Millennium Group Corporation (MGC) to offer hire-purchase services for the luxury and premium segments. MGC is the leader in the automotive retail business. MGC's main business is authorized car dealers covering luxury segments such as Rolls-Royce, Aston Martin and Maserati, premium brands like BMW, BMW Motorrad and Mini and premium mass brands such as Peugeot. It also has used-car showrooms, and offers car rental and insurance services. MGC has 21 locations with 66 showrooms, 37 service centers, and 29 car rental booths in Thailand and eight in Laos and Malaysia. MGC targets to boost revenues by over 10% to reach Bt23bn this year.

MGC's main car sales are from BMW where it shares a 35-40% market share of around 10,000-11,000 sales each year. The luxury auto-HP is a lucrative market with competitive pricing but very solid asset quality. Sales in this segment are not highly linked to the state of the economy as it focuses on the top-end customer segment. We see Alpha X as partly overlapping with Ratchthani Leasing (THANI TB, BUY, Bt4.06), around 15% of whose loan book is from the luxury car segment. But THANI is geared more toward supercars than luxury brands. Having established a strong footprint in the wealth business with its partnership with Julius Baer, we see SCB Bank having an edge and good synergistic benefits to this company. Our profit forecasts below mainly focus on the HP loans of BMW sales. So, we leave Alpha X's ability to grow other brands as potential upside.

Ex 11: Alpha X's Profit Generation

Alpha X	2022F	2023F	2024F	2025F	2026F
Loans outstanding (Bt m)	8,147.25	9,269.96	10,545.36	11,993.97	13,639.09
Total income (Bt m)	264.48	590.92	672.26	764.66	869.59
Operating expenses (Bt m)	79.34	174.32	194.96	217.93	243.49
Net profits (Bt m)	115.52	296.20	339.66	389.41	446.33
Net spread (%)	4.66	4.66	4.66	4.66	4.66
Credit costs (%)	0.50	0.50	0.50	0.50	0.50

Source: Thanachart estimates

4. AISCB

A collaboration of two leaders in banking and telecommunication industries

Another JV of SCB^{X} is to partner 50:50 with Advanced Info Service (ADVANC) to offer digital lending and insurance brokerage sales. This is similar to KBANK and Line BK. AISCB's paid-up capital is Bt600m but the JV is looking to grow loans to Bt10bn-15bn in two years and probably list in 2024-25.

Compared to KBANK's JV with Line BK that started in October last year and which has loans outstanding of Bt9bn, we see AISCB's target as not too challenging. This is given ADVANC's 40m-plus subscriber base and SCB^{X}'s 16m combined digital users.

KBANK-Line BK's customers stand at around 1.5m presently with the loan ticket size ranging from Bt8,000-20,000. So, if we assume an average loan size of Bt8,000, AISCB needs to penetrate just 3-6% of ADVANC's customer base in order to grow loans to its target of Bt10bn-15bn in two years. Despite being a newly set-up firm, we also see good value-unlocking potential from AISCB.

Ex 12: AISCB's Profit Generation

AISCB	2022F	2023F	2024F	2025F	2026F
Loans outstanding (Bt m)	4,102.73	9,556.10	12,759.25	15,561.67	18,758.34
Total income (Bt m)	287.04	1,157.93	1,778.94	2,174.26	2,547.03
Operating expenses (Bt m)	86.11	347.38	533.68	652.28	764.11
Net profits (Bt m)	141.05	602.57	934.96	1,142.89	1,336.30
Net spread (%)	14.66	14.16	13.66	13.16	12.66
Credit costs (%)	0.60	0.60	0.60	0.60	0.60

Source: Thanachart estimates

5. SCB Securities (SCBS)

Highly profitable company in growing capital market with digital asset opportunities

SCBS is one of the top three brokers in term of revenue growth and net profit margin, due to its digital-first strategy. It has also captured a 50% share of new customer sign-ups through its digital platform, with more than 500,000 digital customers as at 1H21. It is also the first traditional broker financial institution to venture into the digital assets (DA) space for its DA broker, exchange, and ICO portal businesses.

In light of heavy excess liquidity, capital market growth remains strong despite COVID-19. Average daily trading volume grew 36% last year and we expect it to grow by another 40%, 30% and 25% over 2021-23F. SCBS ranked No.11 and has a 3.57% market share YTD. It is growing fee service income from 21% last year to 25% of total income in 1H21. SCBS is a highly profitable company with more than a 20% ROE.

SCBS sees digital assets as emerging new business opportunities. We believe the company aims to be a pioneer in this business, leveraging on SCB 10X which has global access to tech and digital asset ecosystem in both Centralized Finance (CeFi) and Decentralized Finance (DeFi). Note that SCB 10 X recently established a new subsidiary, Token X, which is waiting to receive a digital asset license from the Bank of Thailand (BoT).

Digital assets is a very fast-growing business. The two most common blockchain-based digital assets are cryptocurrencies and tokens. From US$7bn in 2016, the digital asset market cap has risen to US$2trn now. This is a 300-fold growth rate over five years. As for Thailand, digital asset accounts number around 1.4m with a trading value of Bt200bn in May 2021. The initial coin offering (ICO) market, i.e., security tokens and Investment tokens is less robust. Nevertheless, it is clear that blockchain technology is going to disrupt the banking business. And SCB^{x} is looking to mitigate the disruption impact via moving into the digital asset business through SCBS and SCB 10X.

We see good growth potential for SCBS's move and direction. However, we leave digital asset contribution as potential upside. We foresee continued robust growth in trading volume given the prolonged low interest rate cycle, plenty of excess liquidity and the growing wealth of the mid-income segment. We factor in declining commission rates as the sector will be more digital driven. Exhibit 13 below show our earnings forecasts for SCBS.

Ex 13: SCBS's Profits Contribution

SCBS	2022F	2023F	2024F	2025F	2026F
Total trading volume (Bt m)	1,901,341.87	1,901,341.87	1,901,341.87	1,901,341.87	1,901,341.87
Brokerage market share (%)	3.50	3.50	3.50	3.50	3.50
Total income (Bt m)	3,918.65	3,935.34	4,022.03	4,115.72	4,217.11
Operating expenses (Bt m)	2,549.53	2,521.21	2,593.22	2,669.43	2,750.27
Net profits (Bt m)	1,095.30	1,131.31	1,143.05	1,157.03	1,173.48

Source: Company data

Bt40 per share from the consumer finance and digital financial services

Putting these "X" subsidiaries and JVs in perspective, we estimate profit contribution from the 2nd growth pillar of Bt4.8bn-10bn over 2022-26F. We value each business using PE multiple methodology. Each business is assigned different multiples based on its growth prospects and the current valuation of relevant peers. Since some companies have been set up recently, we look over a five-year horizon to arrive at their intrinsic values and then use a 10% discount rate to derive a value for a 2022F base year. In sum, we value the consumer finance and digital financial services (2nd growth pillar) at Bt40 per SCB^{X} share.

Ex 14: Total Profits Contribution Of The 2nd Growth Pillar

Profits contribution to SCB^{x}	% ownership	2022F	2023F	2024F	2025F	2026F
CARDX	100%	3,571.41	4,149.22	4,799.97	5,531.89	6,354.11
AUTOX	100%	58.16	316.49	670.28	1,204.25	1,676.80
ALPHAX	50%	57.76	148.10	169.83	194.70	223.16
AISCB	50%	70.52	301.29	467.48	571.45	668.15
SCBS	100%	1,095.30	1,131.31	1,143.05	1,157.03	1,173.48
Total profits contribution		**4,853.15**	**6,046.41**	**7,250.61**	**8,659.32**	**10,095.70**

Source: Company data

Bt10 per share from the digital platform and technology services

To us, the 3rd pillar, digital platform and technology services, is portfolio investment. Given that most investments are pouring into startups, we don't expect near-term earnings contributions but more value accretion as they become unicorns. Nevertheless, SCB 10X's track record is pretty impressive in our view. The portfolio size is US$400m currently. Out of its 40 investments, six have become unicorns. They are Pagaya, BlockFi, Ripple, Traveloka, Gojek and Flash express. And SCB realized some investment gains on new financing rounds over the past quarters. We conservatively derive a value for this portfolio investment using SCB 10X investment budget plus the 50% stake in the newly set-up VC with CPG worth US$600m with our expected investment return assumption of 20%. We arrive at a 3rd pillar value of Bt10 per SCB^{X} share.

Ex 15: Our SOTP TP Using A Base Year Of 2022F

Subsidiaries and JVs	% ownership	Intrinsic value (Bt m)	Holding value for SCBX (Bt m)	Remarks
1. Cash cow: SCB Bank	100%	339,289.29	339,289.29	DDM approach at a cost of equity of 12%
2. Consumer finance and digital financial services		153,680.90	137,703.89	Using a PE approach on 2026F earnings and PV at a 10% discount rate
- Card X	100%	86,798.87	86,798.87	Applying a 20x PE and following the above methodology
- Auto X	100%	22,905.52	22,905.52	Applying a 20x PE and following the above methodology
- Alpha X	50%	4,572.72	2,286.36	Applying a 15x PE and following the above methodology
- AISCB	50%	27,381.29	13,690.64	Applying a 30x PE and following the above methodology
- SCBS	100%	12,022.50	12,022.50	Applying a 15x PE and following the above methodology
3. Digital platform and technology services		47,760.00	35,880.00	Assuming a 20% return on investments
- SCB 10 X portfolio value	100%	24,000.00	24,000.00	Investment budget of Bt20bn
- VC fund with CPG	50%	23,760.00	11,880.00	A 50:50 JV to set up US$600m VC
Total value			512,873.18	
Number of shares			3,396.00	
Sum-of-the-parts TP			150.00	

Source: Thanachart estimates

Potential upside to dividends

Better structure to accommodate dividend payments

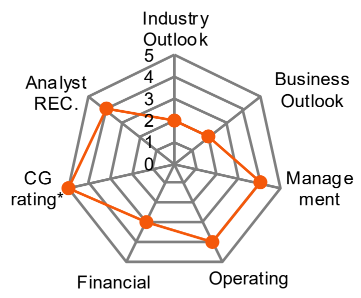
Given concerns over capital stability during the COVID crisis, the Bank of Thailand (BoT) capped banks' dividend payout ratios. The policy is that the payout ratio should not be higher than the level in 2019 and not exceed 50%. This is based on banks' standalone profits. This led SCB's dividend payout ratio to fall to 29% in 2020 from 52% in 2019 and the cap has remained in place this year. Given that the BoT has allowed the suspension of loan staging and a more lenient provisioning policy until 2023, it looks likely that the dividend cap policy will last until then too. The reorganization into a holding company would pave the way for SCB^{X} to pay more dividends as there are no dividend caps for non-bank subsidiaries.

COMPANY DESCRIPTION

Siam Commercial Bank (SCB) was Thailand's first home-grown bank, established in 1906 under Royal Charter and listed on the SET in 1976. As of 2017, the bank had, on a consolidated basis, Bt3,024bn in total assets and it was Thailand's second-largest commercial bank in terms of total assets. SCB provides a full range of financial services such as corporate and personal lending, retail and wholesale banking through its head office and extensive branch network.

Source: Thanachart

COMPANY RATING



Rating Scale	
Excellent	**5**
Good	**4**
Fair	**3**
Weak	**2**
Very Weak	**1**
None	**0**

Source: Thanachart; *CG Rating

THANACHART'S SWOT ANALYSIS

S — Strength

- Leading position in retail products.
- Strong deposit franchise.
- Healthy balance sheet.

W — Weakness

- High cost base after undergoing a major transformation program in 2017.
- Relatively high concentration risks.

O — Opportunity

- Increasing its exposure to unsecured, digital/machine lending.
- Wealth management
- Non-bank service fees.

T — Threat

- Digital disruption.
- Global economic recession.
- New accounting standards and regulations.

CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	123.65	150.00	21%
Net profit 21F (Bt m)	33,379	30,753	-8%
Net profit 22F (Bt m)	36,623	34,390	-6%
Consensus REC	**BUY: 23**	**HOLD: 2**	**SELL: 1**

HOW ARE WE DIFFERENT FROM THE STREET?

- Our earnings forecasts have yet to factor in the planned reorganization. We leave them unchanged pending more details post-transaction completion.
- Our TP is higher as we change to SOTP methodology to incorporate our estimate of the value accretion from the reorganization plan.

Sources: Bloomberg consensus, Thanachart estimates

RISKS TO OUR INVESTMENT CASE

- In the event that asset-quality risk is greater than we forecast, leading to higher-than-expected provisions, this would present the key downside risk to our earnings forecasts and TP.
- In any circumstances in which the bank cannot enjoy the benefits from its reorganization plan that we currently assume, this would also lead to downside to our TP.

Source: Thanachart

Provisions were at a peak in 2020

Better NPL management under new relief measures

INCOME STATEMENT

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
Interest and Dividend Income	135,025	118,371	110,998	114,149	118,257
Interest Expenses	35,624	21,472	17,030	17,097	21,505
Net Interest Income	**99,402**	**96,899**	**93,967**	**97,051**	**96,752**
% of total income	70.0%	66.9%	65.3%	65.1%	63.7%
Gain on Investment	5,383	1,703	100	100	100
Fee Income	29,670	36,586	39,931	42,779	45,831
Gain on Exchange	6,817	7,662	8,500	7,500	7,650
Others	145	1,840	1,300	1,339	1,379
Non-interest Income	**42,642**	**47,947**	**50,031**	**51,924**	**55,172**
% of total income	30.0%	33.1%	34.7%	34.9%	36.3%
Total Income	**142,043**	**144,846**	**143,998**	**148,976**	**151,924**
Operating Expenses	70,538	64,330	63,111	63,735	65,342
Pre-provisioning Profit	**71,505**	**80,516**	**80,888**	**85,240**	**86,582**
Provisions	27,111	46,649	42,696	42,521	40,514
Pre-tax Profit	**44,394**	**33,866**	**38,192**	**42,719**	**46,068**
Income Tax	8,518	6,794	7,638	8,544	9,214
After Tax Profit	35,876	27,072	30,553	34,175	36,854
Equity Income	31	(78)	0	0	0
Minority Interest	185	224	200	215	218
Extraordinary Items	4,343	0	0	0	0
NET PROFIT	**40,436**	**27,218**	**30,753**	**34,390**	**37,073**
Normalized Profit	**36,093**	**27,218**	**30,753**	**34,390**	**37,073**
EPS (Bt)	11.9	8.0	9.1	10.1	10.9
Normalized EPS (Bt)	10.6	8.0	9.1	10.1	10.9

BALANCE SHEET

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
ASSETS:					
Liquid Items	**481,125**	**599,136**	**601,000**	**658,000**	**706,000**
cash & cash equivalents	47,615	51,632	52,000	52,000	52,000
interbank & money market	433,510	547,504	549,000	606,000	654,000
Securities under resale agreeme	0	0	0	0	0
Investments	312,065	311,796	251,320	251,320	251,320
Net loans	**2,002,461**	**2,130,308**	**2,190,131**	**2,264,599**	**2,351,965**
Gross and accrued interest	2,116,733	2,269,750	2,343,105	2,435,797	2,538,355
Provisions for doubtful	114,272	139,442	152,974	171,197	186,390
Fixed assets - net	57,418	56,445	49,613	42,789	37,881
Other assets	110,677	180,699	182,000	183,820	185,658
Total assets	**2,963,746**	**3,278,384**	**3,274,065**	**3,400,529**	**3,532,825**
LIABILITIES:					
Liquid Items	**2,317,066**	**2,629,213**	**2,596,862**	**2,694,684**	**2,797,141**
Deposit	2,159,425	2,420,455	2,386,362	2,478,974	2,576,217
Interbank & money market	145,844	198,491	200,000	205,000	210,000
Liability payable on demand	11,796	10,267	10,500	10,710	10,924
Borrow ings	77,952	67,235	70,663	70,916	70,709
Other liabilities	167,882	170,106	172,000	175,440	178,949
Total liabilities	**2,562,900**	**2,866,554**	**2,839,525**	**2,941,040**	**3,046,798**
Minority interest	489	399	199	(16)	(234)
Shareholders' equity	**400,358**	**411,430**	**434,341**	**459,505**	**486,261**
Preferred capital	-	-	-	-	-
Paid-in capital	33,992	33,992	33,960	33,960	33,960
Share premium	11,124	11,124	11,124	11,124	11,124
Surplus/ Others	16,170	16,907	16,907	16,907	16,907
Retained earnings	339,072	349,407	372,349	397,514	424,269
Liabilities & equity	**2,963,746**	**3,278,384**	**3,274,065**	**3,400,529**	**3,532,825**

Sources: Company data, Thanachart estimates

We see the reorganization plan unlocking the bank from growth and value traps

VALUATION

FY ending Dec	2019A	2020A	2021F	2022F	2023F
Normlized PE (x)	12.0	16.0	14.1	12.6	11.7
Normalized PE - at target price (x)	14.1	18.7	16.6	14.8	13.7
PE (x)	10.8	16.0	14.1	12.6	11.7
PE - at target price (x)	12.6	18.7	16.6	14.8	13.7
P/PPP (x)	6.1	5.4	5.4	5.1	5.0
P/PPP - at target price (x)	7.1	6.3	6.3	6.0	5.9
P/BV (x)	1.1	1.1	1.0	0.9	0.9
P/BV - at target price (x)	1.3	1.2	1.2	1.1	1.0
Dividend yield (%)	4.9	1.8	2.1	2.4	4.3
Market cap / net loans (x)	0.2	0.2	0.2	0.2	0.2
Market cap / deposit (x)	0.2	0.2	0.2	0.2	0.2
(Bt)					
Normalized EPS	10.6	8.0	9.1	10.1	10.9
EPS	11.9	8.0	9.1	10.1	10.9
DPS	6.3	2.3	2.7	3.0	5.5
PPP/Share	21.1	23.7	23.8	25.1	25.5
BV/Share	117.9	121.2	127.9	135.3	143.2

Low interest rates to continue to pressure NIM

FINANCIAL RATIOS

FY ending Dec	2019A	2020A	2021F	2022F	2023F
Growth Rate (%)					
Net interest income (NII)	3.1	(2.5)	(3.0)	3.3	(0.3)
Non-interest income (Non-II)	2.0	12.4	4.3	3.8	6.3
Operating expenses	9.1	(8.8)	(1.9)	1.0	2.5
Pre-provisioning profit (PPP)	(2.8)	12.6	0.5	5.4	1.6
Net profit	0.9	(32.7)	13.0	11.8	7.8
Normalized profit growth	(9.9)	(24.6)	13.0	11.8	7.8
EPS	0.9	(32.7)	13.0	11.8	7.8
Normalized EPS	(9.9)	(24.6)	13.0	11.8	7.8
Dividend payout ratio	52.5	28.7	30.0	30.0	50.0
Loan - gross	(1.3)	6.7	3.5	4.1	4.2
Loan - net	(1.9)	6.4	2.8	3.4	3.9
Deposit	(0.0)	12.1	(1.4)	3.9	3.9
NPLs	21.1	19.1	12.0	15.0	4.0
Total assets	(7.0)	10.6	(0.1)	3.9	3.9
Total equity	5.3	2.8	5.6	5.8	5.8
Operating Ratios (%)					
Net interest margin (NIM)	3.2	3.1	2.9	2.9	2.8
Net interest spread	4.5	4.5	4.2	4.2	4.2
Yield on earnings assets	4.5	4.0	3.5	3.5	3.5
Avg cost of fund	1.5	0.8	0.6	0.6	0.8
NII / operating income	70.0	66.9	65.3	65.1	63.7
Non-II / operating income	30.0	33.1	34.7	34.9	36.3
Fee income / operating income	20.9	25.3	27.7	28.7	30.2
Normalized net margin	25.4	18.8	21.4	23.1	24.4
Cost-to-income	49.7	44.4	43.8	42.8	43.0
Credit cost - provision exp / loans	1.3	2.1	1.8	1.8	1.6
PPP / total assets	2.3	2.6	2.5	2.6	2.5
PPP / total equity	18.3	19.8	19.1	19.1	18.3
ROA	1.2	0.9	0.9	1.0	1.1
ROE	9.2	6.7	7.3	7.7	7.8

Sources: Company data, Thanachart estimates

Strong capital position

FINANCIAL RATIOS

FY ending Dec	2019A	2020A	2021F	2022F	2023F
Liquidity and Quality Ratio (%)					
Loan-to-deposit	97.9	93.2	97.8	98.0	98.3
Loan-to-deposit & S-T borrow ing	97.9	93.2	97.7	98.0	98.3
Net loan / assets	67.6	65.0	66.9	66.6	66.6
Net loan / equity	500.2	517.8	504.2	492.8	483.7
Investment / assets	10.5	9.5	7.7	7.4	7.1
Deposit / liabilities	84.3	84.4	84.0	84.3	84.6
Liabilities / equity	640.2	696.7	653.8	640.0	626.6
Net interbank lender (Bt m)	287,666	349,013	349,000	401,000	444,000
Tier 1 CAR	17.0	17.1	18.2	18.7	19.1
Tier 2 CAR	1.1	1.1	2.0	1.9	1.9
Total CAR	18.1	18.2	20.2	20.6	20.9
NPLs (Bt m)	85,212	101,462	113,637	130,683	135,910
NPLs / Total loans (NPL Ratio)	4.0	4.5	4.8	5.4	5.4
Loan-Loss-Coverage	134.1	137.4	134.6	131.0	137.1

Sources: Company data, Thanachart estimates

Bangkok Bank

INCOME STATEMENT

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
Interest and Dividend Income	112,565	112,524	112,205	117,191	122,319
Interest Expenses	41,494	35,477	31,169	32,839	36,762
Net Interest Income	**71,071**	**77,046**	**81,035**	**84,352**	**85,556**
% of total income	53.2%	64.9%	64.1%	65.6%	64.7%
Gain on Investment	19,765	2,512	1,000	1,000	1,000
Fee Income	28,505	24,711	27,963	29,641	31,419
Gain on Exchange	7,848	11,058	13,000	10,000	10,500
Others	2,696	1,376	1,400	1,462	1,526
Non-interest Income	**62,582**	**41,696**	**45,363**	**44,203**	**46,650**
% of total income	46.8%	35.1%	35.9%	34.4%	35.3%
Total Income	**133,653**	**118,743**	**126,398**	**128,555**	**132,207**
Operating Expenses	54,963	65,974	65,981	67,985	69,376
Pre-provisioning Profit	**78,690**	**52,769**	**60,417**	**60,570**	**62,831**
Provisions	32,351	31,196	30,000	26,000	24,000
Pre-tax Profit	**46,339**	**21,573**	**30,417**	**34,570**	**38,831**
Income Tax	10,219	4,014	5,779	6,914	7,766
After Tax Profit	36,120	17,559	24,638	27,656	31,065
Equity Income	93	(14)	100	100	100
Minority Interest	(397)	(364)	(450)	(464)	(477)
Extraordinary Items	0	0	0	0	0
NET PROFIT	**35,816**	**17,181**	**24,288**	**27,293**	**30,688**
Normalized Profit	**35,816**	**17,181**	**24,288**	**27,293**	**30,688**
EPS (Bt)	18.8	9.0	12.7	14.3	16.1
Normalized EPS (Bt)	18.8	9.0	12.7	14.3	16.1

BALANCE SHEET

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
ASSETS:					
Liquid Items	**530,439**	**592,922**	**859,000**	**913,000**	**961,000**
cash & cash equivalents	58,090	73,886	65,000	65,000	65,000
interbank & money market	472,349	519,036	794,000	848,000	896,000
Securities under resale agreeme	0	0	0	0	0
Investments	649,434	759,394	759,394	782,148	805,585
Net loans	**1,891,046**	**2,189,102**	**2,242,321**	**2,343,126**	**2,460,823**
Gross and accrued interest	2,065,322	2,374,669	2,455,443	2,569,431	2,694,996
Provisions for doubtful	174,276	185,567	213,122	226,304	234,172
Fixed assets - net	50,117	74,804	73,956	72,942	70,425
Other assets	95,706	206,738	200,000	201,000	202,000
Total assets	**3,216,743**	**3,822,960**	**4,134,670**	**4,312,216**	**4,499,833**
LIABILITIES:					
Liquid Items	**2,510,662**	**3,037,269**	**3,328,856**	**3,484,926**	**3,648,694**
Deposit	2,370,792	2,810,863	3,067,756	3,221,144	3,382,202
Interbank & money market	134,346	219,149	254,000	256,540	259,105
Liability payable on demand	5,523	7,257	7,100	7,242	7,387
Borrow ings	144,681	136,177	136,614	136,555	136,664
Other liabilities	133,284	199,267	200,000	201,000	202,000
Total liabilities	**2,788,627**	**3,372,713**	**3,665,471**	**3,822,481**	**3,987,358**
Minority interest	365	1,233	1,683	2,147	2,624
Shareholders' equity	**427,751**	**449,014**	**467,516**	**487,588**	**509,851**
Preferred capital	-	-	-	-	-
Paid-in capital	19,088	19,088	19,090	19,090	19,090
Share premium	56,346	56,346	56,346	56,346	56,346
Surplus/ Others	34,471	47,257	47,257	47,257	47,257
Retained earnings	317,845	326,322	344,823	364,895	387,158
Liabilities & equity	**3,216,743**	**3,822,960**	**4,134,670**	**4,312,216**	**4,499,833**

Sources: Company data, Thanachart estimates

Bangkok Bank

VALUATION

FY ending Dec	2019A	2020A	2021F	2022F	2023F
Normlized PE (x)	6.3	13.2	9.3	8.3	7.4
Normalized PE - at target price (x)	6.9	14.4	10.2	9.1	8.1
PE (x)	6.3	13.2	9.3	8.3	7.4
PE - at target price (x)	6.9	14.4	10.2	9.1	8.1
P/PPP (x)	2.9	4.3	3.7	3.7	3.6
P/PPP - at target price (x)	3.2	4.7	4.1	4.1	3.9
P/BV (x)	0.5	0.5	0.5	0.5	0.4
P/BV - at target price (x)	0.6	0.6	0.5	0.5	0.5
Dividend yield (%)	5.9	2.1	3.0	3.4	4.1
Market cap / net loans (x)	0.1	0.1	0.1	0.1	0.1
Market cap / deposit (x)	0.1	0.1	0.1	0.1	0.1
(Bt)					
Normalized EPS	18.8	9.0	12.7	14.3	16.1
EPS	18.8	9.0	12.7	14.3	16.1
DPS	7.0	2.5	3.6	4.0	4.8
PPP/Share	41.2	27.6	31.6	31.7	32.9
BV/Share	224.1	235.2	244.9	255.4	267.1

FINANCIAL RATIOS

FY ending Dec	2019A	2020A	2021F	2022F	2023F
Growth Rate (%)					
Net interest income (NII)	(0.4)	8.4	5.2	4.1	1.4
Non-interest income (Non-II)	25.3	(33.4)	8.8	(2.6)	5.5
Operating expenses	(0.4)	20.0	0.0	3.0	2.0
Pre-provisioning profit (PPP)	18.9	(32.9)	14.5	0.3	3.7
Net profit	1.4	(52.0)	41.4	12.4	12.4
Normalized profit growth	1.4	(52.0)	41.4	12.4	12.4
EPS	1.4	(52.0)	41.4	12.4	12.4
Normalized EPS	1.4	(52.0)	41.4	12.4	12.4
Dividend payout ratio	37.3	27.8	28.0	28.0	30.0
Loan - gross	(1.0)	14.9	3.3	4.8	4.9
Loan - net	(2.3)	15.8	2.4	4.5	5.0
Deposit	1.9	18.6	9.1	5.0	5.0
NPLs	(1.2)	31.9	14.0	10.0	5.0
Total assets	3.2	18.8	8.2	4.3	4.4
Total equity	3.6	5.0	4.1	4.3	4.6
Operating Ratios (%)					
Net interest margin (NIM)	2.2	2.2	2.0	2.0	1.9
Net interest spread	3.5	3.5	3.3	3.3	3.3
Yield on earnings assets	3.6	3.3	2.9	2.9	2.8
Avg cost of fund	1.6	1.2	0.9	0.9	1.0
NII / operating income	53.2	64.9	64.1	65.6	64.7
Non-II / operating income	46.8	35.1	35.9	34.4	35.3
Fee income / operating income	21.3	20.8	22.1	23.1	23.8
Normalized net margin	26.8	14.5	19.2	21.2	23.2
Cost-to-income	41.1	55.6	52.2	52.9	52.5
Credit cost - provision exp / loans	1.6	1.3	1.2	1.0	0.9
PPP / total assets	2.5	1.5	1.5	1.4	1.4
PPP / total equity	18.7	12.0	13.2	12.7	12.6
ROA	1.1	0.5	0.6	0.6	0.7
ROE	8.5	3.9	5.3	5.7	6.2

Sources: Company data, Thanachart estimates

Bangkok Bank

FINANCIAL RATIOS

FY ending Dec	2019A	2020A	2021F	2022F	2023F
Liquidity and Quality Ratio (%)					
Loan-to-deposit	86.9	84.3	79.7	79.6	79.5
Loan-to-deposit & S-T borrow ing	86.9	84.2	79.7	79.6	79.5
Net loan / assets	58.8	57.3	54.2	54.3	54.7
Net loan / equity	442.1	487.5	479.6	480.6	482.7
Investment / assets	20.2	19.9	18.4	18.1	17.9
Deposit / liabilities	85.0	83.3	83.7	84.3	84.8
Liabilities / equity	651.9	751.1	784.0	784.0	782.1
Net interbank lender (Bt m)	338,003	299,887	540,000	591,460	636,895
Tier 1 CAR	17.0	15.8	15.1	15.1	15.2
Tier 2 CAR	3.0	2.6	2.4	2.3	2.2
Total CAR	20.0	18.3	17.5	17.4	17.4
NPLs (Bt m)	79,149	104,401	119,017	130,919	137,465
NPLs / Total loans (NPL Ratio)	3.8	4.4	4.8	5.1	5.1
Loan-Loss-Coverage	220.2	177.7	179.1	172.9	170.4

Sources: Company data, Thanachart estimates

KASIKORNBANK

INCOME STATEMENT

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
Interest and Dividend Income	130,178	127,592	133,237	137,969	143,669
Interest Expenses	27,490	18,570	15,686	16,447	20,006
Net Interest Income	**102,688**	**109,022**	**117,551**	**121,521**	**123,663**
% of total income	64.0%	70.3%	71.9%	71.6%	71.1%
Gain on Investment	8,412	1,308	1,000	1,000	1,000
Fee Income	36,740	33,004	34,727	36,628	38,406
Gain on Exchange	8,362	8,119	6,000	6,000	6,000
Others	1,428	1,246	745	753	762
Non-interest Income	**57,759**	**46,063**	**45,872**	**48,121**	**50,281**
% of total income	36.0%	29.7%	28.1%	28.4%	28.9%
Total Income	**160,447**	**155,085**	**163,423**	**169,643**	**173,944**
Operating Expenses	72,729	69,997	70,050	71,578	73,758
Pre-provisioning Profit	**87,718**	**85,088**	**93,373**	**98,064**	**100,186**
Provisions	34,012	43,548	42,867	42,929	42,871
Pre-tax Profit	**53,706**	**41,540**	**50,506**	**55,135**	**57,315**
Income Tax	10,309	7,656	10,101	11,027	11,463
After Tax Profit	43,397	33,884	40,405	44,108	45,852
Equity Income	44	(193)	(400)	(400)	(400)
Minority Interest	(4,714)	(4,203)	(5,000)	(5,000)	(5,000)
Extraordinary Items	0	0	0	0	0
NET PROFIT	**38,727**	**29,487**	**35,005**	**38,708**	**40,452**
Normalized Profit	**38,727**	**29,487**	**35,005**	**38,708**	**40,452**
EPS (Bt)	16.2	12.3	14.6	16.2	16.9
Normalized EPS (Bt)	16.2	12.3	14.6	16.2	16.9

BALANCE SHEET

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
ASSETS:					
Liquid Items	**447,325**	**479,382**	**492,000**	**532,000**	**566,000**
cash & cash equivalents	61,385	61,962	58,000	58,000	58,000
interbank & money market	385,940	417,420	434,000	474,000	508,000
Securities under resale agreeme	0	0	0	0	0
Investments	776,700	777,790	886,494	913,124	940,550
Net loans	**1,879,907**	**2,121,700**	**2,238,056**	**2,360,126**	**2,498,619**
Gross and accrued interest	2,004,786	2,256,093	2,391,501	2,531,248	2,685,818
Provisions for doubtful	124,879	134,393	153,445	171,122	187,198
Fixed assets - net	77,686	85,664	83,527	81,235	78,821
Other assets	112,272	194,261	210,000	211,000	212,000
Total assets	**3,293,889**	**3,658,798**	**3,910,077**	**4,097,485**	**4,295,990**
LIABILITIES:					
Liquid Items	**2,175,356**	**2,459,239**	**2,676,889**	**2,825,735**	**2,984,976**
Deposit	2,072,049	2,344,998	2,499,889	2,640,854	2,791,686
Interbank & money market	81,628	87,797	150,000	156,679	163,805
Liability payable on demand	21,679	26,443	27,000	28,202	29,485
Borrowings	81,824	69,390	70,641	70,496	70,050
Other liabilities	582,994	638,883	637,000	639,000	641,000
Total liabilities	**2,840,174**	**3,167,512**	**3,384,530**	**3,535,231**	**3,696,026**
Minority interest	47,357	51,616	56,616	61,616	66,616
Shareholders' equity	**406,358**	**439,670**	**468,930**	**500,638**	**533,348**
Preferred capital	-	-	-	-	-
Paid-in capital	23,933	23,693	23,933	23,933	23,933
Share premium	18,103	18,103	18,103	18,103	18,103
Surplus/ Others	22,237	35,768	35,768	35,768	35,768
Retained earnings	342,085	362,105	391,126	422,833	455,544
Liabilities & equity	**3,293,889**	**3,658,798**	**3,910,077**	**4,097,485**	**4,295,990**

Sources: Company data, Thanachart estimates

KASIKORNBANK

VALUATION

FY ending Dec	2019A	2020A	2021F	2022F	2023F
Normlized PE (x)	8.3	11.0	9.2	8.3	8.0
Normalized PE - at target price (x)	9.9	13.0	10.9	9.9	9.5
PE (x)	8.3	11.0	9.2	8.3	8.0
PE - at target price (x)	9.9	13.0	10.9	9.9	9.5
P/PPP (x)	3.7	3.8	3.5	3.3	3.2
P/PPP - at target price (x)	4.4	4.5	4.1	3.9	3.8
P/BV (x)	0.8	0.7	0.7	0.6	0.6
P/BV - at target price (x)	0.9	0.9	0.8	0.8	0.7
Dividend yield (%)	3.7	1.9	2.2	2.4	5.0
Market cap / net loans (x)	0.2	0.2	0.1	0.1	0.1
Market cap / deposit (x)	0.2	0.1	0.1	0.1	0.1
(Bt)					
Normalized EPS	16.2	12.3	14.6	16.2	16.9
EPS	16.2	12.3	14.6	16.2	16.9
DPS	5.0	2.5	2.9	3.2	6.8
PPP/Share	36.7	35.6	39.0	41.0	41.9
BV/Share	169.8	183.7	195.9	209.2	222.9

FINANCIAL RATIOS

FY ending Dec	2019A	2020A	2021F	2022F	2023F
Growth Rate (%)					
Net interest income (NII)	4.2	6.2	7.8	3.4	1.8
Non-interest income (Non-II)	1.5	(20.3)	(0.4)	4.9	4.5
Operating expenses	6.4	(3.8)	0.1	2.2	3.0
Pre-provisioning profit (PPP)	0.7	(3.0)	9.7	5.0	2.2
Net profit	0.7	(23.9)	18.7	10.6	4.5
Normalized profit growth	0.7	(23.9)	18.7	10.6	4.5
EPS	0.7	(23.9)	18.7	10.6	4.5
Normalized EPS	0.7	(23.9)	18.7	10.6	4.5
Dividend payout ratio	30.9	20.3	20.0	20.0	40.0
Loan - gross	4.6	12.1	6.1	6.0	6.1
Loan - net	4.6	12.9	5.5	5.5	5.9
Deposit	3.9	13.2	6.6	5.6	5.7
NPLs	13.0	20.2	15.0	10.0	5.0
Total assets	4.4	11.1	6.9	4.8	4.8
Total equity	8.0	8.2	6.7	6.8	6.5
Operating Ratios (%)					
Net interest margin (NIM)	3.2	3.1	3.1	3.0	2.9
Net interest spread	4.5	4.4	4.4	4.2	4.2
Yield on earnings assets	4.2	3.9	3.7	3.6	3.6
Avg cost of fund	1.2	0.8	0.6	0.6	0.7
NII / operating income	64.0	70.3	71.9	71.6	71.1
Non-II / operating income	36.0	29.7	28.1	28.4	28.9
Fee income / operating income	22.9	21.3	21.2	21.6	22.1
Normalized net margin	24.1	19.0	21.4	22.8	23.3
Cost-to-income	45.3	45.1	42.9	42.2	42.4
Credit cost - provision exp / loans	1.7	1.9	1.8	1.7	1.6
PPP / total assets	2.7	2.4	2.5	2.4	2.4
PPP / total equity	22.4	20.1	20.6	20.2	19.4
ROA	1.2	0.8	0.9	1.0	1.0
ROE	9.9	7.0	7.7	8.0	7.8

Sources: Company data, Thanachart estimates

KASIKORNBANK

FINANCIAL RATIOS

FY ending Dec	2019A	2020A	2021F	2022F	2023F
Liquidity and Quality Ratio (%)					
Loan-to-deposit	96.6	95.7	95.3	95.6	96.0
Loan-to-deposit & S-T borrow ing	96.6	95.7	95.2	95.6	96.0
Net loan / assets	57.1	58.0	57.2	57.6	58.2
Net loan / equity	462.6	482.6	477.3	471.4	468.5
Investment / assets	23.6	21.3	22.7	22.3	21.9
Deposit / liabilities	73.0	74.0	73.9	74.7	75.5
Liabilities / equity	698.9	720.4	721.8	706.1	693.0
Net interbank lender (Bt m)	304,312	329,622	284,000	317,321	344,195
Tier 1 CAR	16.2	16.1	15.9	16.5	17.0
Tier 2 CAR	3.4	2.7	2.8	2.6	2.5
Total CAR	19.6	18.8	18.7	19.1	19.5
NPLs (Bt m)	84,038	101,007	116,158	127,774	134,163
NPLs / Total loans (NPL Ratio)	4.2	4.5	4.9	5.0	5.0
Loan-Loss-Coverage	148.6	133.1	132.1	133.9	139.5

Sources: Company data, Thanachart estimates

Kiatnakin Bank

INCOME STATEMENT

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
Interest and Dividend Income	18,036	19,584	18,930	20,274	21,401
Interest Expenses	5,720	4,905	3,854	4,037	4,627
Net Interest Income	**12,316**	**14,679**	**15,076**	**16,237**	**16,773**
% of total income	64.3%	69.1%	67.3%	68.2%	67.8%
Gain on Investment	568	50	0	50	50
Fee Income	4,604	4,336	5,677	5,860	6,229
Gain on Exchange	1,103	1,779	1,200	1,200	1,200
Others	576	389	450	473	496
Non-interest Income	**6,852**	**6,554**	**7,327**	**7,583**	**7,975**
% of total income	35.7%	30.9%	32.7%	31.8%	32.2%
Total Income	**19,168**	**21,233**	**22,404**	**23,820**	**24,748**
Operating Expenses	10,194	10,652	10,845	11,709	11,897
Pre-provisioning Profit	**8,974**	**10,581**	**11,558**	**12,110**	**12,851**
Provisions	1,676	4,095	4,640	4,140	3,640
Pre-tax Profit	**7,297**	**6,487**	**6,918**	**7,970**	**9,211**
Income Tax	1,307	1,344	1,384	1,594	1,842
After Tax Profit	5,990	5,143	5,535	6,376	7,369
Equity Income	0	0	0	0	0
Minority Interest	(1)	(20)	(50)	(53)	(55)
Extraordinary Items	0	0	0	0	0
NET PROFIT	**5,988**	**5,123**	**5,485**	**6,323**	**7,314**
Normalized Profit	**5,988**	**5,123**	**5,485**	**6,323**	**7,314**
EPS (Bt)	7.1	6.1	6.5	7.5	8.6
Normalized EPS (Bt)	7.1	6.1	6.5	7.5	8.6

BALANCE SHEET

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
ASSETS:					
Liquid Items	**13,091**	**34,261**	**17,400**	**21,500**	**24,800**
cash & cash equivalents	1,110	1,491	1,200	1,500	1,500
interbank & money market	11,982	32,771	16,200	20,000	23,300
Securities under resale agreeme	0	0	0	0	0
Investments	40,820	23,313	24,479	25,703	26,988
Net loans	**227,677**	**258,846**	**287,945**	**305,774**	**326,308**
Gross and accrued interest	238,267	271,951	304,211	324,603	347,090
Provisions for doubtful	10,589	13,105	16,266	18,829	20,782
Fixed assets - net	6,624	6,222	6,116	6,033	5,982
Other assets	23,477	40,769	54,295	56,395	58,495
Total assets	**311,690**	**363,411**	**390,234**	**415,405**	**442,572**
LIABILITIES:					
Liquid Items	**189,890**	**262,182**	**282,998**	**301,971**	**322,622**
Deposit	172,174	251,526	262,398	281,361	302,002
Interbank & money market	17,339	10,264	20,000	20,000	20,000
Liability payable on demand	377	393	600	610	620
Borrowings	55,415	28,344	30,043	30,049	30,195
Other liabilities	22,373	26,259	27,000	29,000	31,000
Total liabilities	**267,679**	**316,785**	**340,041**	**361,020**	**383,817**
Minority interest	109	109	159	212	267
Shareholders' equity	**43,902**	**46,517**	**50,034**	**54,173**	**58,489**
Preferred capital	-	-	-	-	-
Paid-in capital	8,468	8,468	8,468	8,468	8,468
Share premium	9,356	9,356	9,356	9,356	9,356
Surplus/ Others	187	(137)	(137)	(137)	(137)
Retained earnings	25,892	28,830	32,348	36,486	40,802
Liabilities & equity	**311,690**	**363,411**	**390,234**	**415,405**	**442,572**

Sources: Company data, Thanachart estimates

Kiatnakin Bank

VALUATION

FY ending Dec	2019A	2020A	2021F	2022F	2023F
Normlized PE (x)	7.8	9.1	8.5	7.4	6.4
Normalized PE - at target price (x)	9.9	11.6	10.8	9.4	8.1
PE (x)	7.8	9.1	8.5	7.4	6.4
PE - at target price (x)	9.9	11.6	10.8	9.4	8.1
P/PPP (x)	5.2	4.4	4.0	3.9	3.6
P/PPP - at target price (x)	6.6	5.6	5.1	4.9	4.6
P/BV (x)	1.1	1.0	0.9	0.9	0.8
P/BV - at target price (x)	1.4	1.3	1.2	1.1	1.0
Dividend yield (%)	7.7	4.1	4.3	5.0	7.8
Market cap / net loans (x)	0.2	0.2	0.2	0.2	0.1
Market cap / deposit (x)	0.3	0.2	0.2	0.2	0.2
(Bt)					
Normalized EPS	7.1	6.1	6.5	7.5	8.6
EPS	7.1	6.1	6.5	7.5	8.6
DPS	4.3	2.3	2.4	2.8	4.3
PPP/Share	10.6	12.5	13.7	14.3	15.2
BV/Share	51.8	54.9	59.1	64.0	69.1

FINANCIAL RATIOS

FY ending Dec	2019A	2020A	2021F	2022F	2023F
Growth Rate (%)					
Net interest income (NII)	9.4	19.2	2.7	7.7	3.3
Non-interest income (Non-II)	0.2	(4.3)	11.8	3.5	5.2
Operating expenses	7.6	4.5	1.8	8.0	1.6
Pre-provisioning profit (PPP)	4.0	17.9	9.2	4.8	6.1
Net profit	(0.9)	(14.4)	7.1	15.3	15.7
Normalized profit growth	(0.9)	(14.4)	7.1	15.3	15.7
EPS	(0.9)	(14.4)	7.1	15.3	15.7
Normalized EPS	(0.9)	(14.4)	7.1	15.3	15.7
Dividend payout ratio	60.1	37.2	37.0	37.0	50.0
Loan - gross	4.1	11.7	11.7	6.7	6.9
Loan - net	4.3	13.7	11.2	6.2	6.7
Deposit	(5.2)	46.1	4.3	7.2	7.3
NPLs	1.7	(11.5)	54.7	9.2	9.4
Total assets	1.7	16.6	7.4	6.5	6.5
Total equity	4.1	6.0	7.6	8.3	8.0
Operating Ratios (%)					
Net interest margin (NIM)	4.0	4.3	4.0	4.0	3.9
Net interest spread	5.3	5.8	5.5	5.4	5.3
Yield on earnings assets	6.2	6.3	5.6	5.7	5.6
Avg cost of fund	2.3	1.8	1.3	1.3	1.4
NII / operating income	64.3	69.1	67.3	68.2	67.8
Non-II / operating income	35.7	30.9	32.7	31.8	32.2
Fee income / operating income	24.0	20.4	25.3	24.6	25.2
Normalized net margin	31.2	24.1	24.5	26.5	29.6
Cost-to-income	53.2	50.2	48.4	49.2	48.1
Credit cost - provision exp / loans	0.7	1.5	1.6	1.3	1.1
PPP / total assets	2.9	3.1	3.1	3.0	3.0
PPP / total equity	20.8	23.4	23.9	23.2	22.8
ROA	1.9	1.5	1.5	1.6	1.7
ROE	13.9	11.3	11.4	12.1	13.0

Sources: Company data, Thanachart estimates

Kiatnakin Bank

FINANCIAL RATIOS

FY ending Dec	2019A	2020A	2021F	2022F	2023F
Liquidity and Quality Ratio (%)					
Loan-to-deposit	137.7	105.3	112.7	112.1	111.7
Loan-to-deposit & S-T borrow ing	137.7	105.3	112.7	112.1	111.6
Net loan / assets	73.0	71.2	73.8	73.6	73.7
Net loan / equity	518.6	556.5	575.5	564.4	557.9
Investment / assets	13.1	6.4	6.3	6.2	6.1
Deposit / liabilities	64.3	79.4	77.2	77.9	78.7
Liabilities / equity	609.7	681.0	679.6	666.4	656.2
Net interbank lender (Bt m)	(5,357)	22,507	(3,800)	0	3,300
Tier 1 CAR	13.6	14.3	14.4	14.7	15.1
Tier 2 CAR	3.6	4.0	3.6	3.4	3.2
Total CAR	17.2	18.3	18.0	18.2	18.3
NPLs (Bt m)	9,560	8,456	13,081	14,283	15,619
NPLs / Total loans (NPL Ratio)	4.0	3.1	4.3	4.4	4.5
Loan-Loss-Coverage	110.8	155.0	124.3	131.8	133.1

Sources: Company data, Thanachart estimates

Krung Thai Bank

INCOME STATEMENT

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
Interest and Dividend Income	122,972	112,837	104,662	111,747	117,694
Interest Expenses	34,655	24,494	21,738	22,304	26,309
Net Interest Income	**88,316**	**88,343**	**82,924**	**89,443**	**91,385**
% of total income	71.1%	73.5%	72.9%	74.0%	73.4%
Gain on Investment	4,372	951	1,300	1,000	1,000
Fee Income	23,238	20,528	19,660	20,392	21,356
Gain on Exchange	3,197	3,134	3,300	3,465	3,638
Others	4,615	6,855	6,000	6,000	6,500
Non-interest Income	**35,917**	**31,844**	**30,860**	**31,487**	**33,156**
% of total income	28.9%	26.5%	27.1%	26.0%	26.6%
Total Income	**124,233**	**120,187**	**113,784**	**120,930**	**124,541**
Operating Expenses	62,474	53,465	51,286	51,923	52,941
Pre-provisioning Profit	**61,759**	**66,722**	**62,498**	**69,007**	**71,601**
Provisions	23,814	44,903	33,619	32,830	31,024
Pre-tax Profit	**37,946**	**21,819**	**28,879**	**36,177**	**40,576**
Income Tax	7,233	4,441	5,776	7,235	8,115
After Tax Profit	30,713	17,379	23,103	28,941	32,461
Equity Income	1,425	2,060	2,560	3,060	3,560
Minority Interest	(2,854)	(2,707)	(3,100)	(3,565)	(4,100)
Extraordinary Items	0	0	0	0	0
NET PROFIT	**29,284**	**16,732**	**22,563**	**28,436**	**31,921**
Normalized Profit	**29,284**	**16,732**	**22,563**	**28,436**	**31,921**
EPS (Bt)	2.1	1.2	1.6	2.0	2.3
Normalized EPS (Bt)	2.1	1.2	1.6	2.0	2.3

BALANCE SHEET

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
ASSETS:					
Liquid Items	**407,204**	**584,953**	**551,000**	**596,000**	**627,000**
cash & cash equivalents	68,434	68,161	56,000	56,000	56,000
interbank & money market	338,771	516,792	495,000	540,000	571,000
Securities under resale agreeme	0	0	0	0	0
Investments	426,174	346,388	267,141	279,028	291,509
Net loans	**1,959,761**	**2,200,513**	**2,492,899**	**2,689,540**	**2,922,754**
Gross and accrued interest	2,095,029	2,351,041	2,655,946	2,862,673	3,096,163
Provisions for doubtful	135,268	150,528	163,046	173,133	173,409
Fixed assets - net	56,383	57,421	56,694	55,979	55,286
Other assets	162,694	138,504	160,000	163,200	166,464
Total assets	**3,012,216**	**3,327,780**	**3,527,734**	**3,783,747**	**4,063,013**
LIABILITIES:					
Liquid Items	**2,376,432**	**2,742,524**	**2,913,205**	**3,131,446**	**3,371,402**
Deposit	2,155,865	2,463,225	2,658,805	2,875,914	3,114,734
Interbank & money market	215,823	274,566	250,000	251,000	252,000
Liability payable on demand	4,744	4,732	4,400	4,532	4,668
Borrowings	96,841	86,564	86,319	86,867	86,854
Other liabilities	190,617	143,629	152,000	163,087	175,246
Total liabilities	**2,663,890**	**2,972,717**	**3,151,524**	**3,381,401**	**3,633,502**
Minority interest	10,039	11,561	14,661	18,226	22,326
Shareholders' equity	**338,287**	**343,503**	**361,549**	**384,120**	**407,185**
Preferred capital	28.33	28.33	28.33	28.33	28.33
Paid-in capital	71,977	71,977	71,977	71,977	71,977
Share premium	20,834	20,705	20,705	20,705	20,705
Surplus/ Others	33,006	32,179	32,179	32,179	32,179
Retained earnings	212,442	218,613	236,659	259,231	282,296
Liabilities & equity	**3,012,216**	**3,327,780**	**3,527,734**	**3,783,747**	**4,063,013**

Sources: Company data, Thanachart estimates

Krung Thai Bank

VALUATION

FY ending Dec	2019A	2020A	2021F	2022F	2023F
Normlized PE (x)	5.4	9.5	7.1	5.6	5.0
Normalized PE - at target price (x)	7.2	12.5	9.3	7.4	6.6
PE (x)	5.4	9.5	7.1	5.6	5.0
PE - at target price (x)	7.2	12.5	9.3	7.4	6.6
P/PPP (x)	2.6	2.4	2.5	2.3	2.2
P/PPP - at target price (x)	3.4	3.1	3.4	3.0	2.9
P/BV (x)	0.5	0.5	0.4	0.4	0.4
P/BV - at target price (x)	0.6	0.6	0.6	0.5	0.5
Dividend yield (%)	6.6	2.4	3.3	4.1	7.0
Market cap / net loans (x)	0.1	0.1	0.1	0.1	0.1
Market cap / deposit (x)	0.1	0.1	0.1	0.1	0.1
(Bt)					
Normalized EPS	2.1	1.2	1.6	2.0	2.3
EPS	2.1	1.2	1.6	2.0	2.3
DPS	0.8	0.3	0.4	0.5	0.8
PPP/Share	4.4	4.8	4.5	4.9	5.1
BV/Share	24.2	24.6	25.9	27.5	29.1

FINANCIAL RATIOS

FY ending Dec	2019A	2020A	2021F	2022F	2023F
Growth Rate (%)					
Net interest income (NII)	5.5	0.0	(6.1)	7.9	2.2
Non-interest income (Non-II)	10.8	(11.3)	(3.1)	2.0	5.3
Operating expenses	17.7	(14.4)	(4.1)	1.2	2.0
Pre-provisioning profit (PPP)	(2.0)	8.0	(6.3)	10.4	3.8
Net profit	2.8	(42.9)	34.9	26.0	12.3
Normalized profit growth	2.8	(42.9)	34.9	26.0	12.3
EPS	2.8	(42.9)	34.9	26.0	12.3
Normalized EPS	2.8	(42.9)	34.9	26.0	12.3
Dividend payout ratio	35.9	23.0	23.0	23.0	35.0
Loan - gross	3.3	11.7	13.0	7.8	8.2
Loan - net	3.4	12.3	13.3	7.9	8.7
Deposit	5.7	14.3	7.9	8.2	8.3
NPLs	(3.5)	4.4	(2.0)	4.0	4.0
Total assets	10.0	10.5	6.0	7.3	7.4
Total equity	10.6	1.5	5.3	6.2	6.0
Operating Ratios (%)					
Net interest margin (NIM)	3.1	2.8	2.4	2.4	2.3
Net interest spread	4.5	4.1	3.5	3.4	3.4
Yield on earnings assets	4.5	3.8	3.2	3.2	3.1
Avg cost of fund	1.5	0.9	0.7	0.7	0.8
NII / operating income	71.1	73.5	72.9	74.0	73.4
Non-II / operating income	28.9	26.5	27.1	26.0	26.6
Fee income / operating income	18.7	17.1	17.3	16.9	17.1
Normalized net margin	23.6	13.9	19.8	23.5	25.6
Cost-to-income	50.3	44.5	45.1	42.9	42.5
Credit cost - provision exp / loans	1.1	1.9	1.3	1.2	1.0
PPP / total assets	2.1	2.1	1.8	1.9	1.8
PPP / total equity	19.2	19.6	17.7	18.5	18.1
ROA	1.0	0.5	0.7	0.8	0.8
ROE	9.1	4.9	6.4	7.6	8.1

Sources: Company data, Thanachart estimates

Krung Thai Bank

FINANCIAL RATIOS

FY ending Dec	2019A	2020A	2021F	2022F	2023F
Liquidity and Quality Ratio (%)					
Loan-to-deposit	96.9	94.8	99.2	98.9	98.7
Loan-to-deposit & S-T borrow ing	96.9	94.8	99.2	98.8	98.7
Net loan / assets	65.1	66.1	70.7	71.1	71.9
Net loan / equity	579.3	640.6	689.5	700.2	717.8
Investment / assets	14.1	10.4	7.6	7.4	7.2
Deposit / liabilities	80.9	82.9	84.4	85.1	85.7
Liabilities / equity	787.5	865.4	871.7	880.3	892.3
Net interbank lender (Bt m)	122,948	242,225	245,000	289,000	319,000
Tier 1 CAR	15.2	15.8	13.7	13.6	13.5
Tier 2 CAR	3.8	3.3	2.8	2.6	2.4
Total CAR	19.0	19.1	16.5	16.3	16.0
NPLs (Bt m)	102,659	107,138	104,995	109,195	113,563
NPLs / Total loans (NPL Ratio)	4.9	4.6	4.0	3.8	3.7
Loan-Loss-Coverage	131.8	140.5	155.3	158.6	152.7

Sources: Company data, Thanachart estimates

Tisco Financial Group

INCOME STATEMENT

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
Interest and Dividend Income	17,881	16,757	15,651	15,548	16,023
Interest Expenses	5,089	3,659	3,036	3,084	3,432
Net Interest Income	**12,792**	**13,098**	**12,615**	**12,464**	**12,591**
% of total income	65.9%	69.3%	66.3%	66.8%	66.0%
Gain on Investment	7	12	10	10	10
Fee Income	6,185	5,146	5,505	5,780	6,166
Gain on Exchange	(24)	257	700	200	100
Others	65	59	61	62	64
Non-interest Income	**6,631**	**5,808**	**6,408**	**6,186**	**6,476**
% of total income	34.1%	30.7%	33.7%	33.2%	34.0%
Total Income	**19,424**	**18,906**	**19,023**	**18,650**	**19,067**
Operating Expenses	9,271	8,012	8,198	8,336	8,391
Pre-provisioning Profit	**10,153**	**10,894**	**10,825**	**10,314**	**10,676**
Provisions	1,109	3,331	2,620	1,573	1,624
Pre-tax Profit	**9,044**	**7,563**	**8,205**	**8,740**	**9,051**
Income Tax	1,783	1,498	1,641	1,748	1,810
After Tax Profit	7,261	6,066	6,564	6,992	7,241
Equity Income	12	(2)	0	0	0
Minority Interest	(3)	(3)	(3)	(3)	(3)
Extraordinary Items	0	0	0	0	0
NET PROFIT	**7,270**	**6,063**	**6,561**	**6,989**	**7,238**
Normalized Profit	**7,270**	**6,063**	**6,561**	**6,989**	**7,238**
EPS (Bt)	9.1	7.6	8.2	8.7	9.0
Normalized EPS (Bt)	9.1	7.6	8.2	8.7	9.0

BALANCE SHEET

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
ASSETS:					
Liquid Items	**46,403**	**39,432**	**51,600**	**51,800**	**50,700**
cash & cash equivalents	1,103	1,220	1,200	1,200	1,200
interbank & money market	45,300	38,212	50,400	50,600	49,500
Securities under resale agreeme	0	0	0	0	0
Investments	10,177	10,758	11,189	11,636	12,101
Net loans	**233,350**	**214,888**	**207,896**	**215,099**	**223,123**
Gross and accrued interest	244,067	226,714	220,158	226,687	234,014
Provisions for doubtful	10,717	11,826	12,262	11,588	10,892
Fixed assets - net	3,003	2,951	2,620	2,281	1,932
Other assets	5,211	7,413	7,559	7,767	7,962
Total assets	**298,143**	**275,443**	**280,864**	**288,584**	**295,818**
LIABILITIES:					
Liquid Items	**221,048**	**210,565**	**213,803**	**218,954**	**224,188**
Deposit	216,085	203,473	207,542	211,693	215,927
Interbank & money market	4,656	5,808	6,000	7,000	8,000
Liability payable on demand	307	1,285	261	261	261
Borrowings	25,017	12,826	13,013	13,076	13,096
Other liabilities	12,883	12,590	12,842	13,099	13,361
Total liabilities	**258,947**	**235,981**	**239,658**	**245,129**	**250,644**
Minority interest	3	3	6	9	12
Shareholders' equity	**39,193**	**39,459**	**41,199**	**43,446**	**45,161**
Preferred capital	-	-	-	-	-
Paid-in capital	8,007	8,007	8,003	8,003	8,003
Share premium	1,018	1,018	1,018	1,018	1,018
Surplus/ Others	1,811	1,838	1,838	1,838	1,838
Retained earnings	28,357	28,596	30,340	32,587	34,302
Liabilities & equity	**298,143**	**275,443**	**280,864**	**288,584**	**295,818**

Sources: Company data, Thanachart estimates

Tisco Financial Group

VALUATION

FY ending Dec	2019A	2020A	2021F	2022F	2023F
Normlized PE (x)	10.2	12.3	11.3	10.6	10.3
Normalized PE - at target price (x)	12.1	14.5	13.4	12.6	12.2
PE (x)	10.2	12.3	11.3	10.6	10.3
PE - at target price (x)	12.1	14.5	13.4	12.6	12.2
P/PPP (x)	7.3	6.8	6.9	7.2	7.0
P/PPP - at target price (x)	8.7	8.1	8.1	8.5	8.2
P/BV (x)	1.9	1.9	1.8	1.7	1.6
P/BV - at target price (x)	2.2	2.2	2.1	2.0	1.9
Dividend yield (%)	8.3	6.8	6.2	6.6	8.3
Market cap / net loans (x)	0.3	0.3	0.4	0.3	0.3
Market cap / deposit (x)	0.3	0.4	0.4	0.4	0.3
(Bt)					
Normalized EPS	9.1	7.6	8.2	8.7	9.0
EPS	9.1	7.6	8.2	8.7	9.0
DPS	7.8	6.3	5.7	6.1	7.7
PPP/Share	12.7	13.6	13.5	12.9	13.3
BV/Share	49.0	49.3	51.5	54.3	56.4

FINANCIAL RATIOS

FY ending Dec	2019A	2020A	2021F	2022F	2023F
Growth Rate (%)					
Net interest income (NII)	1.4	2.4	(3.7)	(1.2)	1.0
Non-interest income (Non-II)	(7.8)	(12.4)	10.3	(3.5)	4.7
Operating expenses	5.9	(13.6)	2.3	1.7	0.7
Pre-provisioning profit (PPP)	(8.2)	7.3	(0.6)	(4.7)	3.5
Net profit	3.6	(16.6)	8.2	6.5	3.6
Normalized profit growth	5.6	(16.6)	8.2	6.5	3.6
EPS	3.6	(16.6)	8.2	6.5	3.6
Normalized EPS	5.6	(16.6)	8.2	6.5	3.6
Dividend payout ratio	85.3	83.1	70.0	70.0	85.0
Loan - gross	0.9	(7.4)	(2.9)	3.0	3.2
Loan - net	1.6	(7.9)	(3.3)	3.5	3.7
Deposit	11.9	(5.8)	2.0	2.0	2.0
NPLs	(15.1)	(3.8)	20.0	5.0	3.0
Total assets	(1.5)	(7.6)	2.0	2.7	2.5
Total equity	4.0	0.7	4.4	5.5	3.9
Operating Ratios (%)					
Net interest margin (NIM)	4.3	4.6	4.5	4.4	4.3
Net interest spread	5.5	5.7	5.8	5.7	5.7
Yield on earnings assets	5.9	5.8	5.6	5.4	5.5
Avg cost of fund	2.0	1.6	1.3	1.3	1.5
NII / operating income	65.9	69.3	66.3	66.8	66.0
Non-II / operating income	34.1	30.7	33.7	33.2	34.0
Fee income / operating income	31.8	27.2	28.9	31.0	32.3
Normalized net margin	37.4	32.1	34.5	37.5	38.0
Cost-to-income	47.7	42.4	43.1	44.7	44.0
Credit cost - provision exp / loans	0.5	1.5	1.2	0.7	0.7
PPP / total assets	3.4	3.8	3.9	3.6	3.7
PPP / total equity	26.4	27.7	26.8	24.4	24.1
ROA	2.4	2.1	2.4	2.5	2.5
ROE	18.9	15.4	16.3	16.5	16.3

Sources: Company data, Thanachart estimates

Tisco Financial Group

FINANCIAL RATIOS

FY ending Dec	2019A	2020A	2021F	2022F	2023F
Liquidity and Quality Ratio (%)					
Loan-to-deposit	112.4	110.5	105.2	106.2	107.5
Loan-to-deposit & S-T borrow ing	112.4	110.5	105.2	106.1	107.4
Net loan / assets	78.3	78.0	74.0	74.5	75.4
Net loan / equity	595.4	544.6	504.6	495.1	494.1
Investment / assets	3.4	3.9	4.0	4.0	4.1
Deposit / liabilities	83.4	86.2	86.6	86.4	86.1
Liabilities / equity	660.7	598.0	581.7	564.2	555.0
Net interbank lender (Bt m)	40,644	32,404	44,400	43,600	41,500
Tier 1 CAR	16.4	17.5	18.1	18.8	19.2
Tier 2 CAR	4.4	4.4	4.3	4.2	4.1
Total CAR	20.8	21.9	22.4	23.0	23.3
NPLs (Bt m)	5,839	5,618	6,742	7,079	7,292
NPLs / Total loans (NPL Ratio)	2.4	2.5	3.1	3.1	3.1
Loan-Loss-Coverage	183.5	210.5	181.9	163.7	149.4

Sources: Company data, Thanachart estimates

TMBThanachart Bank

INCOME STATEMENT

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
Interest and Dividend Income	39,837	72,321	64,695	65,366	67,376
Interest Expenses	12,972	18,515	13,058	12,918	15,819
Net Interest Income	**26,865**	**53,805**	**51,637**	**52,448**	**51,557**
% of total income	68.0%	78.6%	79.3%	78.9%	77.7%
Gain on Investment	1,956	678	300	300	300
Fee Income	8,098	10,575	10,043	10,498	11,212
Gain on Exchange	1,528	1,726	1,659	1,709	1,760
Others	1,050	1,644	1,470	1,514	1,560
Non-interest Income	**12,632**	**14,623**	**13,472**	**14,021**	**14,832**
% of total income	32.0%	21.4%	20.7%	21.1%	22.3%
Total Income	**39,497**	**68,429**	**65,109**	**66,469**	**66,389**
Operating Expenses	20,674	31,623	31,010	29,392	28,770
Pre-provisioning Profit	**18,822**	**36,806**	**34,099**	**37,077**	**37,618**
Provisions	10,337	24,831	22,965	23,645	22,269
Pre-tax Profit	**8,486**	**11,975**	**11,135**	**13,433**	**15,349**
Income Tax	1,588	2,223	2,227	2,687	3,070
After Tax Profit	6,898	9,752	8,908	10,746	12,279
Equity Income	324	363	400	0	0
Minority Interest	(0)	(3)	(4)	(4)	(4)
Extraordinary Items	0	0	0	0	0
NET PROFIT	**7,222**	**10,112**	**9,304**	**10,742**	**12,275**
Normalized Profit	**7,222**	**10,112**	**9,304**	**10,742**	**12,275**
EPS (Bt)	0.2	0.1	0.1	0.1	0.1
Normalized EPS (Bt)	0.2	0.1	0.1	0.1	0.1

BALANCE SHEET

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
ASSETS:					
Liquid Items	**260,164**	**233,128**	**178,000**	**202,000**	**211,000**
cash & cash equivalents	23,853	21,943	16,000	14,000	12,000
interbank & money market	236,311	211,185	162,000	188,000	199,000
Securities under resale agreeme	0	0	0	0	0
Investments	166,265	134,351	167,938	172,977	178,166
Net loans	**1,348,630**	**1,348,480**	**1,338,570**	**1,367,450**	**1,411,759**
Gross and accrued interest	1,394,108	1,401,458	1,397,811	1,436,006	1,487,737
Provisions for doubtful	45,477	52,978	59,241	68,556	75,979
Fixed assets - net	28,452	30,076	28,387	27,469	26,179
Other assets	54,679	62,297	60,000	61,800	63,654
Total assets	**1,858,190**	**1,808,332**	**1,772,896**	**1,831,696**	**1,890,757**
LIABILITIES:					
Liquid Items	**1,488,120**	**1,453,211**	**1,425,398**	**1,475,185**	**1,526,937**
Deposit	1,398,112	1,373,408	1,338,798	1,386,043	1,435,178
Interbank & money market	86,626	75,909	81,000	83,430	85,933
Liability payable on demand	3,382	3,895	5,600	5,712	5,826
Borrowings	108,835	88,965	80,824	80,127	80,476
Other liabilities	66,423	61,406	57,000	60,300	59,600
Total liabilities	**1,663,379**	**1,603,582**	**1,563,222**	**1,615,612**	**1,667,014**
Minority interest	35	37	41	45	49
Shareholders' equity	**194,777**	**204,713**	**209,633**	**216,039**	**223,694**
Preferred capital	-	-	-	-	-
Paid-in capital	91,541	91,589	91,541	91,541	91,541
Share premium	43,217	43,322	43,322	43,322	43,322
Surplus/ Others	6,042	5,798	5,798	5,798	5,798
Retained earnings	53,977	64,004	68,972	75,378	83,034
Liabilities & equity	**1,858,190**	**1,808,332**	**1,772,896**	**1,831,696**	**1,890,757**

Sources: Company data, Thanachart estimates

TMBThanachart Bank

VALUATION

FY ending Dec	2019A	2020A	2021F	2022F	2023F
Normlized PE (x)	7.6	11.0	11.9	10.3	9.0
Normalized PE - at target price (x)	7.2	10.5	11.4	9.9	8.6
PE (x)	7.6	11.0	11.9	10.3	9.0
PE - at target price (x)	7.2	10.5	11.4	9.9	8.6
P/PPP (x)	2.9	3.0	3.2	3.0	2.9
P/PPP - at target price (x)	2.8	2.9	3.1	2.9	2.8
P/BV (x)	0.6	0.5	0.5	0.5	0.5
P/BV - at target price (x)	0.5	0.5	0.5	0.5	0.5
Dividend yield (%)	3.5	3.9	3.9	4.2	5.5
Market cap / net loans (x)	0.1	0.1	0.1	0.1	0.1
Market cap / deposit (x)	0.1	0.1	0.1	0.1	0.1
(Bt)					
Normalized EPS	0.2	0.1	0.1	0.1	0.1
EPS	0.2	0.1	0.1	0.1	0.1
DPS	0.0	0.0	0.0	0.0	0.1
PPP/Share	0.4	0.4	0.4	0.4	0.4
BV/Share	2.0	2.1	2.2	2.2	2.3

FINANCIAL RATIOS

FY ending Dec	2019A	2020A	2021F	2022F	2023F
Growth Rate (%)					
Net interest income (NII)	9.7	100.3	(4.0)	1.6	(1.7)
Non-interest income (Non-II)	8.4	15.8	(7.9)	4.1	5.8
Operating expenses	18.3	53.0	(1.9)	(5.2)	(2.1)
Pre-provisioning profit (PPP)	0.8	95.5	(7.4)	8.7	1.5
Net profit	(37.7)	40.0	(8.0)	15.5	14.3
Normalized profit growth	(6.5)	40.0	(8.0)	15.5	14.3
EPS	(42.4)	(31.0)	(8.0)	15.5	14.3
Normalized EPS	(13.7)	(31.0)	(8.0)	15.5	14.3
Dividend payout ratio	53.4	42.9	43.0	43.0	50.0
Loan - gross	103.0	0.1	(0.1)	3.0	3.6
Loan - net	106.2	(0.0)	(0.7)	2.2	3.2
Deposit	115.2	(1.8)	(2.5)	3.5	3.5
NPLs	73.8	4.9	25.0	15.0	4.0
Total assets	108.4	(2.7)	(2.0)	3.3	3.2
Total equity	97.2	5.1	2.4	3.1	3.5
Operating Ratios (%)					
Net interest margin (NIM)	2.0	2.9	2.9	2.9	2.8
Net interest spread	2.8	4.1	4.0	3.9	3.9
Yield on earnings assets	3.0	4.1	3.7	3.7	3.7
Avg cost of fund	1.1	1.2	0.9	0.8	1.0
NII / operating income	68.0	78.6	79.3	78.9	77.7
Non-II / operating income	32.0	21.4	20.7	21.1	22.3
Fee income / operating income	20.5	15.5	15.4	15.8	16.9
Normalized net margin	18.3	14.8	14.3	16.2	18.5
Cost-to-income	52.3	46.2	47.6	44.2	43.3
Credit cost - provision exp / loans	0.7	1.8	1.7	1.7	1.5
PPP / total assets	1.4	2.0	1.9	2.1	2.0
PPP / total equity	12.8	18.4	16.5	17.4	17.1
ROA	0.5	0.6	0.5	0.6	0.7
ROE	4.9	5.1	4.5	5.0	5.6

Sources: Company data, Thanachart estimates

TMBThanachart Bank

FINANCIAL RATIOS

FY ending Dec	2019A	2020A	2021F	2022F	2023F
Liquidity and Quality Ratio (%)					
Loan-to-deposit	99.6	101.4	104.0	103.4	103.4
Loan-to-deposit & S-T borrowing	99.6	101.4	103.9	103.4	103.4
Net loan / assets	72.6	74.6	75.5	74.7	74.7
Net loan / equity	692.4	658.7	638.5	633.0	631.1
Investment / assets	8.9	7.4	9.5	9.4	9.4
Deposit / liabilities	84.1	85.6	85.6	85.8	86.1
Liabilities / equity	854.0	783.3	745.7	747.8	745.2
Net interbank lender (Bt m)	149,685	135,276	81,000	104,570	113,067
Tier 1 CAR	14.6	15.5	15.1	15.1	15.3
Tier 2 CAR	4.3	4.1	4.2	4.1	3.9
Total CAR	19.0	19.6	19.3	19.2	19.2
NPLs (Bt m)	37,746	39,594	49,493	56,916	59,193
NPLs / Total loans (NPL Ratio)	2.7	2.8	3.5	4.0	4.0
Loan-Loss-Coverage	120.5	133.8	119.7	120.4	128.4

Sources: Company data, Thanachart estimates

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For sectors, an "Overweight" sector weighting is used when we have BUYs on majority of the stocks under our coverage by market cap. "Underweight" is used when we have SELLs on majority of the stocks we cover by market cap. "Neutral" is used when there are relatively equal weightings of BUYs and SELLs.

Thanachart Securities Pcl.

Research Team
19 Floor, MBK Tower
444 Phayathai Road, Pathumwan Road, Bangkok 10330
Tel: 662 - 779-9119
Email: thanachart.res@thanachartsec.co.th

Pimpaka Nichgaroon, CFA
Head of Research
Tel: 662-779-9199
pimpaka.nic@thanachartsec.co.th

Pattarawan Wangmingmat
Senior Technical Analyst
Tel: 662-779-9105
pattarawan.wan@thanachartsec.co.th

Phannarai Tiyapittayarut
Property, Retail
Tel: 662-779-9109
phannarai.von@thanachartsec.co.th

Sarachada Sornsong
Bank, Finance, Insurance
Tel: 662-779-9106
sarachada.sor@thanachartsec.co.th

Sittichet Rungrassameephat
Analyst, Quantitative
Tel: 662-483-8303
sittichet.run@thanachartsec.co.th

Adisak Phupiphathirungul, CFA
Retail Market Strategy
Tel: 662-779-9120
adisak.phu@thanachartsec.co.th

Nuttapop Prasitsuksant
Telecom, Utilities
Tel: 662-483-8296
nuttapop.pra@thanachartsec.co.th

Rata Limsuthiwanpoom
Auto, Industrial Estate, Media, Prop. Fund
Tel: 662-483-8297
rata.lim@thanachartsec.co.th

Siriporn Arunothai
Small Cap, Healthcare, Hotel
Tel: 662-779-9113
siriporn.aru@thanachartsec.co.th

Thaloengsak Kucharoenpaisan
Analyst, Retail Market
Tel: 662-483-8304
thaloengsak.kuc@thanachartsec.co.th

Chak Reungsinpinya
Energy, Petrochemical, Paper
Tel: 662-779-9104
chak.reu@thanachartsec.co.th

Pattadol Bunnak
Electronics, Food & Beverage, Shipping
Tel: 662-483-8298
pattadol.bun@thanachartsec.co.th

Saksid Phadthananarak
Construction, Transportation
Tel: 662-779-9112
saksid.pha@thanachartsec.co.th

Witchanan Tambamroong
Technical Analyst
Tel: 662-779-9123
witchanan.tam@thanachartsec.co.th