

BANGKOK BANK  
THAILAND / BANKS

## BBL TB

BUY

FROM HOLD

## เกาะกระแสอัตราดอกเบี้ยขาขึ้น

- คาดกำไรสุทธิ 2Q22 จะออกมาดีที่ 7.3 พัน ลบ. จากสำรองที่ลดลง
- เป็นผู้ได้ประโยชน์สูงสุดจากการปรับขึ้นอัตราดอกเบี้ยในขณะที่จะได้รับผลกระทบที่อาจเกิดจากเงินเฟ้อในระดับสูงจำกัด
- ปรับการประเมินมูลค่าไปในปี 2023 และได้ราคาเป้าหมายใหม่ที่ 170; เป็นหุ้นเด่นของเราในกลุ่มธนาคาร

TARGET PRICE	THB170.00
CLOSE	THB130.00
UP/DOWNSIDE	+30.8%
PRIOR TP	THB134.00
CHANGE IN TP	+26.9%
TP vs CONSENSUS	+6.9%

## KEY STOCK DATA

YE Dec (THB m)	2021	2022E	2023E	2024E
Operating profit	32,932	38,602	43,027	48,917
Net profit	26,506	30,538	34,035	38,687
EPS (THB)	13.89	16.00	17.83	20.27
vs Consensus (%)	-	(1.2)	0.3	(2.3)
Core net profit	26,506	30,538	34,035	38,687
Core EPS (THB)	13.89	16.00	17.83	20.27
Chg. In EPS est. (%)	-	4.5	11.1	15.8
EPS growth (%)	25.1	15.2	11.5	13.7
Core P/E (x)	9.4	8.1	7.3	6.4
Dividend yield (%)	2.7	3.8	5.0	5.4
Price/book (x)	0.5	0.5	0.5	0.4
ROE (%)	5.6	6.0	6.4	6.9
ROA (%)	0.7	0.7	0.8	0.9

## คาดผลประกอบการ 2Q22 จะออกมาดีจากผลขาดทุนทางเครดิตที่คาดว่าจะเกิดขึ้น (ECL) ที่ลดลง

เราคาดว่า BBL จะรายงานกำไรสุทธิ 2Q22 ในระดับสูงที่ 7.3 พัน ลบ. (+15% y-y, +3% q-q) เราเชื่อว่า BBL จะรายงาน ECL ลดลงเนื่องจากธนาคาร ได้จัดสรรสำรองพิเศษเชิงรุกเพื่อรับมือกับความไม่แน่นอนต่าง ๆ ในไตรมาสก่อนหน้า นอกจากนี้ธนาคาร น่าจะยังสามารถควบคุมคุณภาพสินทรัพย์ได้ โดยเราเห็นว่านี่คือคุณภาพ (NPL) อาจเพิ่ม 2% q-q ในด้านรายได้เราคิดว่าปริมาณสินเชื่อน่าจะเพิ่ม 1% q-q จากความต้องการสินเชื่อบริษัทและสินเชื่อต่างประเทศ นอกจากนี้ส่วนต่างดอกเบี้ยน่าจะปรับขึ้นเป็น 2.04% ใน 2Q22 จาก 2.02% ใน 1Q22 ด้วยเหตุดังกล่าวเราจึงคาดว่ารายได้ดอกเบี้ยสุทธิจะเพิ่ม y-y และ q-q อย่างไรก็ดีรายได้ที่ไม่ใช่ดอกเบี้ยสุทธิ โดยเฉพาะอย่างยิ่งรายได้ค่าธรรมเนียมและกำไรจากการลงทุน อาจลดลงจากสถานะตลาดหุ้นที่ไม่เอื้ออำนวยเช่นธนาคารอื่น ๆ

## BBL เป็นผู้ได้ประโยชน์สูงสุดจากรอบอัตราดอกเบี้ยขาขึ้น

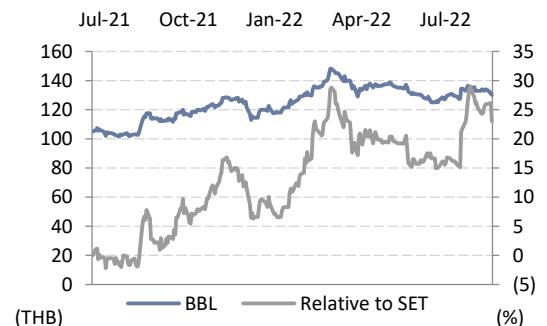
จากธนาคารที่เราทำการศึกษาทั้งหมด เราคาดว่า BBL จะได้รับประโยชน์จากแนวโน้มอัตราดอกเบี้ยขาขึ้นสูงสุด สำหรับอัตราดอกเบี้ยนโยบายที่ปรับขึ้นทุก ๆ 25 bps ในขณะที่ปัจจัยอื่นคงที่ เราคาดว่าประมาณการกำไรสุทธิปี 2023 (ที่เราใช้สมมติฐานอัตราดอกเบี้ย ปรับขึ้น 50 bps ในปี 2022 และอีก 50 bps ในช่วง 1H23) ในปัจจุบันของเราจะมี Upside 2.7%

## ความกังวลในประเด็นคุณภาพสินทรัพย์จากเงินเฟ้อที่อยู่ในระดับสูงมีจำกัด

เราเชื่อว่า BBL น่าจะสามารถควบคุมคุณภาพสินทรัพย์ได้อย่างมีประสิทธิภาพเนื่องจากพอร์ตของธนาคาร ประกอบด้วยสินเชื่อบริษัท 42% และสินเชื่อต่างประเทศอีกประมาณ 25% กลุ่มดังกล่าวได้รับผลกระทบจากการแพร่ระบาด Covid และเงินเฟ้อที่อยู่ในระดับสูงน้อยที่สุด เราเชื่อว่า BBL จะได้รับประโยชน์จากอัตราค่าไถ่ที่สูงขึ้นจากแนวโน้มอัตราดอกเบี้ยขาขึ้นและผลกระทบที่จำกัดจากสำรองที่สูงขึ้น

## เลือกเป็นหุ้นเด่น; ปรับการประเมินมูลค่าไปในปี 2023 และได้ราคาเป้าหมายที่ 170 บาท

เราปรับเพิ่มประมาณการกำไรปี 2022-24 ขึ้น 5%/11%/8% ส่วนมากเพื่อสะท้อนประโยชน์จากแนวโน้มอัตราดอกเบี้ยขาขึ้น ปัจจุบันเราสมมติให้อัตราดอกเบี้ยปรับขึ้น 50 bps ในปีหน้าและอีก 50 bps ในช่วง 1H23 เราปรับการประเมินมูลค่าไปในปี 2023 และได้ราคาเป้าหมายใหม่ที่ 170 เพิ่มขึ้นจากราคาเป้าหมายในปี 2022 ที่ 134 บาท นอกจากนี้เรายังปรับเพิ่มคำแนะนำ BBL เป็นซื้อจากถือ ในกลุ่มธนาคารที่เราทำการศึกษา เราคิดว่า BBL น่าจะได้รับประโยชน์สูงสุดจากแนวโน้มอัตราดอกเบี้ยขาขึ้น นอกจากนี้ในท่ามกลางสภาวะเงินเฟ้อที่ปรับขึ้นเรามีความกังวลจำกัดเกี่ยวกับคุณภาพสินทรัพย์ของ BBL เนื่องจากพอร์ตของธนาคาร มีความเสี่ยงจากการกระจุกตัวต่ำและมีสำรองมากพอ



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	2.0	(5.1)	20.4
Relative to country (%)	6.8	2.4	18.9
Mkt cap (USD m)	6,881		
3m avg. daily turnover (USD m)	32.1		
Free float (%)	76		
Major shareholder	Thai NVDR (24%)		
12m high/low (THB)	149.00/100.00		
Issued shares (m)	1,909		

Sources: Bloomberg consensus; FSSIA estimates



Yuvanart Suwanumchai

yuvanart.suw@fssia.com  
+66 2611 3554

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 8 กรกฎาคม 2022

### Investment thesis

We upgrade BBL to BUY from Hold and choose it as one of our top picks in the banking sector. Among our covered banks, we think BBL should benefit the most from the interest rate uptrend due to its high proportion of floating rate assets. Also, amid the rise in the inflation rate, we have limited concerns about BBL's asset quality due to its portfolio with low concentration risk and sufficient provision cushion.

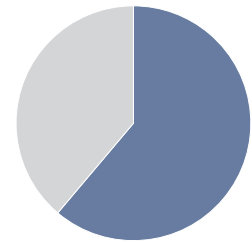
### Company profile

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, 2021)

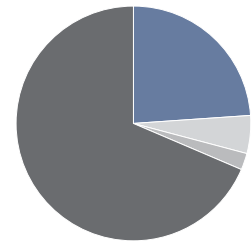
- Net interest income - 61.2 %
- Non-interest income - 38.8 %



Source: Bangkok Bank

### Major shareholders

- Thai NVDR - 23.9 %
- Social Security Office - 5.2 %
- UOB Kay Hian (Hong Kong) Limited - 2.3 %
- Others - 68.6 %



Source: Bangkok Bank

### Catalysts

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.

### Risks to our call

Downside risks to our GGM-based TP are 1) prolonged economic sluggishness affecting loan growth and asset quality; and 2) the impact of new regulations from the Bank of Thailand.

### Event calendar

Date	Event
21/22 Jul 2022	2Q22 results announcement

### Key assumptions

	2022E	2023E	2024E
	(%)	(%)	(%)
Net profit (THB m)	30,538	34,035	38,687
Net profit growth (%)	15.2	11.5	13.7
NIM (%)	2.08	2.14	2.25
Loan growth (%)	4.0	3.0	3.0
Fee growth (%)	0.5	2.0	2.0
Non-NII growth (%)	(9.0)	3.2	2.9
Credit cost (bp)	100	98	95
Cost to income (%)	52.0	50.7	49.7

\*Including share of profits from associates

Source: FSSIA estimates

### Earnings sensitivity

		----- 2022E -----		
	±2ppt	2.0	4.0	6.0
<b>Loan growth</b>				
% change in net profit		(2.0)	0.0	2.0
<b>NIM (%)</b>	±5bp	2.03	2.08	2.13
% change in net profit		(5.0)	0.0	5.0
<b>Credit cost (bp)</b>	±10bp	90	100	110
% change in net profit		5.8	0.0	(5.8)

Source: FSSIA estimates



## Expect strong 2Q22 performance driven by smoothed out ECL

We expect BBL to report a solid 2Q22 net profit of THB7,303m (+15% y-y, +3% q-q). We believe BBL will smooth out its ECL as the bank proactively set aside special provisions to weather the uncertainty in the previous quarters and the bank should continue to control its asset quality well. Its NPLs could increase by 2% q-q, in our view. As for the revenue side, we think BBL's loan volume should rise 1% q-q, driven by corporate and international demand. Its NIM should also inch up to 2.04% in 2Q22 from 2.02% in 1Q22. Hence, we expect a rise y-y and q-q in its NII. However, like other banks, its non-NII – fee income and gains from investment in particular – might drop due to the unfavourable capital market conditions.

### Exhibit 1: BBL – 2Q22 results preview

Year-end Dec 31	2Q21	1Q22	2Q22E	Change		1H22E			2022E	Change	Comments
	(THB m)	(THB m)	(THB m)	(y-y%)	(q-q%)	(THB m)	(y-y %)	%22E	(THB m)	(y-y %)	
Net interest income	20,027	21,747	22,037	10	1	43,784	10	49	90,148	10	
Non-interest income*	13,796	9,363	10,427	(24)	11	19,790	(21)	43	45,669	(9)	
<b>Operating income*</b>	<b>33,823</b>	<b>31,110</b>	<b>32,463</b>	<b>(4)</b>	<b>4</b>	<b>63,574</b>	<b>(2)</b>	<b>47</b>	<b>135,817</b>	<b>1</b>	
Operating expenses	16,289	15,507	16,803	3	8	32,310	1	46	70,584	5	
PPOP before tax*	17,534	15,604	15,661	(11)	0	31,264	(4)	48	65,233	(3)	
Provision	9,810	6,490	6,501	(34)	0	12,991	(19)	49	26,401	(23)	
Income tax	1,263	1,875	1,740	38	(7)	3,615	20	47	7,766	25	
Minority interest	104	121	116			237		45	528	19	
<b>Normalised profit</b>	<b>6,357</b>	<b>7,118</b>	<b>7,303</b>	<b>15</b>	<b>3</b>	<b>14,421</b>	<b>9</b>	<b>47</b>	<b>30,538</b>	<b>15</b>	
Extraordinary items	0	0	0			0			0		
<b>Net profit</b>	<b>6,357</b>	<b>7,118</b>	<b>7,303</b>	<b>15</b>	<b>3</b>	<b>14,421</b>	<b>9</b>	<b>47</b>	<b>30,538</b>	<b>15</b>	
EPS (THB)	3.33	3.73	3.83	15	3	7.56	9	47	16.00	15	
<b>Asset quality ratio</b>											
Gross NPLs	111,035	102,342	104,389	(6)	2				112,224	11	
NPL ratios (%)	3.70	3.30	3.32						3.42		
LLR/NPLs (%)	190	229	227						210		
Credit cost (bp)	164	100	100						100		
<b>Profitability ratio</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>						<b>(%)</b>		
Cost to income ratio*	48.2	49.8	51.8						52.0		
Average yield (%)	2.8	2.8	2.8						2.9		
Cost of fund (%)	0.9	0.9	0.9						0.9		
Net interest margin (NIM)	2.02	2.02	2.04						2.08		
Non-int inc/total income	40.8	30.1	32.1						33.6		
<b>Liquidity ratio</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>						<b>(%)</b>		
Loan to deposit ratio	79.4	81.0	82.8						79.2		
Capital adequacy ratio	(%)	(%)	(%)						(%)		
CAR	18.4	19.5	19.7						19.5		
CET 1/ Risk assets	15.1	15.2	16.2						16.1		
Tier 2 / Risk assets	2.5	3.5	3.5						3.5		
<b>Loan growth</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>						<b>(%)</b>		
y-y	2.8	9.2	8.0						4.0		
q-q	2.2	(0.0)	1.0								Driven by corporate and International segments

\*Including share of profits from associates

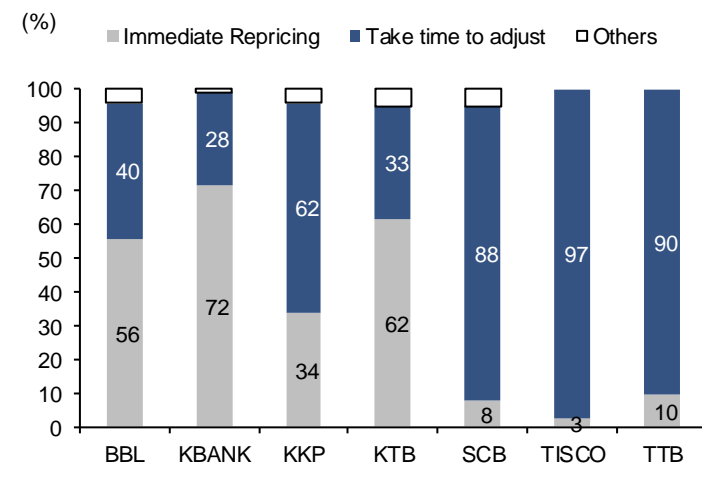
Source: BBL; FSSIA estimates

## BBL stands to benefit the most from an interest rate upcycle

Out of the banks under our coverage, we expect BBL to benefit the most from an interest rate uptrend as it has a higher proportion of assets based on floating rate returns than other banks.

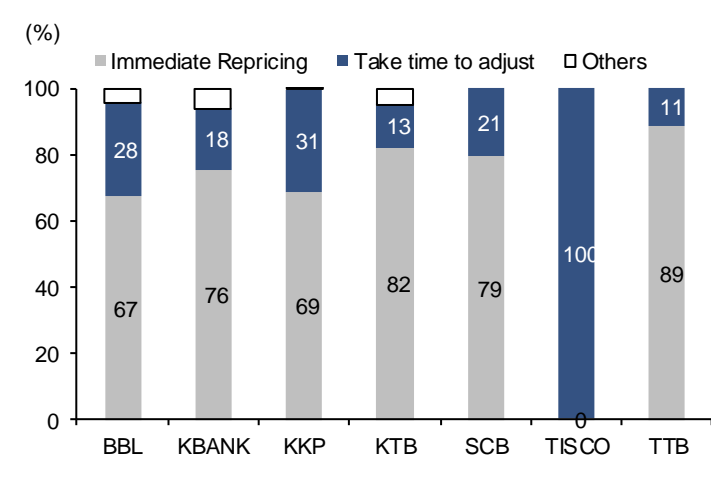
We currently assume 50 bps in rate hikes in 2022 and another 50-bps rise in 1H23 (assuming a total 50 bps increase in the bank’s reference rate (M-rate) and a total 10 bps increase in its deposit rate). In the case that the Bank of Thailand increases the policy rate above our expectation, for every 25 bps increase in the policy rate (assuming a 12.5 bps increase in the bank’s M-rate and a five bps increase in its deposit rate), ceteris paribus, there would be a 2.7% upside to our current 2023 net profit forecast.

**Exhibit 2: Breakdown of floating vs fixed interest rate loans by bank**



Sources: Company data; FSSIA's estimates

**Exhibit 3: Breakdown of floating vs fixed interest rate deposits by bank**



Sources: Company data; FSSIA's estimates

**Exhibit 4: We expect a 2.7% upside to BBL’s 2023E net profit for every 25-bps policy rate hike – assuming a 12.5 bps increase in its M-rate and a five bps increase in its deposit rate**

	2023E net profit			2023E NIM		
	Current	Rate hikes 25 bps	Diff	Current	Rate hikes 25 bps	Diff
	(THB m)	(THB m)	(%)	(%)	(%)	(%)
BBL	34,035	34,959	2.7	2.14	2.16	0.03
KBANK	47,488	48,415	2.0	3.20	3.23	0.03
KKP	8,293	8,171	(1.5)	4.19	4.16	(0.03)
KTB	29,973	30,761	2.6	2.53	2.56	0.03
SCB	41,734	42,454	1.7	2.91	2.94	0.03
TISCO	7,569	7,493	(1.0)	4.89	4.85	(0.04)
TTB	14,082	14,309	1.6	2.97	2.99	0.02
<b>Coverage</b>	<b>183,174</b>	<b>186,563</b>	<b>1.8</b>	<b>2.77</b>	<b>2.80</b>	<b>0.03</b>

Sources: Company data; FSSIA estimates

## Net profit and TP revisions

We revise up our net profit forecasts for 2022-24 by 5%/11%/8% to mostly reflect the benefit from the interest rate uptrend. We raise our NIM assumptions in 2022-24 to 2.08%/2.14%/2.25% from 2.01%/2.05%/2.18%.

FSSIA expects the policy rate to rise 50 bps in 2022 and another 50 bps in 1H23, lifting Thailand's policy rate up to 1% in 2022 and 1.5% in 2023. We assume that the bank will increase 1) its reference rate (MLR, MRR, MOR) by 25 bps in 2022 and by another 25 bps in 2023; and 2) its deposit rate by 10 bps in 2022 and another 10 bps in 2023. Note that our cost of funds already reflects the 0.46% Financial Institutions Development Fund (FIDF) fee from 2023 onward.

### Exhibit 5: BBL – changes in key assumptions

	-----2022E-----				-----2023E-----			-----2024E-----		
	2021	Old	New	Change	Old	New	Change	Old	New	Change
	(THB m)	(THB m)	(THB m)	(%)	(THB m)	(THB m)	(%)	(THB m)	(THB m)	(%)
Net interest income	82,156	87,837	90,148	2.6	87,234	95,096	9.0	94,890	102,470	8.0
Non interest income*	50,162	45,669	45,669	0.0	47,112	47,112	0.0	48,495	48,495	0.0
<b>Operating income*</b>	<b>134,541</b>	<b>133,506</b>	<b>135,817</b>	<b>1.7</b>	<b>134,346</b>	<b>142,208</b>	<b>5.9</b>	<b>143,385</b>	<b>150,965</b>	<b>5.3</b>
Operating expenses	67,266	69,970	70,584	0.9	70,922	72,153	1.7	74,085	75,035	1.3
<b>PPOP before tax*</b>	<b>67,275</b>	<b>63,537</b>	<b>65,233</b>	<b>2.7</b>	<b>63,425</b>	<b>70,056</b>	<b>10.5</b>	<b>69,300</b>	<b>75,930</b>	<b>9.6</b>
Provision (Reversal)	34,134	26,401	26,401	0.0	24,484	26,776	9.4	23,921	26,735	11.8
Tax expenses	6,189	7,401	7,766	4.9	7,788	8,656	11.1	9,076	9,839	8.4
Minority interest	445	505	528	4.5	530	589	11.1	617	669	8.4
<b>Normalised profit</b>	<b>26,506</b>	<b>29,229</b>	<b>30,538</b>	<b>4.5</b>	<b>30,623</b>	<b>34,035</b>	<b>11.1</b>	<b>35,686</b>	<b>38,687</b>	<b>8.4</b>
Extraordinary items	0	0	0		0	0		0	0	
<b>Net profit</b>	<b>26,506</b>	<b>29,229</b>	<b>30,538</b>	<b>4.5</b>	<b>30,623</b>	<b>34,035</b>	<b>11.1</b>	<b>35,686</b>	<b>38,687</b>	<b>8.4</b>
EPS (THB)	13.9	15.3	16.0	4.5	16.0	17.8	11.1	18.7	20.3	8.4
<b>Key statistics and ratios</b>										
<b>Asset quality ratio</b>										
Gross NPLs	101,103	111,213	112,224	0.9	117,886	122,325	3.8	123,780	128,441	3.8
Gross NPLs / Loans (%)	3.2	3.4	3.4		3.5	3.6		3.6	3.7	
Loan loss reserve/NPLs	225.8	216.2	210.2		223.4	205.6		225.6	207.8	
Credit cost (bp)	138	100	100		90	98		85	95	
<b>Profitability ratio</b>										
Cost to income ratio (%)*	50.0	52.4	52.0		52.8	50.7		51.7	49.7	
Average yield (%)	2.88	2.90	2.88		3.04	3.20		3.20	3.39	
Cost of fund (%)	0.95	0.96	0.95		1.12	1.25		1.16	1.34	
Net interest margin (NIM) (%)	2.07	2.01	2.08		2.05	2.14		2.18	2.25	
<b>Liquidity ratio</b>										
Loan to deposit ratio (%)	82.0	79.2	79.2		80.4	80.4		81.7	81.7	
<b>Capital adequacy ratio</b>										
CAR (%)	19.6	19.5	19.5		19.6	19.7		19.6	19.9	
<b>% growth</b>										
Loan growth (y-y %)	9.3	4.0	4.0		3.0	3.0		3.0	3.0	

\*Including share of profits from associates

Source: FSSIA estimates

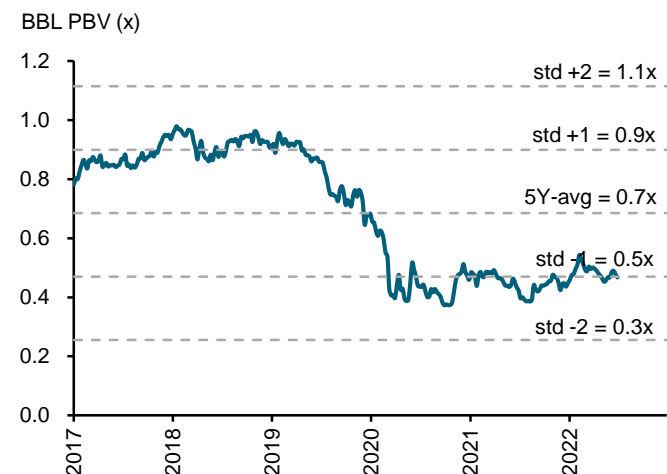
We roll forward our valuation to 2023 and derive a new TP of THB170, up from our 2022 TP of THB134. Our TP implies 0.63x 2023E P/BV, within its five-year average standard deviation. We also upgrade BBL to BUY from Hold. Amid the rise in the inflation rate, we have limited concerns about BBL's asset quality vs other big banks as most of its clients are corporations and medium-sized companies which are more resilient than the retail segment due to their ability to pass on increases in production costs to clients. Also, we think BBL should be one of the banks that benefits the most from the interest rate uptrend.

**Exhibit 6: BBL – GGM-derived target price**

Target price	THB 170 (from THB 134)
Recommendation	BUY (from HOLD)
Risk-free rate (%)	3.0 (unchanged)
Market risk premium (%)	8.0 (unchanged)
Cost of equity (%)	8.1 (unchanged)
Terminal growth (%)	3.7 (from 2.9)
ROE target (%)	6.4 (from 5.8)

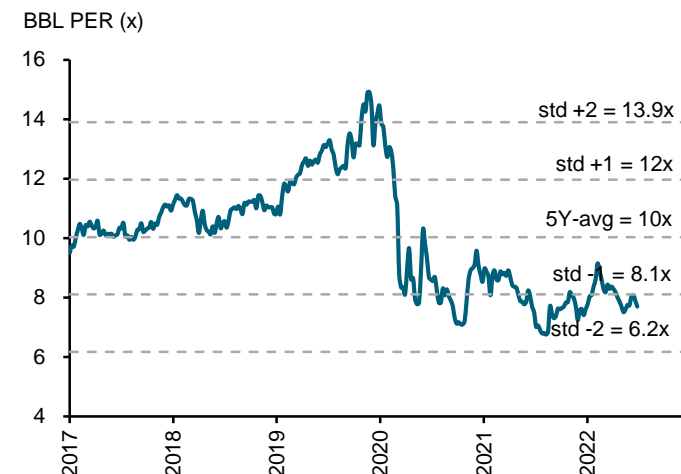
Source: FSSIA estimates

**Exhibit 7: BBL – one-year forward rolling P/BV**



Sources: Bloomberg; FSSIA estimates

**Exhibit 8: BBL – one-year forward rolling P/E**



Sources: Bloomberg; FSSIA estimates

**Exhibit 9: Peers comparison**

	BBG	Rec	--- Share price ---		Up	Market	EPS growth		--- P/E ---		-- DivYld --		--- ROE ---		--- PBV ---	
	code		Current	Target	side	Cap	22E	23E	22E	23E	22E	23E	22E	23E	22E	23E
			(THB)	(THB)	(%)	(USD m)	(%)	(%)	(x)	(x)	(%)	(%)	(%)	(%)	(x)	(x)
<b>Coverage</b>						<b>37,922</b>	<b>14.6</b>	<b>9.9</b>	<b>8.3</b>	<b>7.5</b>	<b>4.5</b>	<b>5.3</b>	<b>8.4</b>	<b>8.6</b>	<b>0.7</b>	<b>0.6</b>
Bangkok Bank	BBL TB	BUY	130.00	170.00	31	6,881	15.2	11.5	8.1	7.3	3.8	5.0	6.0	6.4	0.5	0.5
Kasikornbank	KBANK TB	BUY	146.00	192.00	32	9,592	10.6	12.9	8.2	7.3	3.1	3.4	8.5	9.0	0.7	0.6
Kiatnakin Bank	KKP TB	BUY	61.75	82.00	33	1,450	19.8	9.5	6.9	6.3	7.1	8.1	14.2	14.5	0.9	0.9
Krung Thai Bank	KTB TB	BUY	14.70	18.20	24	5,697	26.6	9.7	7.5	6.9	4.7	5.1	7.4	7.6	0.5	0.5
SCB X	SCB TB	BUY	99.00	134.00	35	9,243	9.8	6.6	8.6	8.1	5.1	6.1	8.6	8.5	0.7	0.7
Tisco Financial	TISCO TB	HOLD	86.75	94.00	8	1,926	7.8	3.5	9.5	9.2	8.9	9.5	17.4	17.4	1.6	1.6
TMBThanachart Bank	TTB TB	BUY	1.17	1.40	20	3,135	20.3	12.1	9.0	8.0	5.0	5.6	5.8	6.3	0.5	0.5

Share prices as of 7 Jul 2022

Source: FSSIA estimates

## Financial Statements

Bangkok Bank

Profit and Loss (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Interest Income	112,524	114,312	125,020	142,344	154,255
Interest expense	(35,477)	(32,156)	(34,872)	(47,248)	(51,785)
Net interest income	77,047	82,156	90,148	95,096	102,470
Net fees & commission	24,711	29,209	29,346	29,932	30,531
Foreign exchange trading income	0	0	0	0	0
Securities trading income	13,570	19,093	11,946	12,482	13,045
Dividend income	2,039	2,252	2,364	2,482	2,482
Other income	1,376	1,622	1,784	1,962	2,159
Non interest income	41,696	52,176	45,440	46,859	48,217
Total income	118,743	134,331	135,587	141,956	150,687
Staff costs	(30,959)	(35,003)	(37,103)	(37,978)	(39,497)
Other operating costs	(31,015)	(32,263)	(33,480)	(34,175)	(35,537)
Operating costs	(61,974)	(67,266)	(70,584)	(72,153)	(75,035)
Pre provision operating profit	56,769	67,066	65,004	69,803	75,652
Provision for bad and doubtful debt	(31,196)	(34,134)	(26,401)	(26,776)	(26,735)
Other provisions	-	-	-	-	-
Operating profit	25,573	32,932	38,602	43,027	48,917
Recurring non operating income	(14)	209	230	253	278
Associates	(14)	209	230	253	278
Goodwill amortization	-	-	-	-	-
Non recurring items	(4,000)	0	0	0	0
Profit before tax	21,559	33,141	38,832	43,280	49,195
Tax	(4,014)	(6,189)	(7,766)	(8,656)	(9,839)
Profit after tax	17,545	26,952	31,066	34,624	39,356
Minority interests	(364)	(445)	(528)	(589)	(669)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	17,181	26,506	30,538	34,035	38,687
Non recurring items & goodwill (net)	-	-	0	0	0
Recurring net profit	21,181	26,506	30,538	34,035	38,687
<b>Per share (THB)</b>					
Recurring EPS *	11.10	13.89	16.00	17.83	20.27
Reported EPS	9.00	13.89	16.00	17.83	20.27
DPS	2.50	3.50	5.00	6.50	7.00
<b>Growth</b>					
Net interest income (%)	8.4	6.6	9.7	5.5	7.8
Non interest income (%)	(33.4)	25.1	(12.9)	3.1	2.9
Pre provision operating profit (%)	(27.9)	18.1	(3.1)	7.4	8.4
Operating profit (%)	(44.8)	28.8	17.2	11.5	13.7
Reported net profit (%)	(52.0)	54.3	15.2	11.5	13.7
Recurring EPS (%)	(40.9)	25.1	15.2	11.5	13.7
Reported EPS (%)	(52.0)	54.3	15.2	11.5	13.7
<b>Income Breakdown</b>					
Net interest income (%)	64.9	61.2	66.5	67.0	68.0
Net fees & commission (%)	20.8	21.7	21.6	21.1	20.3
Foreign exchange trading income (%)	-	-	-	-	-
Securities trading income (%)	11.4	14.2	8.8	8.8	8.7
Dividend income (%)	1.7	1.7	1.7	1.7	1.6
Other income (%)	1.2	1.2	1.3	1.4	1.4
<b>Operating performance</b>					
Gross interest yield (%)	3.30	2.88	2.88	3.20	3.39
Cost of funds (%)	1.22	0.94	0.94	1.25	1.34
Net interest spread (%)	2.08	1.94	1.94	1.95	2.05
Net interest margin (%)	2.3	2.1	2.1	2.1	2.3
Cost/income(%)	52.2	50.1	52.1	50.8	49.8
Cost/assets(%)	1.8	1.7	1.6	1.6	1.6
Effective tax rate (%)	18.6	18.7	20.0	20.0	20.0
Dividend payout on recurring profit (%)	22.5	25.2	31.3	36.5	34.5
ROE (%)	4.8	5.6	6.0	6.4	6.9
ROE - COE (%)	(4.5)	(3.7)	(3.3)	(2.9)	(2.4)
ROA (%)	0.6	0.7	0.7	0.8	0.9
RORWA (%)	0.8	1.0	1.1	1.1	1.3

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

Sources: Bangkok Bank; FSSIA estimates



## Financial Statements

### Bangkok Bank

Balance Sheet (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Gross customer loans	2,368,238	2,588,339	2,691,873	2,772,629	2,855,808
Total provisions	(185,567)	(228,291)	(235,849)	(251,534)	(266,846)
interest in suspense	6,431	15,978	17,497	18,854	19,991
<b>Net customer loans</b>	<b>2,189,102</b>	<b>2,376,027</b>	<b>2,473,521</b>	<b>2,539,949</b>	<b>2,608,952</b>
Bank loans	519,036	801,212	801,630	783,881	787,204
Government securities	-	-	-	-	-
Trading securities	-	-	-	-	-
Investment securities	759,394	889,306	913,722	938,858	964,741
Cash & equivalents	73,886	62,552	70,482	78,071	119,181
Other interesting assets	-	-	-	-	-
Tangible fixed assets	74,804	74,476	74,664	75,009	75,494
Associates	-	-	-	-	-
Goodwill	-	-	-	-	-
Other intangible assets	-	-	-	-	-
Other assets	148,802	129,707	133,732	136,255	140,569
<b>Total assets</b>	<b>3,765,023</b>	<b>4,333,281</b>	<b>4,467,751</b>	<b>4,552,022</b>	<b>4,696,141</b>
Customer deposits	2,810,863	3,156,940	3,398,940	3,449,925	3,496,687
Bank deposits	-	-	-	-	-
Other interest bearing liabilities	362,583	480,061	347,170	352,378	419,684
Non interest bearing liabilities	199,267	201,688	201,688	201,688	201,688
Hybrid Capital	-	-	-	-	-
<b>Total liabilities</b>	<b>3,372,713</b>	<b>3,838,688</b>	<b>3,947,798</b>	<b>4,003,990</b>	<b>4,118,059</b>
Share capital	19,088	19,088	19,088	19,088	19,088
Reserves	429,925	473,639	498,903	526,877	556,813
<b>Total equity</b>	<b>449,014</b>	<b>492,727</b>	<b>517,992</b>	<b>545,965</b>	<b>575,902</b>
Minority interests	1,233	1,865	1,961	2,067	2,180
<b>Total liabilities &amp; equity</b>	<b>3,822,960</b>	<b>4,333,281</b>	<b>4,467,751</b>	<b>4,552,022</b>	<b>4,696,141</b>
<b>Supplementary items</b>					
Risk weighted assets (RWA)	2,743,525	2,859,316	2,973,689	3,062,900	3,154,787
Average interest earning assets	3,414,880	3,962,763	4,343,041	4,451,296	4,551,560
Average interest bearing liabilities	2,914,394	3,405,223	3,691,555	3,774,206	3,859,337
Tier 1 capital	431,380	457,469	477,401	500,142	524,095
Total capital	502,065	560,426	580,358	603,099	627,052
Gross non performing loans (NPL)	104,401	101,103	112,224	122,325	128,441
<b>Per share (THB)</b>					
Book value per share	235.21	258.11	271.35	286.00	301.68
Tangible book value per share	235.21	258.11	271.35	286.00	301.68
<b>Growth</b>					
Gross customer loans	14.9	9.3	4.0	3.0	3.0
Average interest earning assets	8.8	16.0	9.6	2.5	2.3
Total asset (%)	17.0	15.1	3.1	1.9	3.2
Risk weighted assets (%)	14.6	4.2	4.0	3.0	3.0
Customer deposits (%)	18.6	12.3	7.7	1.5	1.4
<b>Leverage &amp; capital measures</b>					
Customer loan/deposits (%)	77.9	75.3	72.8	73.6	74.6
Equity/assets (%)	11.9	11.4	11.6	12.0	12.3
Tangible equity/assets (%)	11.9	11.4	11.6	12.0	12.3
RWA/assets (%)	72.9	66.0	66.6	67.3	67.2
Tier 1 CAR (%)	15.7	16.0	16.1	16.3	16.6
Total CAR (%)	18.3	19.6	19.5	19.7	19.9
<b>Asset Quality</b>					
Change in NPL (%)	31.9	(3.2)	11.0	9.0	5.0
NPL/gross loans (%)	4.4	3.9	4.2	4.4	4.5
Total provisions/gross loans (%)	7.8	8.8	8.8	8.8	9.3
Total provisions/NPL (%)	177.7	225.8	210.2	205.6	207.8
<b>Valuation</b>					
Recurring P/E (x) *	11.7	9.4	8.1	7.3	6.4
Recurring P/E @ target price (x) *	15.3	12.2	10.6	9.5	8.4
Reported P/E (x)	14.4	9.4	8.1	7.3	6.4
Dividend yield (%)	1.9	2.7	3.8	5.0	5.4
Price/book (x)	0.6	0.5	0.5	0.5	0.4
Price/tangible book (x)	0.6	0.5	0.5	0.5	0.4
Price/tangible book @ target price (x)	0.7	0.7	0.6	0.6	0.6

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

Sources: Bangkok Bank; FSSIA estimates

## Corporate Governance report of Thai listed companies 2021

EXCELLENT LEVEL – Score range 90-100										
AAV	BCPG	CPALL	GCAP	K	MSC	PLANET	SAMART	SPI	THRE	TVD
ADVANC	BDMS	CPF	GFPT	KBANK	MST	PLAT	SAMTEL	SPRC	THREL	TVI
AF	BEM	CPI	GGC	KCE	MTC	PORT	SAT	SPVI	TIPCO	TVO
AH	BGC	CPN	GLAND	KKP	MVP	PPS	SC	SSSC	TISCO	TWPC
AIRA	BGRIM	CRC	GLOBAL	KSL	NCL	PR9	SCB	SST	TK	U
AKP	BIZ	CSS	GPI	KTB	NEP	PREB	SCC	STA	TKT	UAC
AKR	BKI	DDD	GPSC	KTC	NER	PRG	SCCC	STEC	TMT	UBIS
ALT	BOL	DELTA	GRAMMY	LALIN	NKI	PRM	SCG	STI	TNDT	UV
AMA	BPP	DEMCO	GULF	LANNA	NOBLE	PROUD	SCGP	SUN	TNITY	VGI
AMATA	BRR	DRT	GUNKUL	LH	NSI	DRS	SCM	SUSCO	TOA	VIH
AMATAV	BTS	DTAC	HANA	LHFG	NVD	PSL	SDC	SUTHA	TOP	WACOAL
ANAN	BTW	DUSIT	HARN	LIT	NWR	PTG	SEAFCCO	SVI	TPBI	WAVE
AOT	BWG	EA	HMPRO	LPN	NYT	PTT	SEAOIL	SYMC	TQM	WHA
AP	CENTEL	EASTW	ICC	MACO	OISHI	PTTEP	SE-ED	SYNTEC	TRC	WHAUP
ARIP	CFRESH	ECF	ICHI	MAJOR	OR	PTTGC	SELIC	TACC	TRU	WICE
ARROW	CHEWA	ECL	III	MAKRO	ORI	PYLON	SENA	TASCO	TRUE	WINNER
ASP	CHO	EE	ILINK	MALEE	OSP	Q-CON	SHR	TCAP	TSC	ZEN
AUCT	CIMBT	EGCO	ILM	MBK	OTO	QH	SIRI	TEAMG	TSR	
AWC	CK	EPG	INTUCH	MC	PAP	QTC	SIS	TFMAMA	TSTE	
AYUD	CKP	ETC	IP	MCOT	PCSGH	RATCH	SITHAI	TGH	TSTH	
BAFS	CM	FPI	IRPC	METCO	PDG	RS	SMK	THANA	TTA	
BANPU	CNT	FPT	ITEL	MFEC	PDJ	S	SMPC	THANI	TTB	
BAY	COM7	FSMART	IVL	MINT	PG	S & J	SNC	THCOM	TTCL	
BBL	COMAN	GBX	JSP	MONO	PHOL	SAAM	SONIC	THG	TTW	
BCP	COTTO	GC	JWD	MOONG	PLANB	SABINA	SPALI	THIP	TU	
VERY GOOD LEVEL – Score range 80-89										
2S	ASIMAR	CHOW	FLOYD	IT	LOXLEY	OCC	RPC	SKY	TCC	TVT
7UP	ASK	CI	FN	ITD	LRH	OGC	RT	SLP	TCMC	TWP
ABICO	ASN	CIG	FNS	J	LST	PATO	RWI	SMIT	TEAM	UEC
ABM	ATP30	CMC	FORTH	JAS	M	PB	S11	SMT	TFG	UMI
ACE	B	COLOR	FSS	JCK	MATCH	PICO	SA	SNP	TFI	UOBKH
ACG	BA	CPL	FTE	JCKH	MBAX	PIMO	SAK	SO	TIGER	UP
ADB	BAM	CPW	FVC	JMART	MEGA	PJW	SALEE	SORKON	TITLE	UPF
AEONTS	BC	CRD	GEL	JMT	META	PL	SAMCO	SPA	TKN	UPOIC
AGE	BCH	CSC	GENCO	KBS	MFC	PM	SANKO	SPC	TKS	UTP
AHC	BEC	CSP	GJS	KCAR	MGT	PMTA	SAPPE	SPCG	TM	VCOM
AIT	BEYOND	CWT	GYT	KEX	MICRO	PPP	SAWAD	SR	TMC	VL
ALL	BFIT	DCC	HEMP	KGI	MILL	PPPM	SCI	SRICHA	TMD	VPO
ALLA	BJC	DCON	HPT	KIAT	MITSIB	PRIME	SCN	SSC	TMI	VRANDA
ALUCON	BJCHI	DHOUSE	HTC	KISS	MK	PRIN	SCP	SSF	TMILL	WGE
AMANAH	BLA	DOD	HYDRO	KOOL	MODERN	PRINC	SE	STANLY	TNL	WIJK
AMARIN	BR	DOHOME	ICN	KTIS	MTI	PSG	SFLEX	STGT	TNP	WP
APCO	BROOK	DV8	IFS	KUMWEL	NBC	PSTC	SFP	STOWER	TOG	XO
APCS	CBG	EASON	IMH	KUN	NCAP	PT	SFT	STPI	TPA	XPG
APURE	CEN	EFORL	IND	KWC	NCH	QLT	SGF	SUC	TPAC	YUASA
AQUA	CGH	ERW	INET	KWM	NETBAY	RBF	SIAM	SWC	TPCS	
ASAP	CHARAN	ESSO	INSET	L&E	NEX	RCL	SINGER	SYNEX	TPS	
ASEFA	CHAYO	ESTAR	INSURE	LDC	NINE	RICHY	SKE	TAE	TRITN	
ASIA	CHG	ETE	IRC	LEO	NRF	RML	SKN	TAKUNI	TRT	
ASIAN	CHOTI	FE	IRCP	LHK	NTV	ROJNA	SKR	TBSP	TSE	
GOOD LEVEL – Score range 70-79										
A	BGT	CITY	GIFT	JTS	MDX	PK	SGP	SUPER	TQR	YGG
AI	BH	CMAN	GLOCON	JUBILE	MJD	PLE	SICT	SVOA	TTI	ZIGA
AIE	BIG	CMO	GREEN	KASET	MORE	PPM	SIMAT	TC	TYCN	
AJ	BLAND	CMR	GSC	KCM	MUD	PRAKIT	SISB	TCCC	UKEM	
ALPHAX	BM	CPT	GTB	KK	NC	PRAPAT	SK	THMUI	UMS	
AMC	BROCK	CRANE	HTECH	KKC	NDR	PRECHA	SMART	TNH	UNIQ	
APP	BSBM	CSR	HUMAN	KWI	NFC	PTL	SOLAR	TNR	UPA	
AQ	BSM	D	IHL	KYE	NNCL	RJH	SPACK	TOPP	UREKA	
ARIN	BTNC	EKH	IIG	LEE	NOVA	RP	SPG	TPCH	VIBHA	
AS	BYD	EMC	INGRS	LPH	NPK	RPH	SQ	TPIPL	W	
AU	CAZ	EP	INOX	MATI	NUSA	RSP	SSP	TIPIP	WIN	
B52	CCP	F&D	JAK	M-CHAI	PAF	SABUY	STARK	TPLAS	WORK	
BEAUTY	CGD	FMT	JR	MCS	PF	SF	STC	TPOLY	WPH	

**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

Sources: Thai Institute of Directors Association (IOD); FSSIA's compilation; data as of 26 October 2021

## Anti-corruption Progress Indicator

CERTIFIED										
2S	BCH	CPALL	GC	K	MFC	PE	QLT	SNP	THCOM	TU
7UP	BCP	CPF	GCAP	KASET	MFEC	PG	QTC	SORKON	THIP	TVD
ADVANC	BCPG	CPI	GEL	KBANK	MILL	PHOL	RATCH	SPACK	THRE	TVI
AF	BE8	CPN	GFPT	KBS	MINT	PK	RML	SPALI	THREL	TVO
AI	BEYOND	CSC	GGC	KCAR	MONO	PL	RWI	SPC	TIDLOR	TWPC
AIE	BGC	DCC	GJS	KCE	MOONG	PLANB	S & J	SPI	TIPCO	U
AIRA	BGRIM	DELTA	GPI	KGI	MSC	PLANET	SAAM	SPRC	TISCO	UBE
AKP	BJCHI	DEMCO	GPSC	KKP	MST	PLAT	SABINA	SRICHA	TKS	UBIS
ALPHAX	BKI	DIMET	GSTEEL	KSL	MTC	PM	SAPPE	SSF	TKT	UEC
AMA	BLA	DRT	GUNKUL	KTB	MTI	PPP	SAT	SSP	TMD	UKEM
AMANAH	BPP	DTAC	HANA	KTC	NBC	PPPM	SC	SSSC	TMILL	UOBKH
AMATA	BROOK	DUSIT	HARN	KWC	NEP	PPS	SCB	SST	TMT	UPF
AMATAV	BRR	EA	HEMP	KWI	NINE	PR9	SCC	STA	TNITY	UV
AP	BSBM	EASTW	HENG	L&E	NKI	PREB	SCCC	STOWER	TNL	VGI
APCS	BTS	ECL	HMPRO	LANNA	NMG	PRG	SCG	SUSCO	TNP	VIH
AQUA	BWG	EGCO	HTC	LH	NNCL	PRINC	SCN	SVI	TNR	WACOAL
ARROW	CEN	EP	ICC	LHFG	NOBLE	PRM	SEAOIL	SYMC	TOG	WHA
AS	CENTEL	EPG	ICHI	LHK	NOK	PROS	SE-ED	SYNTEC	TOP	WHAUP
ASIAN	CFRESH	ERW	IFEC	LPN	NSI	PSH	SELIC	TAE	TOPP	WICE
ASK	CGH	ESTAR	IFS	LRH	NWR	PSL	SENA	TAKUNI	TPA	WIJK
ASP	CHEWA	ETE	ILINK	M	OCC	PSTC	SGP	TASCO	TPP	XO
AWC	CHOTI	FE	INET	MAKRO	OGC	PT	SINGER	TBSP	TRU	ZEN
AYUD	CHOW	FNS	INSURE	MALEE	ORI	PTG	SIRI	TCAP	TRUE	
B	CIG	FPI	INTUCH	MATCH	PAP	PTT	SITHAI	TCMC	TSC	
BAFS	CIMBT	FPT	IRC	MBAX	PATO	PTTEP	SKR	TFG	TSTE	
BAM	CM	FSMART	IRPC	MBK	PB	PTTGC	SMIT	TFI	TSTH	
BANPU	CMC	FSS	ITEL	MC	PCSGH	PYLON	SMK	TFMAMA	TTA	
BAY	COM7	FTE	IVL	MCOT	PDG	Q-CON	SMPC	TGH	TTB	
BBL	COTTO	GBX	JKN	META	PDJ	QH	SNC	THANI	TTCL	
DECLARED										
AJ	CHG	DDD	ETC	JR	MAJOR	NUSA	RS	SSS	TQM	YUASA
ALT	CPL	DHOUSE	FLOYD	JTS	NCAP	NYT	SAK	STECH	TSI	ZIGA
APCO	CPR	DOHOME	GULF	KEX	NCL	OR	SCGP	STGT	VARO	
B52	CPW	ECF	III	KUMWEL	NOVA	PIMO	SCM	TKN	VCOM	
BEC	CRC	EKH	INOX	LDC	NRF	PLE	SIS	TMI	VIBHA	

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)

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Note: Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of 26 October 2021) are categorised into: 1) companies that have declared their intention to join CAC, and; 2) companies certified by CAC.

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

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### ANALYST(S) CERTIFICATION

#### Yuvanart Suwanumchai FSS International Investment Advisory Securities Co., Ltd

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

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Company	Ticker	Price	Rating	Valuation & Risks
Bangkok Bank	BBL TB	THB 130.00	BUY	Downside risks to our GGM-based TP are 1) prolonged economic sluggishness affecting loan growth and asset quality; and 2) the impact of new regulations from the Bank of Thailand.
Kasikornbank	KBANK TB	THB 146.00	BUY	Downside risks to our GGM-based TP are 1) prolonged economic sluggishness affecting loan growth and asset quality; and 2) the impact of new regulations from the Bank of Thailand.
Kiatnakin Bank	KKP TB	THB 61.75	BUY	Downside risks to our GGM-based target price include weakening asset quality and lower fee income.
Krung Thai Bank	KTB TB	THB 14.70	BUY	Downside risks to our GGM-based TP are 1) prolonged economic sluggishness and further waves of the Covid-19 pandemic affecting loan growth and asset quality; 2) the impact of further interest rate cuts on NIM and potential new regulations from the Bank of Thailand on debt-servicing programs; and 3) an increase in OPEX due to aggressive digital investment.
SCB X	SCB TB	THB 99.00	BUY	Downside risks to our SOTP-based TP are 1) prolonged economic sluggishness and further waves of the Covid-19 pandemic affecting loan growth and asset quality; and 2) the impact of further interest rate cuts on its NIM.
Tisco Financial	TISCO TB	THB 86.75	HOLD	Downside risks to our GGM-based TP are 1) prolonged economic sluggishness affecting loan growth and asset quality; and 2) the impact of new regulations from the Bank of Thailand. An upside risk to our GGM-based TP would be lower-than-expected policy rate hikes.
TMBThanachart Bank	TTB TB	THB 1.17	BUY	Downside risks to our GGM-based TP are 1) prolonged economic sluggishness and further waves of the Covid-19 pandemic affecting loan growth and asset quality; and 2) the impact of further interest rate cuts on NIM and potential new regulations from the Bank of Thailand on debt-servicing programs.

Source: FSSIA estimates

#### Additional Disclosures

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

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

All share prices are as at market close on 07-Jul-2022 unless otherwise stated.

## RECOMMENDATION STRUCTURE

### Stock ratings

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

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

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

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

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

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

### Industry Recommendations

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

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

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

### Country (Strategy) Recommendations

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

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

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