

26 January 2021

Financial Services | Banks

## Banks

## Overweight (Maintained)

### 4Q20 Underlying Operations Still Subdued

Stocks Covered 7  
 Rating (Buy/Neutral/Sell): 5 / 2 / 0  
 Last 12m Earnings Revision Trend: Negative

- Maintain OVERWEIGHT, Top Picks: KBANK, SCB, and TISCO.** Sector aggregate earnings rebounded in 4Q20, helped by a sharply lower expected credit loss (ECL). This masked the flattish PIOP, as NIM pressures lingered, loan demand was subdued, and non-II was boosted by volatile investment gains. Asset quality was stable but most banks stayed cautious, on the resurgence in COVID-19 cases in December. Barring the re-imposition of lockdown measures, earnings should recover this year, aided by the pick-up in business activities and lower provisions.
- 4Q20 results in line.** The seven Thai banks under our coverage (TH Banks), posted a 22% QoQ rise in 4Q20 aggregate net profit. Results were broadly in line, with Kasikornbank (KBANK) delivering the only beat and Bangkok Bank (BBL) the only miss. KBANK's 98% QoQ jump in net profit was the strongest, followed by Krung Thai Bank (KTB, +13% QoQ) and Siam Commercial Bank (SCB, +7% QoQ).
- Topline up on non-II.** Net interest income (NII) dipped 2% QoQ as continued NIM slippage offset moderate loan growth. Sector NIM shrank c.8bps QoQ – mainly on the tail-end impact of the 75bps cuts in the policy rate between January and May 2020, and lower yields on loans under relief programmes. Non-interest income (non-II) rose 18% QoQ, boosted by the 13% QoQ rebound in net fees and commissions (70% of non-II), and the 34% QoQ jump in other non-II that came mainly from gains from investments and sale of assets/foreclosed properties. For most banks, fee income growth came from their brokerage and wealth management businesses.
- PIOP flat on negative jaws.** Sector opex rose 8% QoQ on higher marketing activities with the economic reopening, year-end seasonal spending, and investments to boost systems capability. The negative jaws resulted in a higher CIR of 50.9% (3Q20: 49.2%), and led to flattish PIOP in 4Q20.
- Bottomline uplift from lower ECL.** The rebound in sector 4Q20 earnings was driven by the 16% QoQ decline in ECL, with credit cost at a lower 142bps (3Q20: 179bps). The fall in aggregate ECL, which came from KBANK (-94% QoQ) and KTB (-25.5% QoQ), masked the fact that most banks set aside additional provisions out of prudence for the rise in new COVID-19 cases in December.
- Asset quality stable.** Sector NPLs rose 3% QoQ, mainly due to the 13% QoQ spike at SCB, which did a second consecutive round of qualitative downgrading of accounts. Sector NPL ratio was stable at 4.22%, while LLR slipped slightly to 144.6% (3Q20: 145.8%). Most banks reported QoQ declines in loans under relief programmes – which led to lower estimates of borrowers requiring further assistance.
- Moderate uptick in loan growth.** The resumption of business activities with the lifting of lockdown measures led to a moderate strengthening in loan demand, particularly among large banks – KBANK, SCB and KTB. Sector loans expanded by 2.4% QoQ.
- Capital healthy.** Notwithstanding the asset quality pressures seen in 2020, TH Banks' capital positions remained solid, with Tier-1 ratios at 15-17%. SCB's Tier-1 ratio of 17.1% is the strongest among large banks, while TISCO Financial Group's (TISCO) 17.6% is highest among smaller banks.

#### Top Picks

	Target Price
Kasikornbank (KBANK TB) - BUY	THB141.00
Siam Commercial Bank (SCB TB) - BUY	THB107.00
TISCO Financial Group (TISCO TB) - BUY	THB108.00

#### Analysts

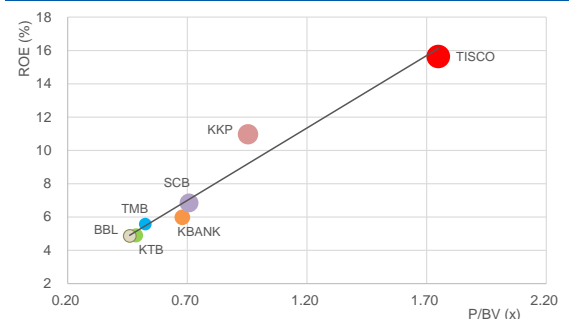
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#### TH Banks – P/BV vs ROE



Source: Company data, RHB

Company Name	Rating	Target Price(THB)	% Upside (Downside)	P/E (x) Dec-21F	P/B (x) Dec-21F	Yield (%) Dec-21F
Bangkok Bank	BUY	THB138.00	14.5	10.2	0.5	3.3
Kasikornbank	BUY	THB141.00	11.5	11.5	0.7	2.2
Krung Thai Bank	BUY	THB14.30	17.2	9.6	0.5	3.7
Siam Commercial Bank	BUY	THB107.00	16.3	10.7	0.7	3.3
TISCO Financial	BUY	THB108.00	13.4	11.7	1.7	5.5
Kiatnakin Phatra Financial Group	NEUTRAL	THB56.00	(0.9)	9.0	1.0	4.4
TMB Bank	NEUTRAL	THB1.26	9.6	9.6	0.5	3.9

Source: Company data, RHB

## Key Trends In 4Q20

Figure 1: TH Banks' 4Q20 results were broadly within expectations

Net profit (THBm)	4Q19	3Q20	4Q20	% QoQ	% YoY	FY19	FY20	% YoY	Reported net profit vs Street estimates
BBL	8,002	4,017	2,398	-40.3	-70.0	35,816	17,180	-52.0	Below expectations
KBANK	8,802	6,678	13,259	98.5	50.6	38,726	28,694	-25.9	Above expectations
KKP	1,680	1,347	1,108	-17.8	-34.1	5,988	5,123	-14.4	Within expectations
KTB	7,459	3,057	3,452	12.9	-53.7	29,284	16,733	-42.9	Within expectations
SCB	5,506	4,641	4,965	7.0	-9.8	40,436	27,218	-32.7	Within expectations
TISCO	1,865	1,612	1,636	1.5	-12.2	7,270	6,063	-16.6	Within expectations
TMB	1,615	1,619	1,235	-23.7	-23.5	7,222	10,112	40.0	Within expectations
<b>Sector</b>	<b>34,928</b>	<b>22,972</b>	<b>28,053</b>	<b>22.1</b>	<b>-19.7</b>	<b>164,744</b>	<b>111,124</b>	<b>-32.5</b>	

Source: Company data, RHB

Figure 2: Summary of sector results for 4Q20 and FY20

(THBm)	4Q19	3Q20	4Q20	% QoQ	% YoY	FY19	FY20	% YoY	Comments
Net interest income	101,102	112,443	110,581	-1.7	9.4	413,450	452,893	9.5	The 22% QoQ rebound in 4Q20 net profit was driven mainly by higher non-II and lower ECL.
NIM (%)	2.95	2.90	2.82			2.98	3.00		
Non-interest income	72,899	44,345	52,478	18.3	-28.0	250,171	193,179	-22.8	KBANK delivered a strong 4Q20 performance, with net profit up 98.5% QoQ on a 94% QoQ drop in ECL.
Non-II/Total income (%)	41.9	28.3	32.2			37.7	29.9		
<b>Operating income</b>	<b>174,001</b>	<b>156,788</b>	<b>163,060</b>	<b>4.0</b>	<b>-6.3</b>	<b>663,622</b>	<b>646,073</b>	<b>-2.6</b>	BBL's 4Q20 results were the weakest, with net profit down 40%, mainly on a 27% QoQ increase in ECL.
Overheads	(83,697)	(77,098)	(83,015)	7.7	-0.8	(300,051)	(303,159)	1.0	
Cost-income ratio (%)	48.1	49.2	50.9			45.2	46.9		
<b>Pre-impairment op profit</b>	<b>90,305</b>	<b>79,690</b>	<b>80,045</b>	<b>0.4</b>	<b>-11.4</b>	<b>363,571</b>	<b>342,914</b>	<b>-5.7</b>	
Expected credit loss	(43,660)	(50,337)	(42,445)	-15.7	-2.8	(139,508)	(198,553)	42.3	
Credit cost (bps)	186	179	142			143	187		
<b>Operating profit</b>	<b>46,645</b>	<b>29,353</b>	<b>37,600</b>	<b>28.1</b>	<b>-19.4</b>	<b>224,063</b>	<b>144,361</b>	<b>-35.6</b>	
Associates	0	0	0			0	0		
<b>Pre-tax profit</b>	<b>46,645</b>	<b>29,353</b>	<b>37,600</b>	<b>28.1</b>	<b>-19.4</b>	<b>224,063</b>	<b>144,361</b>	<b>-35.6</b>	
Tax	(10,424)	(4,954)	(7,478)			(51,537)	(27,444)		
Effective tax rate (%)	22.3	16.9	19.9			23.0	19.0		
Minority interests	(1,294)	(1,427)	(2,069)			(7,782)	(5,793)		
<b>Net profit</b>	<b>34,928</b>	<b>22,972</b>	<b>28,053</b>	<b>22.1</b>	<b>-19.7</b>	<b>164,744</b>	<b>111,124</b>	<b>-32.5</b>	

Source: Company data, RHB

Figure 3: Net interest income capped by NIM compression

Net interest income (THBbn)	4Q19	3Q20	4Q20	QoQ (%)	YoY (%)	FY19	FY20	YoY (%)
BBL	17,944	18,110	19,852	9.6	10.6	53,879	57,782	7.2
KBANK	26,096	27,082	27,255	0.6	4.4	77,118	82,419	6.9
KKP	3,227	3,614	3,530	-2.3	9.4	9,198	10,683	16.1
KTB	21,161	23,460	21,602	-7.9	2.1	67,607	68,024	0.6
SCB	26,191	23,777	23,724	-0.2	-9.4	76,441	73,278	-4.1
TISCO	3,111	3,128	3,252	4.0	4.6	9,320	9,838	5.6
TMB	6,206	13,046	13,227	1.4	113.1	18,786	40,287	114.5
<b>Sector</b>	<b>101,102</b>	<b>112,443</b>	<b>110,581</b>	<b>-1.7</b>	<b>9.4</b>	<b>413,450</b>	<b>452,893</b>	<b>9.5</b>

Source: Company data, RHB

Figure 4: NIM compressed by 7bps QoQ

NIM (%)	4Q19	3Q20	3Q20	QoQ (bps)	YoY (bps)	FY19	FY20	YoY (bps)
BBL	2.16	2.15	2.08	-7	-8	2.27	2.24	-3
KBANK	3.26	3.18	3.09	-10	-17	3.31	3.28	-3
KKP	4.28	4.23	4.83	61	55	4.26	4.69	43
KTB	2.97	2.89	2.65	-24	-32	3.24	2.95	-30
SCB	3.20	3.16	3.06	-10	-14	3.34	3.24	-10
TISCO	4.77	4.73	4.73	0	-3	4.26	4.57	32
TMB	2.86	2.94	3.08	14	22	2.01	3.04	103
<b>Sector</b>	<b>2.95</b>	<b>2.90</b>	<b>2.82</b>	<b>-7</b>	<b>-13</b>	<b>2.98</b>	<b>3.00</b>	<b>1</b>

Source: Company data, RHB

Figure 5: Non-II boosted by higher gains from investments and asset sales

Non-II (THBbn)	4Q19	3Q20	4Q20	QoQ (%)	YoY (%)	FY19	FY20	YoY (%)
BBL	26,530	9,569	11,364	18.8	-57.2	62,686	41,682	-33.5
KBANK	16,157	9,498	12,308	29.6	-23.8	57,803	43,271	-25.1
KKP	1,618	1,417	1,840	29.8	13.7	6,012	5,660	-5.8
KTB	10,919	8,672	8,250	-4.9	-24.4	37,375	33,905	-9.3
SCB	12,074	10,761	12,745	18.4	5.6	66,696	47,869	-28.2
TISCO	1,964	1,443	1,675	16.0	-14.8	6,643	5,806	-12.6
TMB	3,637	2,984	4,297	44.0	18.1	12,956	14,987	15.7
<b>Sector</b>	<b>72,899</b>	<b>44,345</b>	<b>52,478</b>	<b>18.3</b>	<b>-28.0</b>	<b>250,171</b>	<b>193,179</b>	<b>-22.8</b>

Source: Company data, RHB

Figure 6: Sector credit cost was lowered by the sharp decrease in ECL by KBANK and KTB

Credit cost (bps)	4Q19	3Q20	4Q20	QoQ (bps)	YoY (bps)	FY19	FY20	YoY (bps)
BBL	322	96	122	26	-200	156	141	-15
KBANK	179	202	12	-190	-167	174	205	31
KKP	35	162	317	156	282	72	162	90
KTB	92	217	160	-57	68	116	203	87
SCB	180	240	257	17	77	170	214	43
TISCO	122	107	137	30	15	46	142	97
TMB	119	200	239	39	120	99	178	79
<b>Sector</b>	<b>186</b>	<b>179</b>	<b>142</b>	<b>-36</b>	<b>-43</b>	<b>143</b>	<b>187</b>	<b>44</b>

Source: Company data, RHB

Figure 7: Asset quality was relatively stable in 4Q20

Gross NPLs (THBm)	4Q19	3Q20	4Q20	QoQ (%)	YoY (%)	Dec 18	Dec 19	YTD (%)
BBL	79,149	107,743	104,405	-3.1	31.9	80,137	79,149	31.9
KBANK	84,038	96,743	101,007	4.4	20.2	74,400	84,038	20.2
KKP	9,560	8,323	8,456	1.6	-11.5	9,403	9,560	-11.5
KTB	102,659	110,662	107,138	-3.2	4.4	106,104	102,659	4.4
SCB	85,212	89,909	101,462	12.8	19.1	70,389	85,212	19.1
TISCO	5,834	5,918	5,618	-5.1	-3.7	6,876	5,834	-3.7
TMB	37,746	36,747	39,594	7.7	4.9	21,720	37,746	4.9
<b>Sector</b>	<b>404,198</b>	<b>456,045</b>	<b>467,680</b>	<b>2.6</b>	<b>15.7</b>	<b>369,029</b>	<b>404,198</b>	<b>15.7</b>

Source: Company data, RHB

Figure 8: NPL ratio was stable in 4Q20

NPL ratio (%)	4Q19	1Q20	2Q20	3Q20	4Q20
BBL	3.36	3.50	4.10	4.10	3.90
KBANK	3.65	3.86	3.92	3.95	3.93
KKP	4.00	3.70	3.70	3.20	3.20
KTB	4.33	4.36	4.35	4.21	3.81
SCB	3.41	3.17	3.05	3.32	3.68
TISCO	2.40	2.56	3.28	2.63	2.50
TMB	2.35	2.76	2.34	2.33	2.50
<b>Sector</b>	<b>3.99</b>	<b>4.21</b>	<b>4.21</b>	<b>4.22</b>	<b>4.22</b>

Source: Company data, RHB

Figure 9: Loan loss reserves remained comfortable

LLR (%)	4Q19	1Q20	2Q20	3Q20	4Q20
BBL	220.2	203.9	170.5	170.0	181.6
KBANK	148.60	129.6	140.9	141.8	133.1
KKP	110.8	103.3	115.0	135.2	150.7
KTB	131.8	126.5	124.2	131.2	147.3
SCB	134.10	133.1	147.3	142.5	137.4
TISCO	183.7	189.8	155.0	196.1	210.5
TMB	120.5	105.7	114.4	131.6	133.8
<b>Sector</b>	<b>152.27</b>	<b>141.9</b>	<b>142.3</b>	<b>145.8</b>	<b>144.6</b>

Source: Company data, RHB

Figure 10: Loan demand picked up moderately in 4Q20

Gross loans (THBbn)	4Q19	3Q20	4Q20	QoQ (%)	YoY (%)	Dec 18	Dec 19	YTD (%)
BBL	2,061	2,367	2,363	-0.2	14.7	2,083	2,061	14.7
KBANK	2,002	2,157	2,245	4.1	12.1	1,914	2,002	12.1
KKP	237	255	268	5.3	13.2	228	237	13.2
KTB	2,090	2,281	2,332	2.2	11.6	2,024	2,090	11.6
SCB	2,114	2,171	2,255	3.9	6.7	2,141	2,114	6.7
TISCO	243	225	225	0.0	-7.4	241	243	-7.4
TMB	1,392	1,363	1,393	2.2	0.1	686	1,392	0.1
<b>Sector</b>	<b>10,139</b>	<b>10,819</b>	<b>11,082</b>	<b>2.4</b>	<b>9.3</b>	<b>9,316</b>	<b>10,139</b>	<b>9.3</b>

Source: Company data, RHB

Figure 11: Capital ratios were comfortably above minimum requirements

Capital ratios (%)	Tier-1 4Q19	Tier-1 3Q20	Tier-1 4Q20	BIS 4Q19	BIS 3Q20	BIS 4Q20
BBL	16.98	15.10	15.70	20.00	17.60	18.30
KBANK	16.19	15.74	14.94	18.52	17.29	17.74
KKP	13.61	14.64	13.38	17.20	19.05	17.39
KTB	14.80	15.01	15.35	18.66	18.42	18.76
SCB	17.00	17.60	17.10	18.10	18.70	18.20
TISCO	16.38	17.50	17.56	20.78	21.80	21.95
TMB	14.62	15.16	15.40	18.95	19.24	19.50

Source: Company data, RHB

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Analyst	Company
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80 - 89		ดีมาก	Very Good
70 - 79		ดี	Good
60 - 69		พอใช้	Satisfactory
50 - 59		ผ่าน	Pass
ต่ำกว่า 50	No logo give	N/A	N/A

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ข้อมูล Anti-Corruption Progress Indicator 2560

ประกาศเจตนารมณ์ CAC

A	ASK	CHG	FC	GREEN	JUTHA	MATCH	NINE	PIMO	RWI	SPPT	TFI	TU	VNT
AI	AU	CHOTI	FER	GSTEL	KASET	MATI	NMG	PK	SANKO	SPRC	THE	TVD	WAVE
AIE	BCH	CHOW	FPI	GUNKUL	KBS	MBAX	NNCL	PL	SAUCE	SR	TICON	TVO	WHA
AIRA	BJC	CIG	FSMART	HARN	KCAR	MC	NTV	PLANB	SC	SRICHA	TIP	TVT	WICE
AJ	BJCHI	COL	GEL	IFS	KTECH	MFEC	NUSA	POST	SCCC	SST	TKN	TWPC	WIJK
ALUCON	BLAND	COM7	GFPT	ILINK	KWC	MIDA	NWR	PRINC	SCN	STA	TLUXE	U	TRUE
AMATAV	BR	CPALL	GGC	INET	KYE	MILL	OGC	PRO	SEAOIL	SUPER	TMILL	UPA	
AOT	BROCK	CPF	GIFT	IRC	L&E	ML	PACE	PSTC	SE-ED	SUSCO	TMT	UREKA	
APCO	BRR	CPR	GJS	J	LEE	MTLS	PAF	PYLON	SENA	SWC	TNP	UWC	
AQUA	CEN	CSC	GLOBAL	JMART	LIT	NBC	PAP	QTC	SIRI	SYMC	TPA	VGI	
ARROW	CGH	EKH	GOLD	JMT	LVT	NCL	PATO	ROH	SMART	TAKUNI	TSE	VIBHA	
ASIA	CHEWA	EPCO	GPSC	JUBILE	MAKRO	NEP	PCSGH	ROJNA	SPACK	TBSP	TTI	VIH	

ได้รับการรับรอง CAC

ADVANC	BKI	CPN	FE	INTUCH	LANNA	MSC	PLAT	PTT	SAT	SNP	TCMC	TMD	UOBKH
AKP	BLA	CSL	FNS	IRPC	LHBANK	MTI	PM	PTTEP	SCB	SORKON	TFG	TNITY	WACOAL
AMANAH	BROOK	DCC	FSS	IVL	LHK	NKI	PPP	PTTGC	SCC	SPC	TGCI	TNL	
AP	BTS	DEMCO	GBX	K	LPN	NSI	PPS	Q-CON	SCG	SPI	THANI	TOG	
ASP	BWG	DIMET	GCAP	KBANK	MBK	OCC	PRANDA	QH	SGP	SSF	THCOM	TOP	
AYUD	CENTEL	DRT	GLOW	KCE	MBKET	OCEAN	PREB	QLT	SINGER	SSI	THRE	TPCORP	
BAFS	CFRESH	DTAC	HANA	KGI	MCOT	PB	PRG	RATCH	SIS	SSSC	THREL	TRU	
BANPU	CIMBT	DTC	HMPRO	KKP	MFC	PDI	PSH	RML	SITHAI	SVI	TIPCO	TSC	
BAY	CM	EASTW	HTC	KSL	MINT	PE	PSL	ROBINS	SMIT	SYNTEC	TISCO	TSSTH	
BBL	CNS	ECL	ICC	KTB	MONO	PG	PT	S & J	SMPC	TAE	TKT	TTCL	
BCP	CPI	EGCO	IFEC	KTC	MOONG	PHOL	PTG	SABINA	SNC	TCAP	TMB	TVI	

N/A

2S	ARIP	BSM	CSS	FMT	INOX	LTX	NPK	RCL	SFP	SUC	TITLE	TSR	VPO
AAV	AS	BTC	CTW	FN	INSURE	M	NPP	RICH	SGF	SUN	TIW	TSTE	VTE
ABICO	ASAP	BTNC	CWT	FOCUS	IRCP	MACO	NVD	RICHY	SHANG	SUTHA	TK	TTA	WG
ACAP	ASEFA	BTW	D	FORTH	IT	MAJOR	NYT	RJH	SIAM	SVH	TKS	TTL	WHAUP
ACC	ASIAN	BUI	DCON	FTE	ITD	MALEE	OHTL	ROCK	SIMAT	SVOA	TM	TTTM	WIN
ADAM	ASIMAR	CBG	DCORP	FVC	ITEL	MANRIN	OISHI	RP	SKE	SYNEX	TMC	TTW	WINNER
ADB	ASN	CCET	DDD	GC	JAS	MAX	ORI	RPC	SKN	T	TMI	TUCC	WORK
AEC	ATP30	CCP	DELTA	GENCO	JCT	M-CHAI	OTO	RPH	SKR	TACC	TMW	TWP	WORLD
AEONTS	AUCT	CGD	DIGI	GL	JKN	MCS	PAE	RS	SKY	TAPAC	TNDT	TWZ	WP
AF	BA	CHARAN	DNA	GLAND	JSP	MDX	PDG	RSP	SLP	TASCO	TNH	TYCN	WPH
AFC	BAT-3K	CHO	DTCI	GPI	JTS	MEGA	PERM	S	SMK	TC	TNPC	UAC	WR
AGE	BCPG	CHUO	EA	GRAMMY	JWD	METCO	PF	S11	SMM	TCB	TNR	UBIS	XO
AH	BDMS	CI	EARTH	GRAND	KAMART	MGT	PICO	SAFARI	SMT	TCC	TOA	UEC	YCI
AHC	BEAUTY	CITY	EASON	GTB	KC	MJD	PJW	SALEE	SOLAR	TCCC	TOPP	UKEM	YNP
AIT	BEC	CK	ECF	GULF	KCM	MK	PLANET	SAM	SPA	TCJ	TPAC	UMI	YUASA
AJA	BEM	CKP	EE	GYT	KDH	MM	PLE	SAMART	SPALI	TCOAT	TPBI	UMS	ZIGA
AKR	BFIT	CMO	EFORL	HFT	KIAT	MODERN	PMTA	SAMCO	SPCG	TEAM	TPCH	UNIQU	ZMICO
ALLA	BGRIM	CMR	EIC	HOTPOT	KKC	MPG	POLAR	SAMTEL	SPG	TFD	TIPL	UP	
ALT	BGT	CNT	EMC	HPT	KOOL	MPIC	POMPUI	SAPPE	SPORT	TFMAMA	TIPIPP	UPF	
AMA	BH	COLOR	EPG	HTECH	KTIS	NC	PORT	SAWAD	SPVI	TGPRO	TPOLY	UPOIC	
AMARIN	BIG	COMAN	ERW	HUMAN	KWG	NCH	PPM	SAWANG	SQ	TH	TPP	UT	
AMATA	BIZ	CPH	ESSO	HYDRO	LALIN	NDR	PRAKIT	SCI	SSC	THAI	TR	UTP	
AMC	BKD	CPL	ESTAR	ICHI	LDC	NETBAY	PRECHA	SCP	SSP	THANA	TRC	UV	
ANAN	BLISS	CPT	ETE	ICN	LH	NEW	PRIN	SDC	STANLY	THG	TRITN	UVAN	
APCS	BM	CRANE	EVER	IEC	LOXLEY	NEWS	PRM	SE	STAR	THIP	TRT	VARO	
APEX	BOL	CRD	F&D	IHL	LPH	NFC	PTL	SEAFCO	STEC	THL	TRUBB	VCOM	
APURE	BPP	CSP	FANCY	III	LRH	NOBLE	RAM	SELIC	STHAI	THMUI	TSF	VI	
AQ	BSBM	CSR	FLOYD	INGRS	LST	NOK	RCI	SF	STPI	TIC	TSI	VNG	

Source: Thai Institute of Directors

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