

# BANGKOK BANK

## BBL TB

THAILAND / BANKING

# BUY

UNCHANGED

## 2Q23 results at first glance

|                 |           |
|-----------------|-----------|
| TARGET PRICE    | THB197.00 |
| CLOSE           | THB164.00 |
| UP/DOWNSIDE     | +20.1%    |
| TP vs CONSENSUS | +6.3%     |

### 2Q23 results beat our estimate by 13%

BBL posted a 2Q23 net profit of THB11.3b, 13% higher than our expectation and 11% higher than Bloomberg's consensus projection. Earnings were up 11% q-q and 62% y-y due to higher-than-expected growth in all revenue segments. BBL's 1H23 profit accounts for 56% of our 2023 earnings estimate.

#### Highlights

- (+) **Higher-than-expected net interest income** of THB31.5b, up 5% q-q and 34% y-y, supported by larger-than-expected loan growth and a NIM of 2.83% (+10bp from 1Q23 as yields rose 25bp and cost of funds edged up only 17bp from 1Q23). Overall, the NIM in 1H23 at 2.81% was in line with our 2023 forecast of 2.82%.
- (+) **Net loans** grew by 2.2% q-q and 1.7% y-y (defying expectations of a dip q-q), mainly due to growth in corporate loans and loans made through its international network. Overall, net loans grew by 0.6% YTD, still lower than our 2023 forecast of 5% y-y growth and the bank's target of +4-6% y-y. We see no cause for concern as loans usually accelerate in 2H due to seasonality.
- (+) **Non-interest income** was higher than expected at THB10.9b, growing by 7% q-q and 3% y-y. Fee income pulled back with a larger-than-expected decline of 8% q-q and 2% y-y (amid a securities business slump due to capital market conditions), but this was offset by a surprisingly high increase in other revenues, especially FVTPL.
- (-) **Operating expenses** at THB20.1b were higher than expected, up 7% q-q and 15% y-y, but in line with business growth. The cost-to-income ratio rose slightly to 47.4%, still in line with our 2023 forecast (48.4%), but exceeding BBL's target (low 50s).
- (+) **Asset quality:** Although credit cost increased more than expected to 133bp (we expected 120bp) from 127bp in 1Q23, proactive NPL management (TDR/write-off/sell) drove the reported NPL ratio down to 2.90% from 3.09% in 1Q23. The reported coverage ratio (LLR/NPL) increased to 287% from 265% in 1Q23 (using BBL's figures due to no disclosure of stage 3 NPLs and allowances for stage 3 loans). Overall, 1H23 credit cost was 130bp, slightly higher than our 2023 forecast of 127bp and BBL's target of 100bp.

**Outlook in 2H23:** We expect 3Q23 performance to remain solid, especially for NIM, which should see a significant increase due to the reduction in savings rates at the end of 2Q23. However, 4Q23 may weaken due to higher seasonal operating expenses.

We reaffirm our positive outlook on BBL due to its long-term business growth prospects from both its domestic and foreign operations.



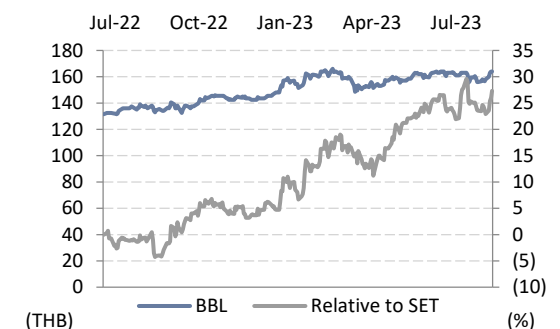
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#### KEY STOCK DATA

| YE Dec (THB m)       | 2022   | 2023E  | 2024E  | 2025E  |
|----------------------|--------|--------|--------|--------|
| Operating profit     | 37,229 | 47,982 | 51,895 | 54,599 |
| Net profit           | 29,306 | 37,924 | 41,031 | 43,170 |
| EPS (THB)            | 15.35  | 19.87  | 21.50  | 22.62  |
| vs Consensus (%)     | -      | (0.4)  | (4.8)  | (6.0)  |
| Recurring net profit | 29,306 | 37,924 | 41,031 | 43,170 |
| Core EPS (THB)       | 15.35  | 19.87  | 21.50  | 22.62  |
| EPS growth (%)       | 10.6   | 29.4   | 8.2    | 5.2    |
| Core P/E (x)         | 10.7   | 8.3    | 7.6    | 7.3    |
| Dividend yield (%)   | 2.7    | 3.5    | 3.8    | 4.0    |
| Price/book (x)       | 0.6    | 0.6    | 0.5    | 0.5    |
| ROE (%)              | 5.9    | 7.2    | 7.3    | 7.3    |
| ROA (%)              | 0.7    | 0.8    | 0.9    | 0.9    |



| Share price performance        | 1 Month         | 3 Month | 12 Month |
|--------------------------------|-----------------|---------|----------|
| Absolute (%)                   | 1.5             | 3.5     | 29.1     |
| Relative to country (%)        | 1.6             | 6.0     | 31.3     |
| Mkt cap (USD m)                | 9,153           |         |          |
| 3m avg. daily turnover (USD m) | 32.1            |         |          |
| Free float (%)                 | 76              |         |          |
| Major shareholder              | Thai NVDR (23%) |         |          |
| 12m high/low (THB)             | 166.50/127.00   |         |          |
| Issued shares (m)              | 1,909           |         |          |

Sources: Bloomberg consensus; FSSIA estimates

## Exhibit 1: BBL - 2Q23 operations summary

| Year-end Dec 31                      | 2Q22          | 1Q23          | 2Q23          | --- Change ---        |               | 1H23          | Change         | %of       | 2022           | 2023E          | Change        |
|--------------------------------------|---------------|---------------|---------------|-----------------------|---------------|---------------|----------------|-----------|----------------|----------------|---------------|
|                                      | (THB m)       | (THB m)       | (THB m)       | (q-q%)                | (y-y%)        | (THB m)       | (y-y%)         | 23E       | (THB m)        | (THB m)        | (y-y%)        |
| Net interest income                  | 23,526        | 30,078        | 31,487        | 5                     | 34            | 61,565        | 36             | 48        | 102,223        | 127,331        | 25            |
| Non-interest income                  | 10,666        | 10,215        | 10,956        | 7                     | 3             | 21,171        | 6              | 63        | 36,672         | 33,482         | (9)           |
| <i>Fee income - net</i>              | 6,726         | 7,122         | 6,571         | (8)                   | (2)           | 13,693        | 0              | 50        | 27,508         | 27,626         | 0             |
| <b>Total operating income</b>        | <b>34,192</b> | <b>40,293</b> | <b>42,443</b> | <b>5</b>              | <b>24</b>     | <b>82,736</b> | <b>27</b>      | <b>51</b> | <b>138,895</b> | <b>160,813</b> | <b>16</b>     |
| Total operating expenses             | 17,435        | 18,850        | 20,111        | 7                     | 15            | 38,961        | 18             | 50        | 69,019         | 77,831         | 13            |
| <b>PPOP before tax</b>               | <b>16,757</b> | <b>21,443</b> | <b>22,333</b> | <b>4</b>              | <b>33</b>     | <b>43,776</b> | <b>35</b>      | <b>53</b> | <b>69,876</b>  | <b>82,982</b>  | <b>19</b>     |
| Expected credit loss                 | 8,354         | 8,474         | 8,880         | 5                     | 6             | 17,354        | 17             | 50        | 32,647         | 35,000         | 7             |
| Income tax                           | 1,319         | 2,728         | 2,047         | (25)                  | 55            | 4,774         | 49             | 50        | 7,484          | 9,596          | 28            |
| Non-controlling interest             | 123           | 112           | 112           | 0                     | (9)           | 224           | (8)            | 49        | 440            | 462            | 5             |
| <b>Net profit</b>                    | <b>6,961</b>  | <b>10,129</b> | <b>11,294</b> | <b>11</b>             | <b>62</b>     | <b>21,423</b> | <b>52</b>      | <b>56</b> | <b>29,306</b>  | <b>37,924</b>  | <b>29</b>     |
| EPS (THB)                            | 3.65          | 5.31          | 5.92          | 11                    | 62            | 11.22         | 52             | 56        | 15.35          | 19.87          | 29            |
| <b>Key ratios</b>                    | <b>2Q22</b>   | <b>1Q23</b>   | <b>2Q23</b>   | <b>--- Change ---</b> |               | <b>1H23</b>   | <b>Change</b>  |           | <b>2022</b>    | <b>2023E</b>   | <b>Change</b> |
| <b>Asset quality ratio</b>           | <b>(%)</b>    | <b>(%)</b>    | <b>(%)</b>    | <b>(q-q%)</b>         | <b>(y-y%)</b> | <b>(%)</b>    | <b>(y-y %)</b> |           | <b>(%)</b>     | <b>(%)</b>     | <b>(y-y%)</b> |
| Gross NPLs (THB m)                   | 105,046       | 98,359        | 93,285        | (5)                   | (11)          | 93,285        | (11)           |           | 97,188         | 102,047        | 5             |
| <i>Change (% from prior period)</i>  | 2.6           | 1.2           | (5.2)         |                       |               | (11.2)        |                |           | (3.9)          | 5.0            |               |
| NPL ratios (%) - reported            | 3.40          | 3.09          | 2.90          |                       |               | 2.90          |                |           | 3.06           |                |               |
| NPL ratio (%)*                       | 3.96          | 3.73          | n/a           |                       |               | n/a           |                |           | 3.62           | 3.62           |               |
| Coverage ratio (%) - reported        | 233           | 265           | 287           |                       |               | 287           |                |           | 255            |                |               |
| Coverage ratio (%)*                  | 225           | 255           | n/a           |                       |               | n/a           |                |           | 251            | 252            |               |
| Credit cost (bp)                     | 128           | 127           | 133           |                       |               | 130           |                |           | 124            | 127            |               |
| <b>Profitability ratio</b>           | <b>(%)</b>    | <b>(%)</b>    | <b>(%)</b>    |                       |               |               |                |           | <b>(%)</b>     | <b>(%)</b>     |               |
| Cost to income ratio                 | 51.0          | 46.8          | 47.4          |                       |               | 47.1          |                |           | 49.7           | 48.4           |               |
| Average yield (%)                    | 2.96          | 4.01          | 4.26          |                       |               | 4.17          |                |           | 3.21           | 3.90           |               |
| Cost of funds (%)                    | 0.93          | 1.53          | 1.70          |                       |               | 1.63          |                |           | 1.01           | 1.29           |               |
| NIM (%) - reported                   | 2.24          | 2.84          | 2.91          |                       |               | 2.81          |                |           | 2.42           |                |               |
| NIM (%)*                             | 2.18          | 2.73          | 2.83          |                       |               | 2.81          |                |           | 2.36           | 2.82           |               |
| Non-interest income/total income (%) | 31.2          | 25.4          | 25.8          |                       |               | 25.6          |                |           | 26.4           | 20.8           |               |
| <b>Loan growth</b>                   | <b>(%)</b>    | <b>(%)</b>    | <b>(%)</b>    |                       |               |               |                |           | <b>(%)</b>     | <b>(%)</b>     |               |
| q-q                                  | 2.5           | (1.6)         | 2.2           |                       |               |               |                |           |                |                |               |
| y-y                                  | 9.6           | 2.0           | 1.7           |                       |               |               |                |           | 3.6            | 5              |               |
| Year-to-date                         | 2.5           | (1.6)         | 0.6           |                       |               | 0.6           |                |           |                |                |               |

\* FSSIA's calculation

Sources: BBL; FSSIA estimates

## Financial Statements

### Bangkok Bank

| Profit and Loss (THB m) Year Ending Dec | 2021     | 2022     | 2023E    | 2024E    | 2025E    |
|---|----------|----------|----------|----------|----------|
| Interest Income                         | 114,313  | 139,088  | 175,894  | 190,768  | 203,027  |
| Interest expense                        | (32,156) | (36,865) | (48,563) | (53,254) | (57,464) |
| Net interest income                     | 82,156   | 102,223  | 127,331  | 137,515  | 145,563  |
| Net fees & commission                   | 29,209   | 27,508   | 27,626   | 27,903   | 28,182   |
| Foreign exchange trading income         | 17,868   | 5,155    | 2,010    | 2,010    | 2,010    |
| Securities trading income               | 1,225    | (1,454)  | (2,026)  | 0        | 0        |
| Dividend income                         | 2,252    | 2,306    | 2,422    | 2,543    | 2,670    |
| Other income                            | 1,831    | 3,156    | 3,450    | 3,668    | 3,900    |
| Non interest income                     | 52,385   | 36,672   | 33,482   | 36,123   | 36,762   |
| Total income                            | 134,541  | 138,895  | 160,813  | 173,638  | 182,325  |
| Staff costs                             | (35,003) | (34,794) | (37,229) | (39,835) | (41,429) |
| Other operating costs                   | (32,263) | (34,225) | (40,601) | (45,408) | (48,297) |
| Operating costs                         | (67,266) | (69,019) | (77,831) | (85,243) | (89,726) |
| Pre provision operating profit          | 67,275   | 69,876   | 82,982   | 88,395   | 92,599   |
| Expected credit loss                    | (34,134) | (32,647) | (35,000) | (36,500) | (38,000) |
| Other provisions                        | -        | -        | -        | -        | -        |
| Operating profit                        | 33,141   | 37,229   | 47,982   | 51,895   | 54,599   |
| Recurring non operating income          | 0        | 0        | 0        | 0        | 0        |
| Associates                              | -        | -        | -        | -        | -        |
| Goodwill amortization                   | -        | -        | -        | -        | -        |
| Non recurring items                     | 0        | 0        | 0        | 0        | 0        |
| Profit before tax                       | 33,141   | 37,229   | 47,982   | 51,895   | 54,599   |
| Tax                                     | (6,189)  | (7,484)  | (9,596)  | (10,379) | (10,920) |
| Profit after tax                        | 26,952   | 29,746   | 38,386   | 41,516   | 43,679   |
| Non-controlling interest                | (445)    | (440)    | (462)    | (485)    | (509)    |
| Preferred dividends                     | -        | -        | -        | -        | -        |
| Other items                             | -        | -        | -        | -        | -        |
| Reported net profit                     | 26,507   | 29,306   | 37,924   | 41,031   | 43,170   |
| Non recurring items & goodwill (net)    | -        | -        | 0        | 0        | 0        |
| Recurring net profit                    | 26,507   | 29,306   | 37,924   | 41,031   | 43,170   |
| <b>Per share (THB)</b>                  |          |          |          |          |          |
| Recurring EPS *                         | 13.89    | 15.35    | 19.87    | 21.50    | 22.62    |
| Reported EPS                            | 13.89    | 15.35    | 19.87    | 21.50    | 22.62    |
| DPS                                     | 3.50     | 4.50     | 5.80     | 6.30     | 6.60     |
| <b>Growth</b>                           |          |          |          |          |          |
| Net interest income (%)                 | 6.6      | 24.4     | 24.6     | 8.0      | 5.9      |
| Non interest income (%)                 | 25.7     | (30.0)   | (8.7)    | 7.9      | 1.8      |
| Pre provision operating profit (%)      | 27.5     | 3.9      | 18.8     | 6.5      | 4.8      |
| Operating profit (%)                    | 53.7     | 12.3     | 28.9     | 8.2      | 5.2      |
| Reported net profit (%)                 | 54.3     | 10.6     | 29.4     | 8.2      | 5.2      |
| Recurring EPS (%)                       | 54.3     | 10.6     | 29.4     | 8.2      | 5.2      |
| Reported EPS (%)                        | 54.3     | 10.6     | 29.4     | 8.2      | 5.2      |
| <b>Income Breakdown</b>                 |          |          |          |          |          |
| Net interest income (%)                 | 61.1     | 73.6     | 79.2     | 79.2     | 79.8     |
| Net fees & commission (%)               | 21.7     | 19.8     | 17.2     | 16.1     | 15.5     |
| Foreign exchange trading income (%)     | 13.3     | 3.7      | 1.2      | 1.2      | 1.1      |
| Securities trading income (%)           | 0.9      | (1.0)    | (1.3)    | -        | -        |
| Dividend income (%)                     | 1.7      | 1.7      | 1.5      | 1.5      | 1.5      |
| Other income (%)                        | 1.4      | 2.3      | 2.1      | 2.1      | 2.1      |
| <b>Operating performance</b>            |          |          |          |          |          |
| Gross interest yield (%)                | 2.87     | 3.21     | 3.90     | 4.00     | 4.04     |
| Cost of funds (%)                       | 0.95     | 1.01     | 1.29     | 1.35     | 1.38     |
| Net interest spread (%)                 | 1.92     | 2.20     | 2.61     | 2.65     | 2.66     |
| Net interest margin (%)                 | 2.1      | 2.4      | 2.8      | 2.9      | 2.9      |
| Cost/income(%)                          | 50.0     | 49.7     | 48.4     | 49.1     | 49.2     |
| Cost/assets(%)                          | 1.7      | 1.6      | 1.7      | 1.8      | 1.8      |
| Effective tax rate (%)                  | 18.7     | 20.1     | 20.0     | 20.0     | 20.0     |
| Dividend payout on recurring profit (%) | 25.2     | 29.3     | 29.2     | 29.3     | 29.2     |
| ROE (%)                                 | 5.6      | 5.9      | 7.2      | 7.3      | 7.3      |
| ROE - COE (%)                           | (4.1)    | (3.8)    | (2.5)    | (2.4)    | (2.4)    |
| ROA (%)                                 | 0.7      | 0.7      | 0.8      | 0.9      | 0.9      |
| RORWA (%)                               | 1.0      | 1.0      | 1.3      | 1.3      | 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      | 2021             | 2022             | 2023E            | 2024E            | 2025E            |
|--|------------------|------------------|------------------|------------------|------------------|
| Gross customer loans                       | 2,588,339        | 2,682,691        | 2,816,826        | 2,957,667        | 3,105,550        |
| Allowance for expected credit loss         | (219,801)        | (243,474)        | (257,474)        | (270,249)        | (283,549)        |
| interest in suspense                       | 7,489            | 10,138           | 5,352            | 5,620            | 5,901            |
| <b>Net customer loans</b>                  | <b>2,376,027</b> | <b>2,449,355</b> | <b>2,564,704</b> | <b>2,693,037</b> | <b>2,827,902</b> |
| Bank loans                                 | 801,212          | 766,074          | 804,378          | 836,553          | 886,747          |
| Government securities                      | -                | -                | -                | -                | -                |
| Trading securities                         | -                | -                | -                | -                | -                |
| Investment securities                      | 889,306          | 926,608          | 1,028,534        | 1,100,532        | 1,166,564        |
| Cash & equivalents                         | 62,552           | 52,433           | 55,459           | 56,022           | 50,810           |
| Other interesting assets                   | -                | -                | -                | -                | -                |
| Tangible fixed assets                      | 74,476           | 73,909           | 78,111           | 82,433           | 86,887           |
| Associates                                 | -                | -                | -                | -                | -                |
| Goodwill                                   | -                | -                | -                | -                | -                |
| Other intangible assets                    | -                | -                | -                | -                | -                |
| Other assets                               | 129,707          | 153,373          | 155,115          | 156,944          | 158,864          |
| <b>Total assets</b>                        | <b>4,333,281</b> | <b>4,421,752</b> | <b>4,686,301</b> | <b>4,925,521</b> | <b>5,177,773</b> |
| Customer deposits                          | 3,156,940        | 3,210,896        | 3,371,440        | 3,540,012        | 3,717,013        |
| Bank deposits                              | -                | -                | -                | -                | -                |
| Other interest bearing liabilities         | 480,061          | 458,593          | 519,760          | 557,752          | 599,115          |
| Non interest bearing liabilities           | 201,688          | 245,122          | 247,596          | 250,096          | 252,623          |
| Hybrid Capital                             | -                | -                | -                | -                | -                |
| <b>Total liabilities</b>                   | <b>3,838,688</b> | <b>3,914,610</b> | <b>4,138,796</b> | <b>4,347,860</b> | <b>4,568,750</b> |
| Share capital                              | 19,088           | 19,088           | 19,088           | 19,088           | 19,088           |
| Reserves                                   | 473,639          | 486,258          | 526,440          | 556,400          | 587,544          |
| <b>Total equity</b>                        | <b>492,727</b>   | <b>505,346</b>   | <b>545,529</b>   | <b>575,488</b>   | <b>606,632</b>   |
| Non-controlling interest                   | 1,865            | 1,796            | 1,976            | 2,173            | 2,390            |
| <b>Total liabilities &amp; equity</b>      | <b>4,333,281</b> | <b>4,421,752</b> | <b>4,686,301</b> | <b>4,925,521</b> | <b>5,177,773</b> |
| <b>Supplementary items</b>                 |                  |                  |                  |                  |                  |
| Risk weighted assets (RWA)                 | 2,863,700        | 3,008,228        | 3,116,390        | 3,275,472        | 3,443,219        |
| Average interest earning assets            | 3,989,281        | 4,327,116        | 4,512,556        | 4,772,245        | 5,026,806        |
| Average interest bearing liabilities       | 3,397,538        | 3,658,397        | 3,757,909        | 3,942,673        | 4,164,812        |
| CET 1 capital                              | 433,699          | 447,199          | 474,052          | 503,057          | 533,629          |
| Total capital                              | 536,656          | 551,307          | 578,160          | 607,165          | 637,737          |
| Gross non performing loans (NPL)           | 101,103          | 97,188           | 102,047          | 107,150          | 112,507          |
| <b>Per share (THB)</b>                     |                  |                  |                  |                  |                  |
| Book value per share                       | 258.13           | 264.74           | 285.79           | 301.49           | 317.80           |
| Tangible book value per share              | 258.13           | 264.74           | 285.79           | 301.49           | 317.80           |
| <b>Growth</b>                              |                  |                  |                  |                  |                  |
| Gross customer loans                       | 9.5              | 3.6              | 5.0              | 5.0              | 5.0              |
| Average interest earning assets            | 15.9             | 8.5              | 4.3              | 5.8              | 5.3              |
| Total asset (%)                            | 13.5             | 2.0              | 6.0              | 5.1              | 5.1              |
| Risk weighted assets (%)                   | 4.6              | 5.0              | 3.6              | 5.1              | 5.1              |
| Customer deposits (%)                      | 12.3             | 1.7              | 5.0              | 5.0              | 5.0              |
| <b>Leverage &amp; capital measures</b>     |                  |                  |                  |                  |                  |
| Customer loan/deposits (%)                 | 75.3             | 76.3             | 76.1             | 76.1             | 76.1             |
| Equity/assets (%)                          | 11.4             | 11.4             | 11.6             | 11.7             | 11.7             |
| Tangible equity/assets (%)                 | 11.4             | 11.4             | 11.6             | 11.7             | 11.7             |
| RWA/assets (%)                             | 66.1             | 68.0             | 66.5             | 66.5             | 66.5             |
| CET 1 CAR (%)                              | 15.1             | 14.9             | 15.2             | 15.4             | 15.5             |
| Total CAR (%)                              | 18.7             | 18.3             | 18.6             | 18.5             | 18.5             |
| <b>Asset Quality (FSSIA's calculation)</b> |                  |                  |                  |                  |                  |
| Change in NPL (%)                          | (3.2)            | (3.9)            | 5.0              | 5.0              | 5.0              |
| NPL/gross loans (%)                        | 3.9              | 3.6              | 3.6              | 3.6              | 3.6              |
| Allowance for ECL/gross loans (%)          | 8.5              | 9.1              | 9.1              | 9.1              | 9.1              |
| Allowance for ECL/NPL (%)                  | 217.4            | 250.5            | 252.3            | 252.2            | 252.0            |
| <b>Valuation</b>                           |                  |                  |                  |                  |                  |
| Recurring P/E (x) *                        | 11.8             | 10.7             | 8.3              | 7.6              | 7.3              |
| Recurring P/E @ target price (x) *         | 14.2             | 12.8             | 9.9              | 9.2              | 8.7              |
| Reported P/E (x)                           | 11.8             | 10.7             | 8.3              | 7.6              | 7.3              |
| Dividend yield (%)                         | 2.1              | 2.7              | 3.5              | 3.8              | 4.0              |
| Price/book (x)                             | 0.6              | 0.6              | 0.6              | 0.5              | 0.5              |
| Price/tangible book (x)                    | 0.6              | 0.6              | 0.6              | 0.5              | 0.5              |
| Price/tangible book @ target price (x)     | 0.8              | 0.7              | 0.7              | 0.7              | 0.6              |

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

Sources: Bangkok Bank; FSSIA estimates

## Public disclosures related to sustainable development evaluation of Thai listed companies

[Rating](#) regarding the sustainable development of Thai listed companies, both on the SET and MAI, are publicly available on the website of the Securities and Exchange Commission of Thailand (SEC). Currently, ratings available are 1) "**CG Score**" by the Thai Institute of Directors Association (Thai IOD); 2) "**AGM Checklist**" by the Thai Investors Association (TIA), a "**CAC certified member**" of the Thai Private Sector Collective Action Against Corruption (CAC); and 3) **Sustainability Investment List (THSI)** by the Stock Exchange of Thailand. The ratings are updated on an annual basis. FSS International Investment Advisory Company Limited does not confirm nor certify the accuracy of such ratings.

### CG Score by the Thai Institute of Directors Association (Thai IOD)<sup>1</sup>

The [CG Score](#) indicates corporate governance (CG) strength in the sustainable development of Thai listed companies. Annually, the Thai IOD, with support from the Stock Exchange of Thailand (SET), surveys and assesses the CG practices of companies and publishes the results on the [Thai IOD website](#) in a bid to promote and enhance the CG of Thai listed companies in order to promote compliance with international standards for better investment decisions. The results are from the perspective of a third party, not an evaluation of operations, as of the date appearing in the report, and may be changed after that date.

The [five underlying categories and weighting](#) used for the CG scoring in 2022 include the rights of shareholders and equitable treatment of shareholders (weight 25% combined), the role of stakeholders (25%), disclosure and transparency (15%), and board responsibilities (35%).

The CGR report rates CG in six categories: 5 for Excellent (score range 90-100), 4 for Very Good (score range 80-89), 3 for Good (Score range 70-79), 2 for Fair (score range 60-69), 1 for Pass (score range 60-69), and not rated (score below 50).

### AGM Checklist by the Thai Investors Association (TIA)<sup>2</sup>

The "[AGM Checklist](#)" quantifies the extent to which shareholders' rights and equitable treatment are incorporated into business operations and the extent to which information is sufficiently disclosed and the level of its transparency. All the considered factors form important elements of two out of five the CG components. Annually, the TIA, with support from the SEC, leads the project to evaluate the quality of Annual General Meetings of Shareholders (AGMs) and to rate quality of the meetings.

The [Checklist](#) contains the minimum requirements under law that companies must comply with, or best practices according to international CG guidance. Representatives of the TIA will attend the meetings and perform the evaluation. The assessment criteria cover AGM procedures before the meeting (45%), at the meeting date (45%), and after the meeting (10%). The first assesses 1) advance circulation of sufficient information for voting; and 2) facilitating of how voting rights can be exercised. The second assesses 1) the ease of attending meetings; 2) transparency and verifiability; and 3) openness for Q&A. The third involves the meeting minutes that should contain discussion issues, resolutions and voting results.

The results are classified into four categories: 5 for Excellent (score 100), 4 for Very Good (score 90-99), 3 for Fair (score 80-89), and not rated (score below 79).

### CAC certified member by the Thai Private Sector Collective Action Against Corruption (CAC)<sup>3</sup>

A [CAC certified member](#) is a listed company whose Checklist satisfies the CAC Certification's criteria and is approved by the CAC Council. The core elements of the Checklist include corruption risk assessment, establishment of key controls, and the monitoring and developing of policies. Note that the CAC does not certify the behaviour of the employees nor whether the companies have engaged in bribery, and Certification is good for three years.

Companies deciding to become a CAC certified member [start with](#) by submitting a Declaration of Intent signed by the Chairman of the Board to kick off the 18-month deadline for companies to submit the CAC Checklist for Certification. The 18-month provision is for risk assessment, in place of policy and control, training of managers and employees, establishment of whistleblowing channels, and communication of policies to all stakeholders.

The checklist document will be reviewed by the CAC Certification Committee for adequate information and evidence. It is worth noting that the committee consists of nine professionals in business law, corporate governance, internal audit, financial audit and experienced representatives from certified members.

A passed Checklist will move on to the [CAC Council](#) for granting certification approvals. The CAC Council consists of twelve prominent individuals who are highly respected in professionalism and ethical achievements. Among them are former ministers, a former central bank governor, the former head of the Thai Listed Companies Association, Chairman of Anti-Corruption Organizations (Thailand), Chairman of Thai Institute of Directors, and reputable academic scholars.

### Sustainability Investment (THSI)<sup>4</sup> by the Stock Exchange of Thailand (SET)

Thailand Sustainability Investment ([THSI](#)) quantifies responsibility in [E](#)nvironmental, and [S](#)ocial issues, by managing business with transparency in [G](#)overnance. The THSI serves as another choice for investors who desire to adopt a responsible investment approach, according to the SET.

Annually, the SET will announce the voluntary participation of the company candidates which pass the preemptive criteria, and whose two key crucial conditions are met, i.e. no irregular trading of the board members and executives and a free float of >150 by the number of shareholders, and combined holding must >15% of paid-up capital. Some key disqualifying criteria include a CG score of below 70%; independent directors and free float violation; executives' wrongdoing related to CG, social and environmental impacts, equity in negative territory, and earnings in the red for more than three years in the last five years. To become eligible for THSI, the candidate must pass three indicators in data declaration: [E](#)conomic (CG, risk management, customer relation management, supply chain management, and innovation); [E](#)nvironmental (environmental management, eco-efficiency, and climate risk); [S](#)ocial (human rights, talent attraction, operational health & safety, community development, and stakeholder engagement); and the incorporation of ESG in business operations.

To be approved for THSI inclusion, verified data must be scored at a 50% minimum for each indicator, unless the company is a part of the Dow Jones Sustainability Indices<sup>5</sup> (DJSI) during the assessment year. The scoring will be fairly weighted against the nature of the relevant industry and materiality.

Note that, from the [THSI list](#), the SET further developed a sustainability [SETTHSI Index](#) in June 2018 from selected THSI companies whose 1) market capitalisation > THB5b (~USD150b); 2) free float >20%; and 3) liquidity >0.5% of paid-up capital for at least 9 out of 12 months. The SETTHSI Index is a market capitalisation-weighted index, cap 5% quarterly weight at maximum, and no cap for number of stocks.

Sources: [SEC](#); [Thai IOD](#); [Thai CAC](#); [SET](#); FSSIA's compilation

#### Disclaimer:

<sup>1</sup> Thai Institute of Directors Association ([Thai IOD](#)) was established in December 1999 and is a membership organisation that strives to promote professionalism in directorship. The Thai IOD offers directors certification and professional development courses, provides a variety of seminars, forums and networking events, and conducts research on board governance issues and practices. Membership comprises board members from companies ranging from large publicly listed companies to small private firms.

<sup>2</sup> Thai Investors Association ([TIA](#)) was established in 1983 with a mission to promote investment knowledge and to protect the investment rights of Thai investors. In 2002, the association was appointed by the Securities and Exchange Commission (SEC) to represent individual shareholders. To obtain information for evaluation, the association recruits volunteer investors to join AGMs and score the meetings. Weightings for each meeting are at a 45:45:10 ratio. They have been applied since 2017 and subject to change.

<sup>3</sup> Thai Private Sector Collective Action against Corruption ([CAC](#)) was founded in 2010 and is 100% privately funded. It is an initiative by the Thai private sector to take part in tackling corruption problems via collective action. The CAC promotes the implementation of effective anti-corruption policies in order to create a transparent business ecosystem by developing a unique certification program for large/medium/small companies to apply for and to control corruption risk systematically and efficiently. The CAC's operations are sponsored by the US-based Center for Private Enterprise (CIPE) and the UK Prosperity Fund.

<sup>4</sup> Sustainability Investment List ([THSI](#)), created by the Stock Exchange of Thailand in 2015, comprises the listed companies that conduct sustainable business operations.

<sup>5</sup> Dow Jones Sustainability Indices – [Wikipedia](#) – Launched in 1999, DJSI evaluates the sustainability performance of companies based on corporate economic, environmental, and social performance.

**GENERAL DISCLAIMER**

**ANALYST(S) CERTIFICATION**

Usanee Liurut, CISA FSS International Investment Advisory Securities Co., Ltd

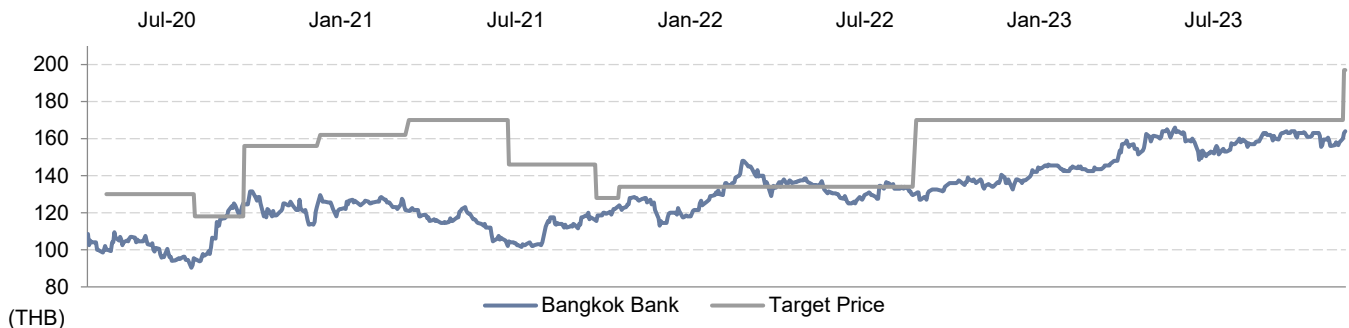
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**History of change in investment rating and/or target price**

**Bangkok Bank (BBL TB)**



| Date        | Rating | Target price | Date        | Rating | Target price | Date        | Rating | Target price |
|-------------|--------|--------------|-------------|--------|--------------|-------------|--------|--------------|
| 05-Aug-2020 | BUY    | 130.00       | 23-Apr-2021 | BUY    | 170.00       | 08-Jul-2022 | BUY    | 170.00       |
| 21-Oct-2020 | BUY    | 118.00       | 21-Jul-2021 | BUY    | 146.00       | 17-Jul-2023 | BUY    | 197.00       |
| 03-Dec-2020 | BUY    | 156.00       | 05-Oct-2021 | HOLD   | 128.00       |             |        |              |
| 05-Feb-2021 | BUY    | 162.00       | 25-Oct-2021 | HOLD   | 134.00       |             |        |              |

Usanee Liurut, CISA started covering this stock from 17-Jul-2023

Price and TP are in local currency

Source: FSSIA estimates

| Company      | Ticker | Price      | Rating | Valuation & Risks  |
|--------------|--------|------------|--------|--|
| Bangkok Bank | BBL TB | THB 164.00 | 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. |

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 20-Jul-2023 unless otherwise stated.

## RECOMMENDATION STRUCTURE

### Stock ratings

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

**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.