

5 FEBRUARY 2021

THAILAND / BANKS

## BANGKOK BANK BBL TB

BUY

UNCHANGED

TARGET PRICE	THB162.00
CLOSE	THB123.00
UP/DOWNSIDE	+31.7%
PRIOR TP	THB156.00
CHANGE IN TP	+3.8%
TP vs CONSENSUS	+10.8%

## การเติบโตระยะยาวดูไม่โดดเด่น

ระยะสั้นเป็นบวก แต่ระยะยาวดูท้าทาย

BBL ให้เป้าหมายทางการเงินปี 2021 ของธนาคารฯ ในที่ประชุมนักวิเคราะห์ครั้งล่าสุด ประกอบด้วย 1) ผลขาดทางทางเครดิตที่คาดว่าจะเกิดขึ้น (ECL) ที่คาดว่าจะลดลงอย่างมีนัยสำคัญเหลือ 22 พัน ลบ. จาก 31 พัน ลบ. ในปี 2020; 2) อัตราส่วนค่าใช้จ่ายในการดำเนินงานต่อรายได้รวม (CIR) ที่คาดว่าจะลดลงไปอยู่ที่ระดับ 50% ต้นๆ เทียบกับ 55.6% จากค่าใช้จ่ายในการดำเนินงานพิเศษจากการควบรวม PT Bank Permata Tbk (BNLI IJ) ที่ลดลง; 3) ประมาณการอัตราดอกเบี้ยของสินเชื่อในปี 2021 ที่ 3-4% y-y; และ 4) ส่วนต่างดอกเบี้ยที่คาดว่าจะลดลง 15 bps ไปอยู่ที่ 2.1% จากสภาวะอัตราดอกเบี้ยต่ำ เรามองเป้าหมายทางการเงินดังกล่าวเป็นบวกเพียงเล็กน้อย แม้ว่าในระยะสั้นกำไรสุทธิอาจเพิ่มอย่างมีนัยสำคัญจากการจัดสรรสำรองที่ลดลงเป็นจำนวนมาก ธนาคารฯ อาจเผชิญความท้าทายในด้านการเติบโตของรายได้ และค่าใช้จ่ายในการดำเนินงานในระยะยาว

## การบริหารความเสี่ยงเชิงรุกอาจนำไปสู่ ECL ที่ลดลง

ผู้บริหารยังมีมุมมองที่ระมัดระวังต่อคุณภาพสินทรัพย์ของธนาคารฯ และเห็นว่าสัดส่วนหนี้ต่อคุณภาพอาจเพิ่มขึ้น 4.5% ในปี 2021 จาก 3.9% ในปี 2020 อย่างไรก็ตาม BBL ได้จัดสรรสำรองในปี 2020 อันนำมาซึ่งสัดส่วนสำรองต่อหนี้ต่อคุณภาพ (Coverage Ratio) ที่สูงเป็นอันดับสองที่ 182% นอกจากนี้ ธนาคารฯ ยังได้สะสมสำรองไว้เป็นจำนวนมากเพื่อเตรียมรับ TFRS 9 ในปี 2017-19 โดยมีอัตราส่วนค่าใช้จ่ายการตั้งสำรองเฉลี่ยย้อนหลัง 3 ปีอยู่ที่ 121 bps ทำให้เราเห็นว่า Credit Cost ของ BBL อาจลดลงได้ในปี 2021

## การเติบโตของรายได้อ่อนแอและการควบคุมต้นทุนไม่มีประสิทธิภาพ

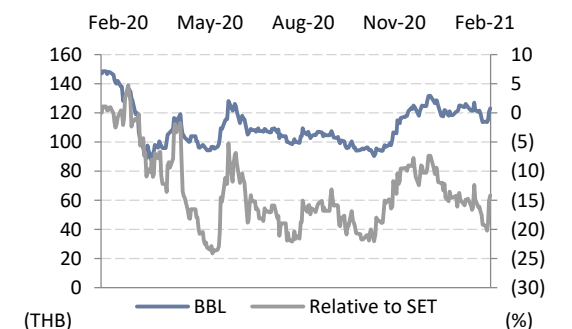
เราคาดว่ากำไรสุทธิของ BBL ในปี 2021 จะเพิ่ม 47% y-y จากการลดลงของ ECL อย่างไรก็ตาม เราคาดว่ากำไรจากการดำเนินงานก่อนตั้งสำรอง (PPOP) จะลดลง 3% y-y จากการเติบโตของรายได้ที่อ่อนแอและการควบคุมต้นทุนที่ไม่มีประสิทธิภาพ เราคาดว่าส่วนต่างดอกเบี้ย (NIM) ของ BBL จะลดลงในระยะสั้นถึงปานกลางเมื่อเทียบกับธนาคารอื่นเนื่องจาก 1) ธนาคารฯ มุ่งเน้นไปยังสินเชื่อระยะสั้นที่ให้อัตราผลตอบแทนต่ำมากขึ้น; 2) ผลกระทบทางลบที่สูงขึ้นจากสภาวะอัตราดอกเบี้ยต่ำ เพราะ BBL มีจากสัดส่วนเงินกู้ยืมระหว่างธนาคารและการลงทุนต่อสินทรัพย์ที่ทำกำไรที่ 36% เทียบกับ 29% ในธนาคารขนาดใหญ่อื่น ๆ; และ 3) สัดส่วนเงินฝากกระแสรายวันและออมทรัพย์ต่อเงินฝากรวม (CASA) และอัตราส่วนสินเชื่อต่อเงินฝาก (LDR) ที่อยู่ในระดับต่ำที่สุดในกลุ่มฯ ในด้านต้นทุน เราคาดว่า BBL จะมี CIR สูงกว่าเพื่อนจาก 1) การปรับใช้ระบบดิจิทัลที่ช้ากว่าเพื่อน; และ 2) การควบคุมต้นทุนที่ไม่มีประสิทธิภาพของ Permata

## คงคำแนะนำซื้อ แต่ชอบ KBANK และ SCB มากกว่า

เราปรับเพิ่มราคาเป้าหมายของเราเป็น 162 บาท (GGM) เพื่อสะท้อนสมมติฐานกำไรสุทธิปี 2021-22 ที่สูงขึ้น 8.1%/2.9% ตามลำดับ เราคงคำแนะนำซื้อ BBL จากฐานะการเงินที่มั่นคงและการประเมินมูลค่าที่อยู่ในระดับต่ำ อย่างไรก็ตาม ธนาคารฯ มีข้อได้เปรียบในด้านการแข่งขันต่ำกว่าในแง่ของการสร้างรายได้และโครงสร้างต้นทุนเมื่อเทียบกับ KBANK (BUY, TP THB168) และ SCB (BUY, TP THB114) ดังนั้นเราจึงชอบ KBANK และ SCB มากกว่า BBL

## KEY STOCK DATA

YE Dec (THB m)	2020	2021E	2022E	2023E
Operating profit	25,573	32,118	36,512	39,350
Net profit	17,181	25,296	28,758	30,992
EPS (THB)	9.00	13.25	15.06	16.24
vs Consensus (%)	-	(1.3)	(2.1)	(7.7)
Core net profit	21,181	25,296	28,758	30,992
Core EPS (THB)	11.10	13.25	15.06	16.24
Chg. In EPS est. (%)	-	8.1	2.9	-
EPS growth (%)	(40.9)	19.4	13.7	7.8
Core P/E (x)	11.1	9.3	8.2	7.6
Dividend yield (%)	2.0	3.3	4.1	5.7
Price/book (x)	0.5	0.5	0.5	0.5
ROE (%)	4.8	5.6	6.1	6.3
ROA (%)	0.6	0.7	0.8	0.8



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	1.7	21.2	(14.3)
Relative to country (%)	2.3	2.4	(12.1)
Mkt cap (USD m)	7,808		
3m avg. daily turnover (USD m)	52.9		
Free float (%)	76		
Major shareholder	Thai NVDR (24%)		
12m high/low (THB)	150.50/88.00		
Issued shares (m)	1,909		

Sources: Bloomberg consensus; FSSIA estimates



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PREPARED BY FSS INTERNATIONAL INVESTMENT ADVISORY SECURITIES CO LTD (FSSIA). ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES CAN BE FOUND AT THE END OF THIS REPORT

บทวิเคราะห์ฉบับนี้แปลมาจากบทวิเคราะห์ของ FSSIA ฉบับวันที่ 5 กุมภาพันธ์ 2021

## Investment thesis

We maintain our BUY call on BBL due to having one of the most defensive balance sheets and one of the least demanding valuations among our coverage, with its currently traded P/BV at 0.5x for 2021E.

However, after the pandemic ends, we think it will lack the infrastructure to generate solid interest income and non-interest income growth. Moreover, we believe BBL has inefficient cost control vs its peers. Therefore, among the big banks, we prefer KBANK and SCB to BBL.

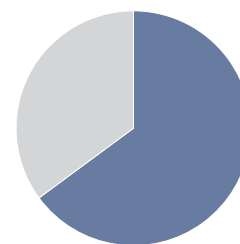
## Company profile

Bangkok Bank is a leading bank in Thailand and a major regional bank in Southeast Asia. It is a market leader in corporate and business banking, with a large retail customer base.

[www.bangkokbank.com](http://www.bangkokbank.com)

## Principal activities (revenue, 2020)

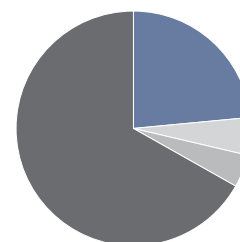
- Net interest income - 64.9 %
- Non-interest income - 35.1 %



Source: Bangkok Bank

## Major shareholders

- Thai NVDR - 23.5 %
- South East Asia UK (Type C) Nominees Limited - 5.2 %
- Social Security Office - 4.5 %
- Others - 66.8 %



Source: Bangkok Bank

## Catalyst

Potential share price catalysts for BBL include:

- Lower credit cost from better-than-expected new NPLs;
- The return of foreign fund flows into the Thai stock market.

## Risk to our call

Downside risks to our GGM-based TP are 1) prolonged economic sluggishness and a second wave of the COVID-19 pandemic affecting loan growth and asset quality; and 2) the impact of further interest rate cuts on NIM and potential new regulations from the Bank of Thailand on debt-servicing programs.

## Event calendar

Date	Event
15 Feb 2021	GDP 4Q20/2020 announcement
April 2021	1Q21 results announcement

## Key assumptions

	2021E	2022E	2023E
	(%)	(%)	(%)
Net profit (THB m)	25,296	28,758	30,992
Net profit growth	47.2	13.7	7.8
NIM	2.10	2.10	2.13
Loan growth	3.0	3.0	3.0
Fee growth	1.6	7.0	7.0
Non-NII growth*	(6.4)	5.2	5.3
Credit cost (bp)	95	80	80
Cost to income*	52.8	52.9	52.2

\* Including share of profits from associates

Source: FSSIA estimates

## Earnings sensitivity

		2021E		
Loan growth	±2ppt	1.00	3.00	5.00
% change in net profit		(1.5)	0.0	1.5
NIM (%)	±5bp	2.05	2.10	2.15
% change in net profit		(5.0)	0.0	5.0
Credit cost (bp)	±10bp	85	95	105
% change in net profit		4.4	0.0	(4.4)

Source: FSSIA estimates



## Short-term positive but longer term challenging

BBL provided its 2021 financial targets at its latest analyst meeting, including 1) a significant ECL decline to THB22b from THB31b in 2020 due to proactively setting aside extra provisions for potential future losses in 2020; 2) a lower cost to income ratio in the low 50% range vs 55.6% due to the lower extra OPEX from PT Bank Permata Tbk (BNLI IJ)'s consolidation; 3) 3-4% y-y 2021E loan growth; and 4) a NIM decline by 15 bps to 2.1% due to the low interest rate environment. We read this financial target as only slightly positive. Albeit in the short term its net profit could increase significantly from a substantial decline in provisioning setup, its top-line growth and OPEX could be challenged in the long term.

### Exhibit 1: BBL's 2021 financial targets

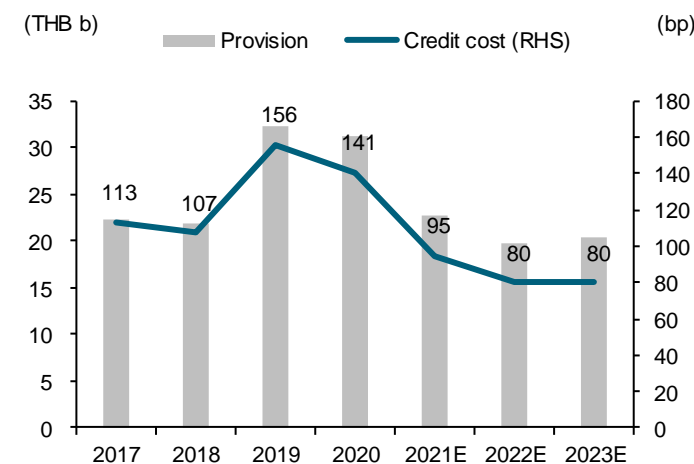
	2020	2021E	
	Actual	BBL	FSSIA
NIM (%)	2.26	2.10	2.10
Loan growth (%)	14.65	3-4	3.00
Fee growth (%)	(13.31)	3-4	1.63
Cost to income ratio (%)	55.6	Low 50%	52.8
Provision (THB m)	31,196	22,000	22,788

Sources: BBL; FSSIA estimates

## Proactive risk management could lead to lower ECL

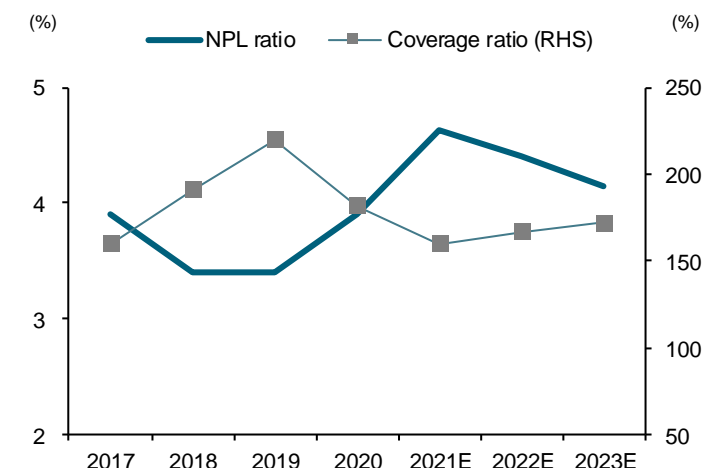
Management still has a cautious view on its asset quality and thinks its NPL ratio could rise to 4.5% in 2021 from 3.9% in 2020. However, the current situation is much better than during the national lockdown in 2Q20. Asset quality in 4Q20 was better than the company expected. Moreover, BBL set aside extra provisions in 2020, leading to the second highest coverage ratio at 182%. Additionally, the bank stockpiled huge provisions in preparation for TFRS 9 in 2017-19, with its three-year average credit cost at 121 bps. Hence, we think BBL could enjoy a lower credit cost in 2021.

### Exhibit 2: Provisions and credit cost



Sources: BBL; FSSIA's estimates

### Exhibit 3: NPL ratio and coverage ratio



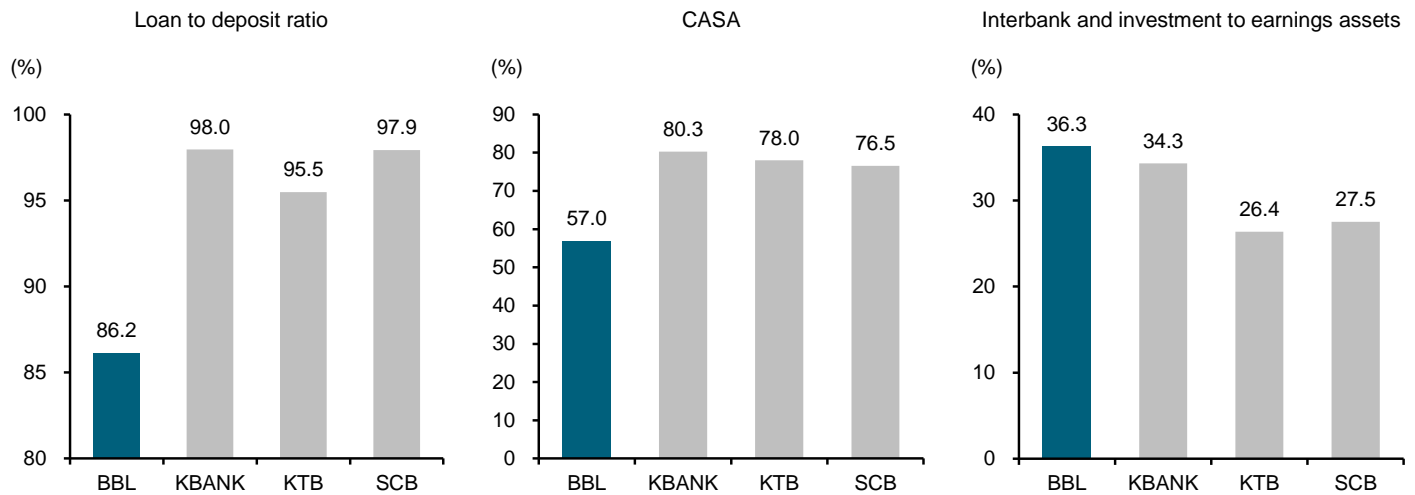
Sources: BBL; FSSIA's estimates

## Weak top-line growth and inefficient cost control

We expect BBL's 2021 net profit to surge 47% y-y due to plunging ECL and lower extra OPEX. However, we expect a drop in PPOP of 3% y-y due to weak top-line growth and cost control. We expect BBL to have a lower NIM in the short to medium term vs its peers due to 1) its greater focus on low-yield corporate loans; 2) a higher negative impact from the low interest rate environment due to the higher proportion of interbank and investment to earnings assets at 36% vs 29% for other big banks; and 3) its conservative deposit strategy. BBL has the lowest CASA ratio at 57% vs 78% on average for the other big banks. Moreover, BBL wants to maintain high liquidity,

leading it to have the lowest LDR. We believe this conservative strategy could lead to low source of fund utilisation.

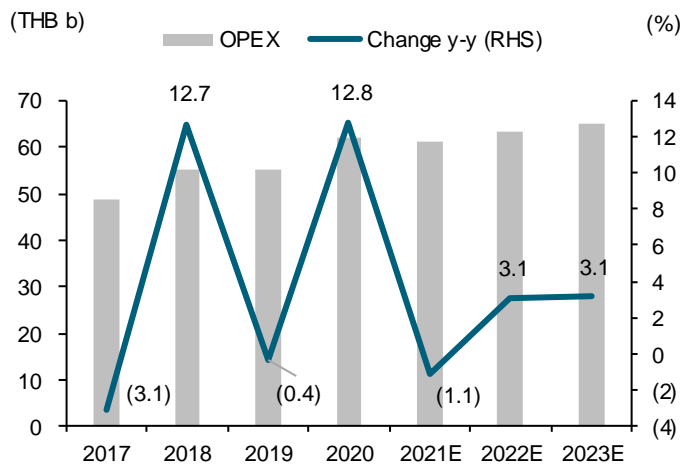
#### Exhibit 4: BBL has the lowest LDR and CASA, while it has the highest interbank and investment to earnings assets



Sources: Company data; FSSIA's compilation

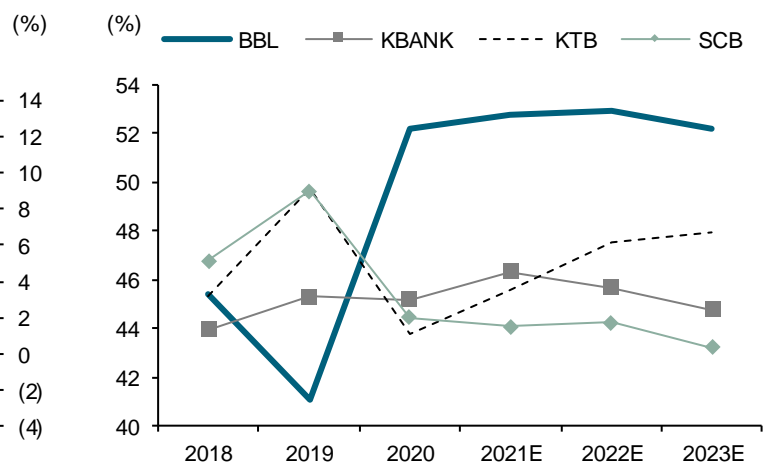
Regarding its cost side, while most of the big banks should enjoy a period of lower CIR due to the benefits from their heavy digital investments in the past kicking in, we expect BBL to have a higher CIR than its peers, thanks to 1) the slower pace of its digital implementation; and 2) Permata's inefficient cost control.

#### Exhibit 5: OPEX



Sources: BBL; FSSIA estimates

#### Exhibit 6: Cost to income ratio of big banks



Sources: Company data; FSSIA estimates

### The synergies from acquiring Permata have not arrived yet

We have less concern over Permata's asset quality. Permata's latest debt forbearance program in 2Q20 was only at 11% vs 16% for the industry average. Also, Permata's coverage ratio was still healthy at 130%. However, it could take 1-2 years for Permata to generate satisfactory profit contributions to BBL, in our view. Permata has weak cost control, and its low top-line growth has led to a very high CIR at 60%.

## Net profit and TP revisions

We increase our 2021-22 net profit forecast by 8.1%/2.9% due to the better-than-expected credit cost that has prompted us to lower our ECL projections. These should offset the company's lower NIM, in our view.

1) We revise down our 2021-22 credit cost assumptions from 120 bps/100 bps to 95 bps/80 bps due to its prudent loan approval process and follow-up debt collection capabilities, which should lead to stronger asset quality.

2) We revise down our NIM assumptions for 2021-22 from 2.14%/2.24% to 2.10%/2.10% to reflect the higher-than-expected loan growth of the low-yield corporate segment and the impact of the low interest rate environment.

### Exhibit 7: Key changes in assumptions

	2020	2021E			2022E			2023E
	Actual	Old	New	Change	Old	New	Change	New
	(THB m)	(THB m)	(THB m)	(%)	(THB m)	(THB m)	(%)	(THB m)
Net interest income	77,047	80,245	77,176	(3.8)	82,508	78,431	(4.9)	81,685
Non-interest income	41,682	38,365	39,005	1.7	39,890	41,020	2.8	43,178
Operating income	118,729	118,610	116,181	(2.0)	122,398	119,450	(2.4)	124,863
Operating expenses	61,974	59,929	61,291	2.3	62,186	63,189	1.6	65,174
<b>PPOP before tax</b>	<b>56,755</b>	<b>58,681</b>	<b>54,890</b>	<b>(6.5)</b>	<b>60,212</b>	<b>56,261</b>	<b>(6.6)</b>	<b>59,689</b>
Provision (Reversal)	31,196	28,980	22,788	(21.4)	24,755	19,766	(20.2)	20,359
Tax expenses	4,014	5,940	6,420	8.1	7,091	7,299	2.9	7,866
Minority interest	364	356	385	8.1	425	438	2.9	472
<b>Normalized profit</b>	<b>21,181</b>	<b>23,404</b>	<b>25,296</b>	<b>8.1</b>	<b>27,940</b>	<b>28,758</b>	<b>2.9</b>	<b>30,992</b>
Extraordinary items	(4,000)	0	0		0	0		0
<b>Net profit</b>	<b>17,181</b>	<b>23,404</b>	<b>25,296</b>	<b>8.1</b>	<b>27,940</b>	<b>28,758</b>	<b>2.9</b>	<b>30,992</b>
EPS (THB)	9.0	12.3	13.3	8.1	14.6	15.1	2.9	16.2
<b>Key statistic and ratio</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>
<b>Asset quality ratio</b>								
Gross NPLs (THB m)	104,405	146,386	128,221	(12.4)	143,458	125,657	(12.4)	121,887
Reported NPL ratio	3.9	6.0	4.6		5.7	4.4		4.2
Loan loss reserve/NPLs	181.6	152.5	159.9		162.3	167.0		171.9
Credit cost (bp)	141	120	95		100	80		80
<b>Profitability ratio</b>								
Cost to income ratio	52.2	50.5	52.8		50.8	52.9		52.2
Average yield	3.30	3.19	3.01		3.43	3.17		3.2
Cost of fund	1.22	1.25	1.04		1.37	1.24		1.3
Net interest margin (NIM)	2.26	2.14	2.10		2.24	2.10		2.13
<b>Liquidity ratio</b>								
Loan to deposit ratio	84.1	86.2	87.0		87.4	86.3		87.6
<b>Capital adequacy ratio</b>								
CAR	18.3	17.4	18.2		17.5	18.4		18.5
<b>% growth</b>								
Loan growth (y-y)	14.7	2.0	3.0		3.0	3.0		3.0

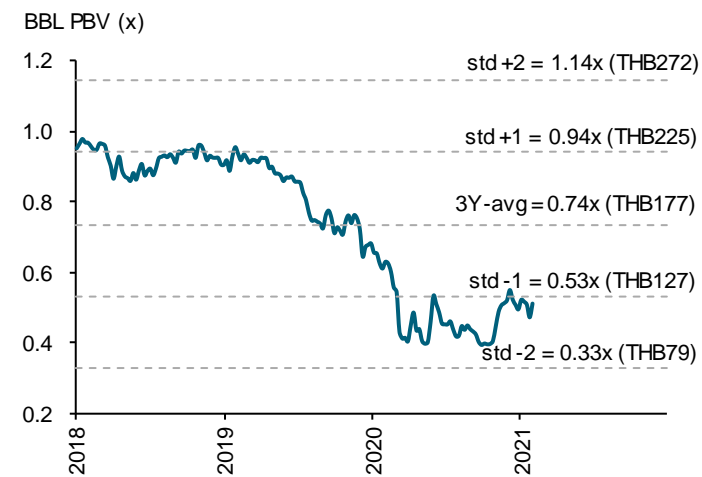
Source: FSSIA estimates

We revise up our GGM-based TP to THB162 from THB156, as we 1) increase our EPS forecast, leading to a higher book value; and 2) revise up our target 2021E P/BV from 0.65x to 0.68x to reflect the increase in our average long-term ROE target to 6.6% from 6.5%.

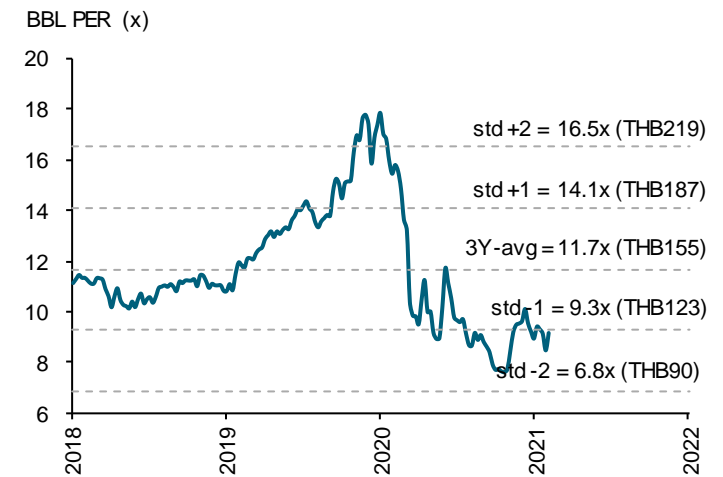
**Exhibit 8: GGM-derived target price**

Target price (THB)	THB162 from THB156
Recommendation	BUY
Risk-free rate (%)	3 (unchanged)
Market risk premium (%)	8 (unchanged)
Terminal growth (%)	2.9 (unchanged)
ROE target (%)	6.6 (from 6.5)
Risk to TP	Downside risks to our GGM-based TP are 1) prolonged economic sluggishness and a second wave of the COVID-19 pandemic affecting loan growth and asset quality; and 2) the impact of further interest rate cuts on NIM and potential new regulations from the Bank of Thailand on debt-servicing programs.

Source: FSSIA estimates

**Exhibit 9: BBL – prospective P/BV band**

Sources: Bloomberg; FSSIA estimates

**Exhibit 10: BBL – prospective P/E band**

Sources: Bloomberg; FSSIA estimates

## 4Q20 results: significantly lower than expected

BBL reported a feeble 4Q20 net profit of THB2,398m, 57% below our forecast and Bloomberg's consensus estimate due to the higher-than-expected OPEX and ECL. BBL had a weak core top line. Its NIM dropped to 2.1% from 2.14% in 3Q20 due to the impact of the rate cut and its debt assistance program. Its fee income also declined. Moreover, its OPEX increased at a faster pace due to expenses related to developing working systems. Lastly, although it had a huge number of extra provisions in 9M20, BBL still set aside extra provisions in 4Q20. Therefore, its net profit plummeted by 70% y-y, 40% q-q.

BBL's 2020 net profit was the worst performing among the banks under our coverage, dropping by 52% y-y to THB17.2b. Its net ROE dropped to 3.9% from 8.5% in 2019.

### Exhibit 11: BBL – 4Q20/2020 results summary

Year-end Dec 31	4Q19	3Q20	4Q20	----- Change -----		2019	2020	Change	Comments
	(THB m)	(THB m)	(THB m)	(y-y %)	(q-q %)	(THB m)	(THB m)	(y-y %)	
Net interest income	17,193	19,852	19,265	12	(3)	71,071	77,047	8	Decreased q-q due to a lower NIM
Non-interest income*	26,530	9,569	11,364	(57)	19	62,675	41,682	(33)	
<b>Operating income*</b>	<b>43,723</b>	<b>29,421</b>	<b>30,629</b>	<b>(30)</b>	<b>4</b>	<b>133,746</b>	<b>118,729</b>	<b>(11)</b>	
Operating expenses*	15,988	15,427**	20,144	26	4	54,963	61,974**	13	
<b>PPOP before tax</b>	<b>27,736</b>	<b>13,994</b>	<b>10,485</b>	<b>(62)</b>	<b>5</b>	<b>78,783</b>	<b>56,755</b>	<b>(28)</b>	
Provision	16,342	5,668	7,203	(56)	27	32,351	31,196	(4)	
Income tax	3,290	212	799	(76)	276	10,219	4,014	(61)	
Minority interest	101	97	85	(16)	(13)	397	364		
<b>Normalised profit</b>	<b>8,002</b>	<b>8,017</b>	<b>2,398</b>	<b>(70)</b>	<b>(40)</b>	<b>35,816</b>	<b>21,181</b>	<b>(41)</b>	
Extraordinary items	0	(4,000)	0			0	(4,000)		
<b>Net profit</b>	<b>8,002</b>	<b>4,017</b>	<b>2,398</b>	<b>(70)</b>	<b>(40)</b>	<b>35,816</b>	<b>17,181</b>	<b>(52)</b>	Below BBG consensus by 57%
EPS (THB)	4.19	2.10	1.26	(70)	(40)	18.76	9.00	(52)	
<b>Asset quality ratio</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	
Gross NPLs (THB m)	79,149	107,743	104,405	32	(3)	79,149	104,405	31.9	
NPL ratios (%)	3.40	4.09	3.90			3.40	3.90		
LLR/NPLs (%)	220	178	182			220	182		
Credit cost (bp)	322	96	122			156	141		
<b>Profitability ratio</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>			<b>(%)</b>	<b>(%)</b>		
Cost to income ratio	36.6	52.4**	65.8			41.1	52.2**		
Average yield (%)	3.48	3.16	2.99			3.6	3.3		
Cost of fund (%)	1.59	1.19	1.03			1.6	1.2		
Net interest margin (NIM)	2.16	2.14	2.10			2.3	2.3		
Non-interest income / total income	60.7	32.5	37.1			46.9	35.1		
<b>Liquidity ratio</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>			<b>(%)</b>	<b>(%)</b>		
Loan to deposit ratio	86.9	83.9	84.1			86.9	84.1		
<b>Loan growth</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>						
Year-to-date	(1.0)	14.8	14.7						

\*Including share of profits from associates; \*\*Excluding extra OPEX from Permata's consolidation

Sources: BBL; FSSIA estimates



## Financial Statements

### Bangkok Bank

Profit and Loss (THB m) Year Ending Dec	2019	2020	2021E	2022E	2023E
Interest Income	112,565	112,524	110,490	118,464	123,442
Interest expense	(41,494)	(35,477)	(33,314)	(40,034)	(41,756)
Net interest income	71,071	77,047	77,176	78,431	81,685
Net fees & commission	28,505	24,711	25,113	26,871	28,752
Foreign exchange trading income	7,848	0	0	0	0
Securities trading income	19,765	13,570	10,253	10,253	10,253
Dividend income	3,769	2,039	2,141	2,248	2,361
Other income	2,696	1,376	1,513	1,665	1,831
Non interest income	62,582	41,696	39,021	41,037	43,197
Total income	133,653	118,743	116,197	119,468	124,882
Staff costs	(26,726)	(30,959)	(31,579)	(33,158)	(34,815)
Other operating costs	(28,237)	(31,015)	(29,712)	(30,032)	(30,358)
Operating costs	(54,963)	(61,974)	(61,291)	(63,189)	(65,174)
Pre provision operating profit	78,690	56,769	54,906	56,279	59,709
Provision for bad and doubtful debt	(32,351)	(31,196)	(22,788)	(19,766)	(20,359)
Other provisions	-	-	-	-	-
Operating profit	46,339	25,573	32,118	36,512	39,350
Recurring non operating income	93	(14)	(16)	(18)	(19)
Associates	93	(14)	(16)	(18)	(19)
Goodwill amortization	-	-	-	-	-
Non recurring items	0	(4,000)	0	0	0
Profit before tax	46,431	21,559	32,102	36,495	39,330
Tax	(10,219)	(4,014)	(6,420)	(7,299)	(7,866)
Profit after tax	36,212	17,545	25,681	29,196	31,464
Minority interests	(397)	(364)	(385)	(438)	(472)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	35,816	17,181	25,296	28,758	30,992
Non recurring items & goodwill (net)	-	-	0	0	0
Recurring net profit	35,816	21,181	25,296	28,758	30,992
<b>Per share (THB)</b>					
Recurring EPS *	18.76	11.10	13.25	15.06	16.24
Reported EPS	18.76	9.00	13.25	15.06	16.24
DPS	7.00	2.50	4.00	5.00	7.00
<b>Growth</b>					
Net interest income (%)	(0.4)	8.4	0.2	1.6	4.1
Non interest income (%)	25.3	(33.4)	(6.4)	5.2	5.3
Pre provision operating profit (%)	18.9	(27.9)	(3.3)	2.5	6.1
Operating profit (%)	4.9	(44.8)	25.6	13.7	7.8
Reported net profit (%)	1.4	(52.0)	47.2	13.7	7.8
Recurring EPS (%)	1.4	(40.9)	19.4	13.7	7.8
Reported EPS (%)	1.4	(52.0)	47.2	13.7	7.8
<b>Income Breakdown</b>					
Net interest income (%)	53.2	64.9	66.4	65.7	65.4
Net fees & commission (%)	21.3	20.8	21.6	22.5	23.0
Foreign exchange trading income (%)	5.9	-	-	-	-
Securities trading income (%)	14.8	11.4	8.8	8.6	8.2
Dividend income (%)	2.8	1.7	1.8	1.9	1.9
Other income (%)	2.0	1.2	1.3	1.4	1.5
<b>Operating performance</b>					
Gross interest yield (%)	3.59	3.30	3.01	3.17	3.23
Cost of funds (%)	1.58	1.22	1.04	1.24	1.27
Net interest spread (%)	2.01	2.08	1.97	1.93	1.96
Net interest margin (%)	2.3	2.3	2.1	2.1	2.1
Cost/income(%)	41.1	52.2	52.7	52.9	52.2
Cost/assets(%)	1.7	1.8	1.6	1.6	1.6
Effective tax rate (%)	22.0	18.6	20.0	20.0	20.0
Dividend payout on recurring profit (%)	37.3	22.5	30.2	33.2	43.1
ROE (%)	8.5	4.8	5.6	6.1	6.3
ROE - COE (%)	(0.8)	(4.5)	(3.7)	(3.2)	(3.0)
ROA (%)	1.1	0.6	0.7	0.8	0.8
RORWA (%)	1.5	0.8	0.9	1.0	1.1
* Pre-exceptional, pre-goodwill and fully diluted					

Sources: Bangkok Bank; FSSIA estimates

## Financial Statements

### Bangkok Bank

Balance Sheet (THB m) Year Ending Dec	2019	2020	2021E	2022E	2023E
Gross customer loans	2,061,309	2,363,338	2,434,238	2,507,265	2,582,483
Total provisions	(174,276)	(189,599)	(205,085)	(209,808)	(209,507)
interest in suspense	4,013	0	6,816	7,020	7,231
<b>Net customer loans</b>	<b>1,891,046</b>	<b>2,173,739</b>	<b>2,235,969</b>	<b>2,304,478</b>	<b>2,380,207</b>
Bank loans	472,349	519,036	525,443	526,354	507,973
Government securities	-	-	-	-	-
Trading securities	-	-	-	-	-
Investment securities	649,434	759,394	736,712	755,185	774,124
Cash & equivalents	58,090	73,886	61,184	45,368	42,244
Other interesting assets	-	-	-	-	-
Tangible fixed assets	50,117	74,804	74,963	75,282	75,746
Associates	-	-	-	-	-
Goodwill	-	-	-	-	-
Other intangible assets	-	-	-	-	-
Other assets	95,706	206,738	207,770	211,909	216,118
<b>Total assets</b>	<b>3,216,743</b>	<b>3,807,596</b>	<b>3,842,042</b>	<b>3,918,575</b>	<b>3,996,412</b>
Customer deposits	2,370,792	2,810,863	2,799,511	2,904,634	2,948,204
Bank deposits	-	-	-	-	-
Other interest bearing liabilities	284,550	362,583	405,669	348,624	353,853
Non interest bearing liabilities	133,284	199,267	179,340	184,720	190,262
Hybrid Capital	-	-	-	-	-
<b>Total liabilities</b>	<b>2,788,627</b>	<b>3,372,713</b>	<b>3,384,520</b>	<b>3,437,978</b>	<b>3,492,319</b>
Share capital	19,088	19,088	19,088	19,088	19,088
Reserves	408,663	429,925	437,180	460,192	483,624
<b>Total equity</b>	<b>427,751</b>	<b>449,014</b>	<b>456,268</b>	<b>479,280</b>	<b>502,713</b>
Minority interests	365	1,233	1,253	1,317	1,381
<b>Total liabilities &amp; equity</b>	<b>3,216,743</b>	<b>3,822,960</b>	<b>3,842,042</b>	<b>3,918,575</b>	<b>3,996,412</b>
<b>Supplementary items</b>					
Risk weighted assets (RWA)	2,393,700	2,743,525	2,825,830	2,910,605	2,997,923
Average interest earning assets	3,137,674	3,412,430	3,669,081	3,742,599	3,826,692
Average interest bearing liabilities	2,621,123	2,914,394	3,189,313	3,229,219	3,277,658
Tier 1 capital	406,529	431,380	444,028	463,419	483,750
Total capital	478,740	502,065	514,713	534,104	554,435
Gross non performing loans (NPL)	79,149	104,405	128,221	125,657	121,887
<b>Per share (THB)</b>					
Book value per share	224.09	235.21	239.01	251.07	263.34
Tangible book value per share	224.09	235.21	239.01	251.07	263.34
<b>Growth</b>					
Gross customer loans	(1.0)	14.7	3.0	3.0	3.0
Average interest earning assets	2.4	8.8	7.5	2.0	2.2
Total asset (%)	3.2	18.4	0.9	2.0	2.0
Risk weighted assets (%)	1.0	14.6	3.0	3.0	3.0
Customer deposits (%)	1.9	18.6	(0.4)	3.8	1.5
<b>Leverage &amp; capital measures</b>					
Customer loan/deposits (%)	79.8	77.3	79.9	79.3	80.7
Equity/assets (%)	13.3	11.8	11.9	12.2	12.6
Tangible equity/assets (%)	13.3	11.8	11.9	12.2	12.6
RWA/assets (%)	74.4	72.1	73.6	74.3	75.0
Tier 1 CAR (%)	17.0	15.7	15.7	15.9	16.1
Total CAR (%)	20.0	18.3	18.2	18.4	18.5
<b>Asset Quality</b>					
Change in NPL (%)	(1.2)	31.9	22.8	(2.0)	(3.0)
NPL/gross loans (%)	3.8	4.4	5.3	5.0	4.7
Total provisions/gross loans (%)	8.5	8.0	8.4	8.1	8.1
Total provisions/NPL (%)	220.2	181.6	159.9	167.0	171.9
<b>Valuation</b>					
Recurring P/E (x) *	6.6	11.1	9.3	8.2	7.6
Recurring P/E @ target price (x) *	8.6	14.6	12.2	10.8	10.0
Reported P/E (x)	6.6	13.7	9.3	8.2	7.6
Dividend yield (%)	5.7	2.0	3.3	4.1	5.7
Price/book (x)	0.5	0.5	0.5	0.5	0.5
Price/tangible book (x)	0.5	0.5	0.5	0.5	0.5
Price/tangible book @ target price (x)	0.7	0.7	0.7	0.6	0.6

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

Sources: Bangkok Bank; FSSIA estimates

## Corporate Governance report of Thai listed companies 2020

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

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

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

## Description

## Score Range

Excellent

90-100

Very Good

80-89

Good

70-79

## Disclaimer:

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

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

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

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

## Anti-corruption Progress Indicator 2020

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

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

**Disclaimer:**

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

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

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

## GENERAL DISCLAIMER

### ANALYST(S) CERTIFICATION

Yuvanart Suwanumphai FSS International Investment Advisory Securities Co., Ltd

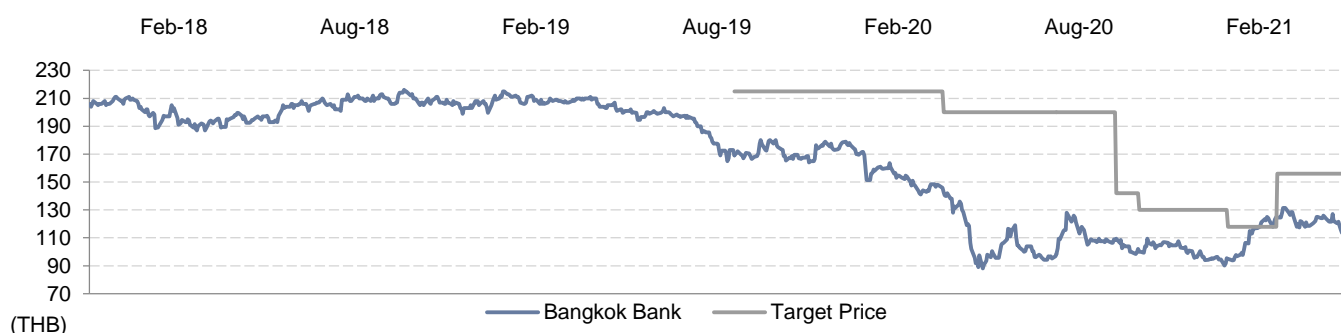
The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s)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

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

#### Bangkok Bank (BBL TB)



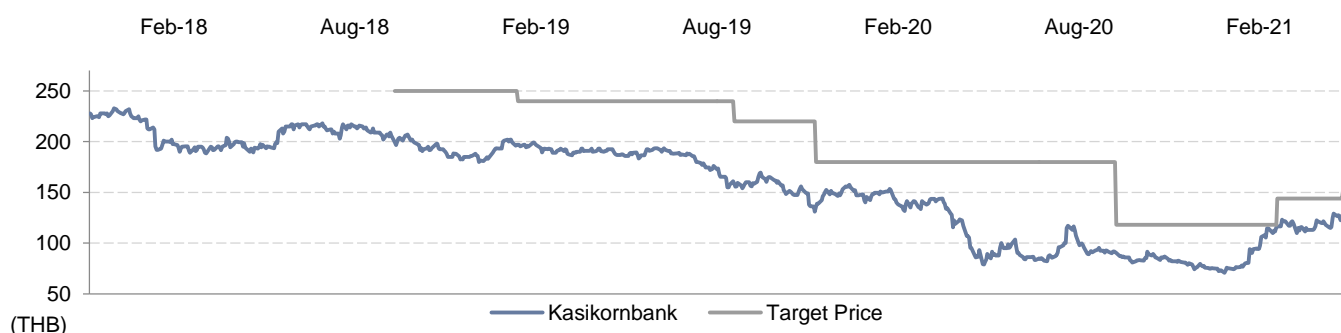
Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
20-Aug-2019	BUY	215.00	16-Jul-2020	BUY	142.00	03-Dec-2020	BUY	156.00
18-Feb-2020	BUY	200.00	05-Aug-2020	BUY	130.00			
02-Apr-2020	BUY	200.00	21-Oct-2020	BUY	118.00			

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

Price and TP are in local currency

Source: FSSIA estimates

#### Kasikornbank (KBANK TB)



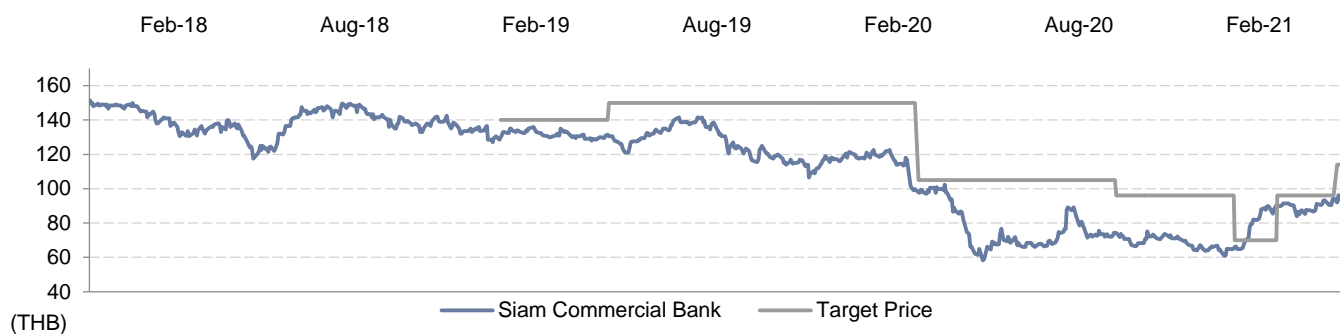
Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
29-Oct-2018	BUY	250.00	30-Oct-2019	BUY	180.00	06-Oct-2020	BUY	118.00
13-Feb-2019	BUY	240.00	02-Apr-2020	BUY	180.00	03-Dec-2020	BUY	144.00
20-Aug-2019	BUY	220.00	16-Jul-2020	BUY	118.00	29-Jan-2021	BUY	168.00

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

Price and TP are in local currency

Source: FSSIA estimates

## Siam Commercial Bank (SCB TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
29-Jan-2019	HOLD	140.00	02-Apr-2020	HOLD	105.00	03-Dec-2020	HOLD	96.00
03-May-2019	BUY	150.00	16-Jul-2020	BUY	96.00	22-Jan-2021	BUY	114.00
27-Jan-2020	HOLD	105.00	27-Oct-2020	HOLD	70.00			

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

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Bangkok Bank	BBL TB	THB 123.00	BUY	Downside risks to our GGM-based TP are 1) prolonged economic sluggishness and a second wave of the COVID-19 pandemic affecting loan growth and asset quality; and 2) the impact of further interest rate cuts on NIM and potential new regulations from the Bank of Thailand on debt-servicing programs.
Kasikornbank	KBANK TB	THB 138.00	BUY	Downside risks to our GGM-based TP are 1) prolonged economic sluggishness and a second wave of the COVID-19 pandemic affecting loan growth and asset quality; and 2) the impact of further interest rate cuts on NIM and potential new regulations from the Bank of Thailand on debt-servicing programs.
Siam Commercial Bank	SCB TB	THB 99.50	BUY	Downside risks to our GGM-based TP are 1) prolonged economic sluggishness and a second wave of the COVID-19 pandemic affecting loan growth and asset quality; and 2) the impact of further interest rate cuts on its NIM.

Source: FSSIA estimates

### Additional Disclosures

Target price history, stock price charts, valuation and risk details, and equity rating histories applicable to each company rated in this report is available in our most recently published reports. You can contact the analyst named on the front of this note or your representative at Finansia Syrus Securities Public Company Limited

FSSIA may incorporate the recommendations and target prices of companies currently covered by FSS Research into equity research reports, denoted by an 'FSS' before the recommendation. FSS Research is part of Finansia Syrus Securities Public Company Limited, which is the parent company of FSSIA.

All share prices are as at market close on 05-Feb-2021 unless otherwise stated.

## RECOMMENDATION STRUCTURE

### Stock ratings

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

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

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

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

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

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

## Industry Recommendations

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

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

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

## Country (Strategy) Recommendations

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

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

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