

BANGKOK BANK

BBL TB

THAILAND / BANKING

BUY

UNCHANGED

TARGET PRICE	THB197.00
CLOSE	THB162.50
UP/DOWNSIDE	+21.2%
PRIOR TP	THB197.00
CHANGE IN TP	UNCHANGED
TP vs CONSENSUS	+2.8%

NIM expansion to continue in 3Q23

- We expect a 3Q23 net profit of THB10.8b, down 4.1% q-q (affected mainly by reduced FVTPL gains), but still increasing 41.4% y-y (driven by NIM expansion).
- There is no cause for concern about 3Q23E NPLs and credit cost.
- We reaffirm our positive outlook and top BUY call on BBL.

The upward interest rate continues to support 3Q23E NII and NIM

Positive results came from increasing interest rates for all types of loans (MOR, MLR, and MRR) by 20-25bp during May 2023 and by 20bp for MOR and MLR loans in June 2023, but the MRR interest rate was reduced by 7bp along with a savings deposit rate cut by 20bp over the same period. This reduces the impact of the increase in interest rates on all types of term deposits by 25bp since their interest will gradually adjust over time. As a result, we forecast a continued increase in 3Q23 net interest income by 2.6% q-q and 21.9% y-y, with NIM expected to rise to 2.94%, up 11bp from 2Q23. Overall, 9M23E NIM is 2.88%, higher than our 2023 target of 2.82% and the bank's guidance of 2.50%.

Investment gains decreased, dragging down 3Q23E profit

The long-term bond yield has rebounded sharply, causing an unavoidable impact on investment portfolios, especially FVTPL types. However, we estimate that the effect is limited because 1) over 91% of total investments are classified as FVOCI (fair value through other comprehensive income) and AMC (amortised cost); and 2) BBL's management has shortened the duration of its bond and debt instrument portfolios to reduce price impacts. Hence, we estimate a 3Q23 net profit of THB10.8b, down 4.1% q-q (affected mainly by reduced FVTPL gains), but still increasing 41.4% y-y (driven by NIM expansion), with PPOP expected to increase by 1.5% q-q and 15.1% y-y.

Asset quality is not a concern; 2H23E credit cost ends near 1H23

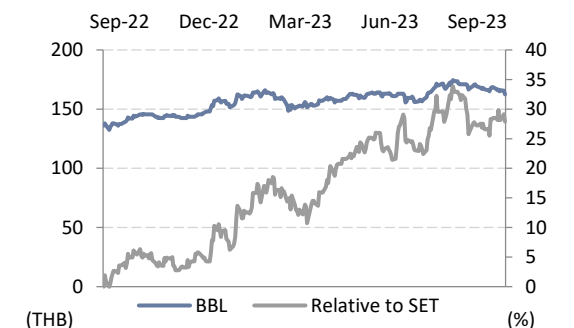
Overall, asset quality is not a cause for concern, in our view. BBL expects NPLs at end-2023 to be around 3.10%, up from 2.91% in 2Q23 – still much lower than the target of 3.50%. Most of BBL's NPL management focuses on restructuring rather than aggressive sales like other banks, making it possible to show some re-entries. BBL also reiterates that it is still manageable. 2H23E credit costs remains stable near 1H23's level at around 127bp, higher than the bank's guidance of only 100bp.

Top BUY call with our 2023 GGM-based TP of THB197

We reaffirm our positive outlook and top BUY call on BBL due to its long-term business growth prospects from both its domestic and foreign operations. Our 2023 GGM-based TP of THB197 implies a PBV of 0.69x.

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 (%)	-	(7.4)	(8.3)	(8.6)
Recurring net profit	29,306	37,924	41,031	43,170
Core EPS (THB)	15.35	19.87	21.50	22.62
Chg. In EPS est. (%)	-	-	-	-
EPS growth (%)	10.6	29.4	8.2	5.2
Core P/E (x)	10.6	8.2	7.6	7.2
Dividend yield (%)	2.8	3.6	3.9	4.1
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 (%)	(3.0)	(0.3)	16.9
Relative to country (%)	1.3	(1.4)	26.0
Mkt cap (USD m)	8,535		
3m avg. daily turnover (USD m)	32.5		
Free float (%)	76		
Major shareholder	Thai NVDR (23%)		
12m high/low (THB)	175.00/132.50		
Issued shares (m)	1,909		

Sources: Bloomberg consensus; FSSIA estimates



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Investment thesis

We pick BBL as our top BUY call due to:

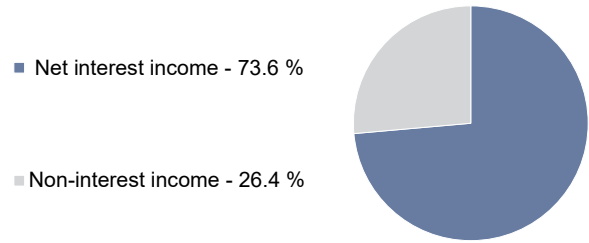
- 1) Among our covered banks, BBL should benefit the most from the interest rate uptrend.
- 2) The bank also has solid growth potential from its domestic and international banking businesses.
- 3) Its efficiency in asset quality management with a high coverage ratio (LLR/NPL) and liquidity ratio (LDBR), coupled with a solid capital base, are vital catalysts to support growth and drive ROE in the long-run.
- 4) BBL is trading at 0.6x 2023E P/BV while offering attractive dividend yields.

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.

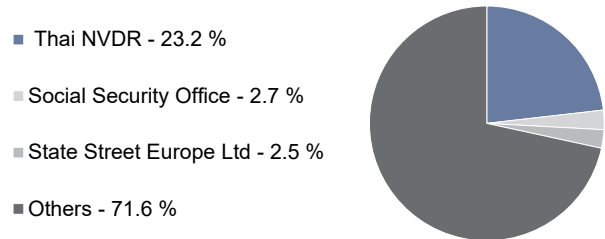
www.bangkokbank.com

Principal activities (revenue, 2022)



Source: Bangkok Bank

Major shareholders



Source: Bangkok Bank

Catalysts

Potential share price catalysts for BBL include:

- Higher foreign direct investment (FDI) into Thailand and ASEAN countries.
- The Bank of Thailand's policy rate increasing higher than expected.
- Lower credit cost from better-than-expected asset quality.

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
19 October 2023	3Q23 results announcement

Key assumptions

	2023E (%)	2024E (%)	2025E (%)
Net profit (THB m)	37,924	41,031	43,170
Net profit growth (%)	29.4	8.2	5.2
NIM (%)	2.82	2.88	2.90
Loan growth (%)	5.0	5.0	5.0
Fee growth (%)	0.4	1.0	1.0
Non-NII growth (%)	(8.7)	7.9	1.8
Credit cost (bp)	127.3	126.4	125.3
Cost to income (%)	48.4	49.1	49.2

Source: FSSIA estimates

Earnings sensitivity

		----- 2023E -----		
Loan growth	±2ppt	3	5	7
% change in net profit		(3)	-	3
NIM (%)	±5bp	2.77	2.82	2.87
% change in net profit		(4)	-	4
Credit cost (bp)	±10bp	117	127	137
% change in net profit		6	-	(6)

Source: FSSIA estimates

Investment gains decreased, dragging down 3Q23E profits

The long-term bond yield has rebounded sharply (as shown in Exhibit 1), causing an unavoidable impact on investment portfolios, especially FVTPL types. However, we estimate that the effect is limited because 1) over 91% of total investments are classified as FVOCI (fair value through other comprehensive income) and AMC (amortised cost); and 2) BBL's management has shortened the duration of its bond and debt instrument portfolios to reduce price impacts. Hence, we estimate a 3Q23 net profit of THB10.8b, down 4.1% q-q (affected mainly by reduced FVTPL gains), but still increasing 41.4% y-y (primarily driven by NIM expansion), with PPOP expected at THB22.6b, increasing by 1.5% q-q and 15.1% y-y.

Exhibit 1: Thailand's bond yield movement

	Maturity				
	1Y	2Y	3Y	5Y	10Y
	(%)	(%)	(%)	(%)	(%)
Mar-23	1.749	1.812	1.884	2.013	2.406
Jun-23	2.040	2.150	2.190	2.325	2.581
Sep-23	2.448	2.550	2.632	2.843	3.243
Change QTD (bps)	41	40	44	52	66

Sources: Bloomberg, FSSIA's compilation

In addition, we expect 3Q23 loan growth of 0.8% q-q and 1.4% YTD. Though it is still below our full-year 2023 target of 5% y-y and the bank's guidance of 4-6% y-y, the bank is confident that the numbers will hold up at 4% y-y from loans waiting to be disbursed in the pipeline (usually every 4Q there will be a lot of short-term working capital loans drawn). Overall, 9M23E earnings rise to THB32.2b, increasing 48.4% y-y, accounting for 85% of our 2023 profit estimate.

Exhibit 2: BBL's loans by stage and ECL at the end of 2Q23

	Loans by stage						Allowance of ECL			
	1-Jan-20	2020	2021	2022	2Q22	2Q23	2021	2022	2Q22	2Q23
	(THB b)	(THB b)	(THB b)	(THB b)	(THB b)	(THB b)	(THB b)	(THB b)	(THB b)	(THB b)
Stage 1 (Performing)	1,918.5	2,128.4	2,355.8	2,450.0	2,420.3	2,466.1	80.0	96.7	89.2	105.4
Stage 2 (Underperforming)	67.6	140.0	136.3	142.5	132.9	146.8	65.4	73.3	67.0	78.5
Stage 3 (Non-performing)	79.2	106.2	103.7	100.3	108.0	96.7	74.4	73.6	79.8	73.2
Total loans and accrued interest	2,065.3	2,374.6	2,595.8	2,692.8	2,661.2	2,709.6	219.8	243.5	236.0	257.1
% change y-y of total loans and ECL		15.0%	9.3%	3.7%		1.8%		10.8%		9.0%
% change y-y of NPL and ECL for NPL		34.1%	-2.4%	-3.3%		-10.5%		-1.2%		-8.2%
Total ECL to NPL - coverage ratio							211.9%	242.7%	218.4%	266.0%
	% of stage loans to total loans						% of ECL to stage loans			
Stage 1 (Performing)	92.9	89.6	90.8	91.0	90.9	91.0	3.4	3.9	3.7	4.3
Stage 2 (Underperforming)	3.3	5.9	5.3	5.3	5.0	5.4	48.0	51.4	50.4	53.5
Stage 3 (Non-performing)	3.8	4.5	4.0	3.7	4.1	3.6	71.8	73.3	73.8	75.7
Total loans and accrued interest	100.0	100	100	100	100	100	8.5	9.0	8.9	9.5

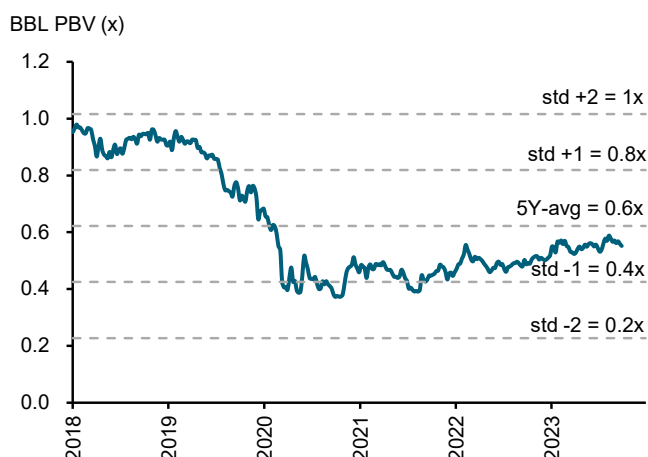
Sources: BBL; FSSIA's compilation

Exhibit 3: BBL – 3Q23E operations summary

Year end Dec 31	3Q22	4Q22	1Q23	2Q23	3Q23E	--- Change ---		9M22	9M23E	Change	%of	2023E	Change
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)	(THB m)	(THB m)	(y-y %)	23E	(THB m)	(y-y %)
Net interest income	26,496	30,454	30,078	31,487	32,300	2.6	21.9	71,769	93,865	30.8	73.7	127,331	25
Non-interest income	10,211	6,431	10,215	10,956	10,305	(5.9)	0.9	30,240	31,476	4.1	94.0	33,482	(9)
<i>Fee income - net</i>	6,866	6,958	7,122	6,571	6,650	1.2	(3.1)	20,550	20,343	(1.0)	73.6	27,626	0
Total operating income	36,707	36,886	40,293	42,443	42,605	0.4	16.1	102,009	125,341	22.9	77.9	160,813	16
Total operating expenses	17,006	19,071	18,850	20,111	19,926	(0.9)	17.2	49,947	58,887	17.9	75.7	77,831	13
PPOP before tax	19,701	17,815	21,443	22,333	22,679	1.5	15.1	52,062	66,454	27.6	80.1	82,982	19
Expected credit loss	9,889	7,914	8,474	8,880	9,000	1.4	(9.0)	24,733	26,354	6.6	75.3	35,000	7
Income tax	2,032	2,257	2,728	2,047	2,736	33.7	34.6	5,227	7,510	43.7	78.3	9,596	28
Non-controlling interest	123	74	112	112	112	0.0	(8.2)	366	337	(8.0)	72.9	462	5
Net profit	7,657	7,569	10,129	11,294	10,830	(4.1)	41.4	21,736	32,253	48.4	85.0	37,924	29
EPS (THB)	4.01	3.97	5.31	5.92	5.67	(4.1)	41.4	11.39	16.90	48.4	85.0	19.87	29
Key ratios	3Q22	4Q22	1Q23	2Q23	3Q23E	--- Change ---		9M22	9M23E	Change	2023E		
Asset quality ratio	(%)	(%)	(%)	(%)	(%)	(q-q%)	(y-y%)	(THB m)	(THB m)	(y-y %)	(%)		
Gross NPLs (THB m)	107,023	97,188	98,359	93,285	92,285	(1.1)	(13.8)	107,023	92,285	(13.8)	102,047		
% from prior period	1.9	(9.2)	1.2	(5.2)	(1.1)			(5)	(14)	5.0			
NPL ratio (%)*	3.83	3.62	3.73	3.46	3.39			3.83	3.39	3.62			
Coverage ratio (%)*	240	261	265	287	298			240	298	252			
Credit cost (bp)	145	116	127	133	133			124	127	127			
Profitability ratio	(%)	(%)	(%)	(%)	(%)			(%)	(%)	(%)			
Cost to income ratio	46.3	51.7	46.8	47.4	46.8			49.0	47.0	48.4			
Average yield (%)	3.31	3.80	4.01	4.26	4.45			3.05	4.30	3.90			
Cost of funds (%)	1.03	1.21	1.53	1.70	1.82			0.96	1.71	1.29			
NIM (%)*	2.45	2.79	2.73	2.83	2.94			2.24	2.88	2.82			
NIM (%) - reported	2.49	2.84	2.84	2.91									
Non-NII /total inc. (%)	27.8	17.4	25.4	25.8	24.2			29.6	25.1	20.8			
Liquidity ratio	(%)	(%)	(%)	(%)	(%)			(%)	(%)	(%)			
Loan to deposit	88.4	83.5	82.3	84.3	85.4			88.4	85.4	83.5			
LDBR	83.0	78.9	77.8	79.5	80.6			83.0	80.6	79.0			
Capital adequacy ratio	(%)	(%)	(%)	(%)	(%)			(%)	(%)	(%)			
CAR	18.5	19.1	19.2	19.1				18.5		19.3			
CET 1/ Risk assets	14.4	14.9	14.9	14.9				14.4		15.2			
Tier 2 / Risk assets	3.3	3.5	3.5	3.4				3.3		3.3			
Loan growth	(%)	(%)	(%)	(%)	(%)			(%)	(%)	(%)			
q-q	5.4	(4.1)	(1.6)	2.2	0.8								
y-y	10.8	3.6	2.0	1.7	(2.8)			10.8	(2.8)	5			
Year-to-date	8.1	3.6	(1.6)	0.6	1.4			8.1	1.4				

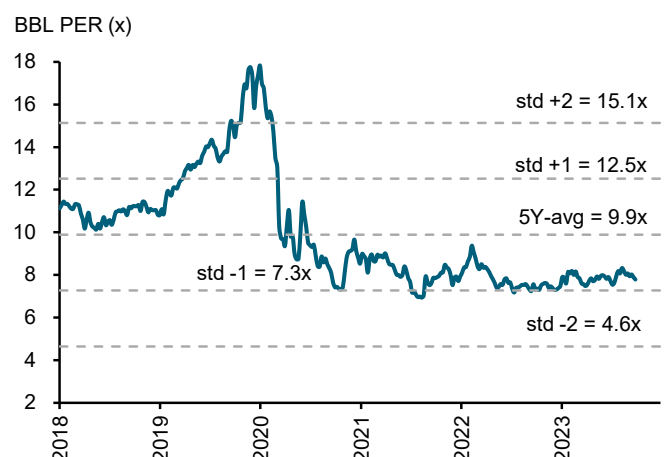
Sources: BBL; FSSIA estimates

Exhibit 4: One-year forward rolling P/BV



Sources: Bloomberg; FSSIA estimates

Exhibit 5: One-year forward rolling PER



Sources: Bloomberg; 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
Per share (THB)					
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
Growth					
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
Income Breakdown					
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
Operating performance					
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
Net customer loans	2,376,027	2,449,355	2,564,704	2,693,037	2,827,902
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
Total assets	4,333,281	4,421,752	4,686,301	4,925,521	5,177,773
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	-	-	-	-	-
Total liabilities	3,838,688	3,914,610	4,138,796	4,347,860	4,568,750
Share capital	19,088	19,088	19,088	19,088	19,088
Reserves	473,639	486,258	526,440	556,400	587,544
Total equity	492,727	505,346	545,529	575,488	606,632
Non-controlling interest	1,865	1,796	1,976	2,173	2,390
Total liabilities & equity	4,333,281	4,421,752	4,686,301	4,925,521	5,177,773
Supplementary items					
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
Per share (THB)					
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
Growth					
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
Leverage & capital measures					
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
Asset Quality (FSSIA's calculation)					
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
Valuation					
Recurring P/E (x) *	11.7	10.6	8.2	7.6	7.2
Recurring P/E @ target price (x) *	14.2	12.8	9.9	9.2	8.7
Reported P/E (x)	11.7	10.6	8.2	7.6	7.2
Dividend yield (%)	2.2	2.8	3.6	3.9	4.1
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)¹

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).

Corporate Governance Report Disclaimer

The disclosure of the survey result 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 companies listed on the Stock Exchange of Thailand and the Market of Alternative Investment disclosed to the public and able to be accessed by a general public investor at [Thai IOD website](#). 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 data appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date. FSSIA does not confirm nor certify the accuracy of such survey result.

AGM Checklist by the Thai Investors Association (TIA)²

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)³

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)⁴ by the Stock Exchange of Thailand (SET)

Thailand Sustainability Investment (**THSI**) quantifies responsibility in **Environmental**, and **Social** issues, by managing business with transparency in **Governance**. 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: **Economic** (CG, risk management, customer relation management, supply chain management, and innovation); **Environmental** (environmental management, eco-efficiency, and climate risk); **Social** (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 Indices⁵ (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:

¹ 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.

² 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.

³ 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.

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

⁵ 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

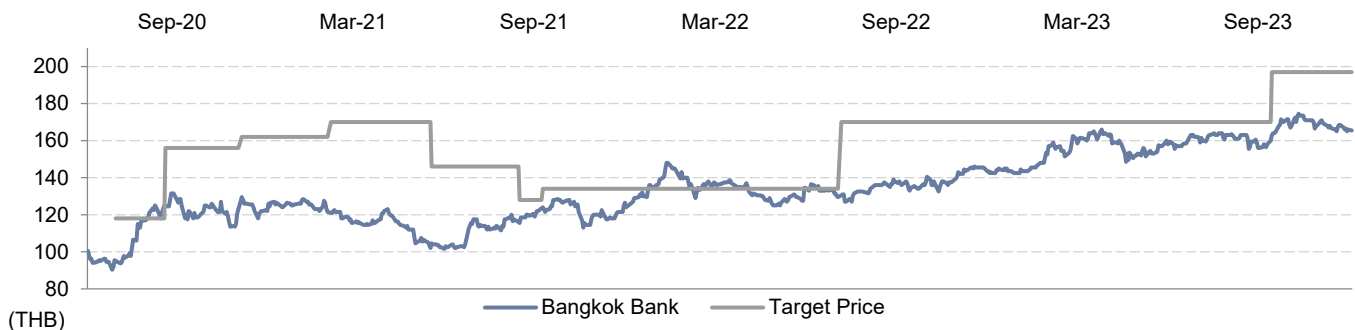
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History of change in investment rating and/or target price

Bangkok Bank (BBL TB)



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

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 162.50	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 26-Sep-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.