

BANGKOK BANK

BBL TB

THAILAND / BANKING

BUY

FROM HOLD

เกาะกระแสการลงทุนรอบใหม่

- ในฐานะธนาคารพาณิชย์ระดับสากลทำให้มีการกระจายความเสี่ยงที่ดี อีกทั้งการที่มุ่งเน้นไปที่ลูกค้ารายใหญ่ จะทำให้ BBL ได้ประโยชน์สูงสุดจากการลงทุนใหม่
- เราคาดว่ากำไรสุทธิ 2025-26 จะฟื้นตัว 4.1-6.0% y-y จากสมมติฐานการเติบโตของสินเชื่อและรายได้ค่าธรรมเนียมที่ Conservative พร้อมคาด ECL จะค่อย ๆ ลดลงตามคุณภาพสินทรัพย์ที่ทยอยฟื้นตัว
- เราปรับเพิ่มคำแนะนำเป็นซื้อหลังปรับราคาเป้าหมายไปเป็นปี 2025 ที่ 184 บาท

TARGET PRICE	THB184.00
CLOSE	THB153.00
UP/DOWNSIDE	+20.3%
PRIOR TP	THB157.00
CHANGE IN TP	+17.2%
TP vs CONSENSUS	+10.5%

รอบการลงทุนใหม่จะเป็นสัญญาณที่ดีสำหรับการเติบโตของสินเชื่อในปี 2025-26

BBL รายงานสินเชื่อโต 5.1% CAGR ในช่วงปี 2018-23 สูงกว่าการเติบโตของ Real GDP เฉลี่ยที่ 1.5-4.2% ในช่วงเวลาเดียวกันส่วนมากจากกลุ่มสินเชื่อขนาดใหญ่ (44%) และสินเชื่อระหว่างประเทศ (26%) โดยสินเชื่อระหว่างประเทศมีการเติบโตที่สูงกว่าที่ 9.0% CAGR ในช่วงดังกล่าว ซึ่งทำให้มีส่วนเพิ่มเป็น 26% ในช่วง 1H24 จาก 17% ในปี 2018 ทั้งนี้ธุรกิจธนาคารระหว่างประเทศน่าจะยังเป็นอีกปัจจัยหนุนการเติบโตที่สำคัญในช่วง 3-5 ปีข้างหน้าโดยจะขนานไปกับการเติบโตของธุรกิจธนาคารในประเทศ สำหรับแนวโน้มในปี 2024-26 เราคาดว่าสินเชื่อจะโตเฉลี่ย 3.0% ต่อปีสอดคล้องกับประมาณการของ ธปท. ที่คาดว่า GDP จะโต 2.6-3.0% สินเชื่อบริษัทขนาดใหญ่และระหว่างประเทศน่าจะช่วยหนุนการเติบโตจากการใช้จ่ายในภาครัฐที่เร่งตัวขึ้น

คุณภาพสินทรัพย์ไม่มีสัญญาณที่น่ากังวลแม้ว่าจะเสื่อมลงในระยะสั้น

คุณภาพสินทรัพย์เสื่อมลงหลังมีพัฒนาการเชิงบวกมาตั้งแต่ 2Q23 อย่างไรก็ดียังไม่ประเด็นที่น่ากังวลส่วนมากจาก 2 ประเด็นหลักกล่าวคือ 1) การสิ้นสุดของมาตรการพักชำระหนี้ตอนสิ้นปี 2023 ซึ่งทำให้สัดส่วนหนี้ด้อยคุณภาพกลับสู่ระดับก่อนโควิด (3.40-3.90% ในช่วงปี 2017-19) และ 2) สินเชื่อปรับโครงสร้างที่กลับมาผิดนัดชำระใหม่ (ไม่ใช่การก่อตัวของหนี้ด้อยคุณภาพใหม่) ซึ่งยังอยู่ในระดับต่ำและกระจุกตัวอยู่ในกลุ่มการผลิตและพาณิชย์และอยู่ในภาพรวมไม่ใช่อุตสาหกรรมใด อุตสาหกรรมหนึ่ง เราคาดว่าสัดส่วนหนี้ด้อยคุณภาพ ณ สิ้นปี 2024-26 จะปรับตัวดีขึ้นตามเศรษฐกิจที่กำลังฟื้นตัว ในทางเดียวกันเราคาดว่าต้นทุนความเสี่ยงในการปล่อยสินเชื่อ (Credit cost) น่าจะค่อย ๆ ลดลงเป็น 115bps ภายในสิ้นปี 2026 ซึ่งจะช่วยให้หนี้ส่วนสำรองต่อหนี้ด้อยคุณภาพเป็น 316% ภายในสิ้นปี 2026 นับว่าสูงที่สุดในอุตสาหกรรมนี้

คงประมาณการปี 2024-26 การเติบโตของรายได้ดอกเบี้ยสุทธิและค่าธรรมเนียมเป็นปัจจัยหนุนสำคัญ

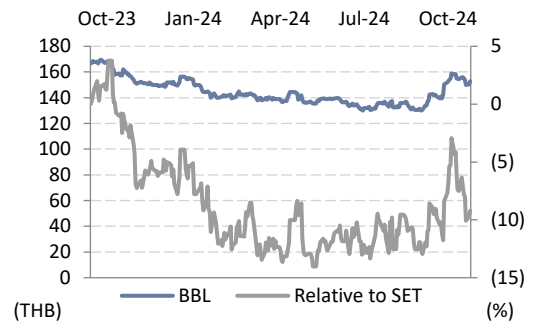
เราคงประมาณการตัวเลขการเติบโตของกำไรสุทธิในปี 2024-26 ของเราไว้ที่ 3.7% CAGR จากสมมติฐานที่ Conservative ของเราโดยไม่ได้รวมปัจจัยบวกจากมาตรการกระตุ้นเศรษฐกิจของรัฐบาลแต่อย่างใด สำหรับในปี 2024 เราคาดว่ากำไรสุทธิจะโต 1.0% y-y พร้อมผลตอบแทนต่อส่วนผู้ถือหุ้น (ROE) ที่ 7.7% จากฐานที่สูงในปี 2023 หลังการขึ้นอัตราดอกเบี้ยอย่างถึง สำหรับในปี 2025-26 เราคาดว่ากำไรสุทธิจะฟื้นตัว 4.1% y-y และ 6.0% y-y ตามลำดับ หนุนด้วยการเติบโตของรายได้ดอกเบี้ยสุทธิและรายได้ค่าธรรมเนียม ที่จะทยอยเติบโตมากขึ้น

ปรับเพิ่มคำแนะนำเป็นซื้อหลังปรับราคาเป้าหมายไปเป็นปี 2025 ที่ 184 บาท

เราปรับเพิ่มคำแนะนำเป็นซื้อจากถือ Valuation ปัจจุบันยังถูกมากที่ 0.53x P/BV ต่ำกว่าค่าเฉลี่ย 5 ปีย้อนหลังที่ 0.60x ประกอบกับผลตอบแทนในรูปเงินปันผลที่น่าสนใจที่ 4.7-5.2% ต่อปี เราปรับราคาเป้าหมายไปเป็นปี 2025 ที่ 184 บาทจาก 157 บาท (GGM) คิดเป็นค่า P/BV ที่ 0.60x ภายใตสมมติฐานค่า LT-ROE ที่ 7.7% และ COE ที่ 12.2%

KEY STOCK DATA

YE Dec (THB m)	2023	2024E	2025E	2026E
Operating profit	52,046	53,094	55,298	58,609
Net profit	41,635	42,037	43,779	46,404
EPS (THB)	21.81	22.02	22.93	24.31
vs Consensus (%)	-	(1.8)	(1.5)	(1.8)
Recurring net profit	41,635	42,037	43,779	46,404
Core EPS (THB)	21.81	22.02	22.93	24.31
Chg. In EPS est. (%)	-	-	-	-
EPS growth (%)	42.1	1.0	4.1	6.0
Core P/E (x)	7.0	6.9	6.7	6.3
Dividend yield (%)	4.6	4.7	4.9	5.2
Price/book (x)	0.6	0.5	0.5	0.5
ROE (%)	8.1	7.7	7.6	7.7
ROA (%)	0.9	0.9	0.9	1.0



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	8.5	15.9	(8.7)
Relative to country (%)	0.7	2.8	(8.2)
Mkt cap (USD m)	8,961		
3m avg. daily turnover (USD m)	43.1		
Free float (%)	76		
Major shareholder	Thai NVDR (23%)		
12m high/low (THB)	170.00/129.00		
Issued shares (m)	1,909		

Sources: Bloomberg consensus; FSSIA estimates



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Investment thesis

We have upgraded BBL's rating to a BUY call (from Hold) for factors including:

- We have a more favorable outlook on the recovery of the global and Thai economies in 2025. Despite the uncertainties and global economic headwinds, BBL reaffirmed its optimistic view of the Thai economy's c3.0% 2024E GDP growth (vs the BoT's 2.60%).
- Its asset quality has shown some deterioration in 2Q24 but no alarms, and is manageable thanks to its coverage ratio (LLR/NPL), which remains the highest in the industry. Meanwhile, we expect BBL to retain its practice of aggressive write-offs in 4Q, which should bode well for its NPL reduction.
- It trades at a very cheap 0.53x P/BV, below its 5-yr average of 0.60x, combined with an attractive dividend yield of c4.7-5.2% p.a. Our 2025 GGM-TP of THB184, implies a P/BV of 0.60x (under an expected LT-ROE of 7.7% and COE of 12.2%).

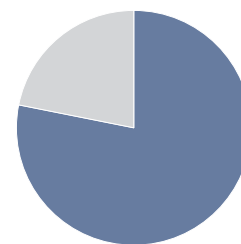
Company profile

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, 1H24)

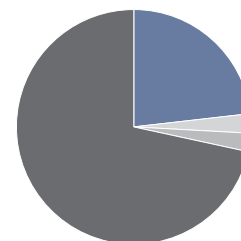
- Net interest income - 78.1 %
- Non-interest income - 21.9 %



Source: Bangkok Bank

Major shareholders

- Thai NVDR - 23.2 %
- Social Security Office - 2.7 %
- State Street Europe Ltd - 2.5 %
- Others - 71.6 %



Source: Bangkok Bank

Catalysts

Potential share price catalysts for BBL include:

- Higher foreign direct investments (FDIs) into Thailand and ASEAN countries.
- The Bank of Thailand increasing its policy rate above expectations.
- A 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
18 Oct 2024	3Q24 results announcement

Key assumptions

	2024E	2025E	2026E
Net profit (THB m)	42,037	43,779	46,404
Net profit growth (%)	1.0	4.1	6.0
NIM (%)	2.94	2.91	2.91
Loan growth (%)	3.0	3.0	3.0
Fee growth (%)	1.0	1.0	1.0
Non-NII growth (%)	2.8	1.4	1.5
Credit cost (bp)	129	122	115
Cost to income (%)	48.9	49.4	49.8

Source: FSSIA estimates

Earnings sensitivity

			2025E	
Loan growth	±2ppt	1.0	3.0	5.0
% change in net profit		(2.1)		2.1
NIM (%)	±5bp	2.86	2.91	2.96
% change in net profit		(4.0)		4.0
Credit cost (bp)	±10bp	112	122	132
% change in net profit		5.5		(5.5)

Source: FSSIA estimates

Positive outlook on the recovery of the global and Thai economies

We have a more positive outlook on BBL's business prospects for 2025-26, driven by the expected recovery of both the global and domestic economies. The global economy has been growing in a more positive direction with a new round of recovery, mainly due to the interest rate reductions in the EU countries and China. Meanwhile, the upcoming US interest rate cuts could continue over the next 1.5 years and stimulate the world economy. Also, the PMI figures suggest that manufacturing activities have started to recover in most major countries.

Referencing the IMF economic forecast, the global economy should mark a low in 2024 with real GDP growth of 3.2%, followed by a gradual recovery in 2025 to 3.3%. For Asian economies in 2025, the IMF foresees the recovery of Japan, Indonesia, Malaysia, and Thailand, where China continues its slowdown to 4.5% with its stubborn property sector issue.

Most recently, on 24 September 2024, China announced a significant economic stimulus package through three key measures:

- 1) Support for the capital market with a fund of CNY800b;
- 2) A larger-than-expected interest rate cut to encourage household and business spending by lowering borrowing costs, along with a reduction in the banks' reserve ratio (RRR) to inject CNY1t in liquidity into the system, with further cuts expected later in 2024; and
- 3) Support for the real estate sector by lowering the minimum down payment for second home purchases, reducing the existing mortgage interest rate by an average of 0.5%, which would ease the debt burden for 50m households, amounting to CNY150b p.a. or c0.1% of GDP. Additionally, the loan proportion in the Re-Lending Program for purchasing finished homes and converting them into rental properties was increased from 60% to 100%.

Moreover, China announced a one-off cash handout for five million people in extreme poverty, with the Politburo committing to increasing fiscal spending to support the economy and meet the growth target.

However, we view the stimulus package as reflecting policymakers' concerns over the slowing economy, while the impact on the economy remains unclear. The key issue facing China's economy is low confidence, and the latest measures need more direct support to boost consumption. We believe that large-scale fiscal measures may need to accompany these efforts.

The size of the current stimulus is still relatively small compared to China's economic challenges. In 2008, China implemented a stimulus of CNY4t, or 15% of its GDP, whereas this round's monetary package amounts to just 3.3% of GDP (excluding the effects of interest rate cuts and real estate measures). However, if the large-scale fiscal spending increases, it should help the Chinese economy to achieve a stronger recovery and would bode well for BBL's China businesses. Despite their contributions though, it is unlikely to have a meaningful impact on BBL as a group.

Despite the uncertainties and global economic headwinds, BBL reaffirmed its optimistic view of the Thai economy's c3.0% 2024E GDP growth (vs the Bank of Thailand (BoT)'s 2.60%). The critical drivers emerge from 1) a better-than-expected number of tourist arrivals; 2) higher export growth in 2H24; 3) a continual increase in the inflow of FDI to ASEAN since 2020; and 4) accelerated government budget disbursement and a positive effect from the "THB10K to the vulnerable segment" stimulus in 2025.

Well-diversified loan portfolio

BBL experienced loan growth at a 5.1% CAGR during 2018-23, surpassing the average real GDP growth of 1.5-4.2% over the same period, mainly driven by the corporate (44%) and international (26%) segments. Its international loans delivered more solid growth at 9.0% CAGR during the period, driving the proportion to 46% in 1H24 from 17% in 2018. A portion of this growth was attributed to inorganic growth, mainly through the acquisition of PermataBank in 2022. The far-sighted policy of laying the foundation for an overseas presence for almost 70 years makes BBL the most prominent international bank in Thailand and Southeast Asia, in our view.

BBL's competitive strengths include being Southeast Asia's 6th largest regional bank by asset size and Thailand's leading international bank, with a strategic focus on ASEAN and other Asian markets. It has a global network comprising over 27 foreign branches and approximately 210 PermataBank branches in Indonesia. BBL's international footprint is in 14 economies: Cambodia, China, Hong Kong, Indonesia, Japan, Laos, Malaysia, Myanmar, the Philippines, Singapore, Taiwan, the United Kingdom, the United States of America, and Vietnam.

Moreover, international banking has witnessed solid growth in operating income, EBT, and total asset growth over the past three, five, and ten years. These have all experienced higher growth rates than in domestic banking, driven by 1) solid growth in ASEAN economies; and 2) credit demand from corporate clients (three main groups: Thai-linked corporates, local corporates, and regional corporates) for expanding the business overseas.

BBL has supported Thai corporates to expand across the region as well as foreign companies that invest in Thailand and Southeast Asia. The bank has a deep understanding of the local markets in which it operates and gives corporate clients access to business connections and expertise from across BBL's network and business units.

Exhibit 1: Geographical segments, 2019-1H24

	2019 (THB m)	2020 (THB m)	2021 (THB m)	2022 (THB m)	2023 (THB m)	1H23 (THB m)	1H24 (THB m)	Change (y-y %)	----- Average growth rate -----		
									10Y CAGR	5Y CAGR	3Y CAGR
EBT	46,432	21,558	33,141	37,229	52,046	26,422	27,386	3.6%	1.5%	3.3%	34.2%
Domestic	37,580	19,809	24,347	20,826	33,550	17,025	15,703	-7.8%	-2.1%	-1.7%	19.2%
Foreign	8,852	1,749	8,794	16,403	18,496	9,397	11,683	24.3%	17.7%	19.0%	119.5%
Proportion											
Domestic	81%	92%	73%	56%	64%	64%	57%				
Foreign	19%	8%	27%	44%	36%	36%	43%				
Total assets	3,216,743	3,822,960	4,333,281	4,421,752	4,514,484	4,485,624	4,530,171	1.0%	5.7%	7.7%	5.7%
Domestic	2,679,118	3,055,911	3,502,432	3,581,934	3,665,784	3,635,276	3,658,784	0.6%	5.4%	7.4%	6.3%
Foreign	537,625	767,049	830,849	839,818	848,700	850,348	871,387	2.5%	7.1%	9.0%	3.4%
Proportion											
Domestic	83%	80%	81%	81%	81%	81%	81%				
Foreign	17%	20%	19%	19%	19%	19%	19%				

Sources: BBL; FSSIA's compilation

PermataBank (BBL's major subsidiary, in which it holds a 98.71% stake) is Indonesia's 8th largest bank by asset size. It is making an increasingly more significant contribution to the BBL group's earnings (16% of the group's net profit in 1H24 and 13% of its assets as of 1H24). It solidifies BBL's foothold in ASEAN's two largest economies: Indonesia and Thailand. BBL has been working closely with PermataBank to serve international customers interested in investing in Indonesia with various products and services.

PermataBank's loans grew at an average 10.2% CAGR during 2020-1H24 vs 8.1% domestically, while its net profit increased by 44% y-y and 9.4% y-y vs 61.1% y-y and -7.8% y-y domestically in 2023 and 1H24, respectively. PermataBank's 1H24 performance and asset quality have remained solid in terms of net profit (+8.7% y-y), NIM (4.30%; aligning with its 2024 guidance of 4.30%), loans (+6.5% YTD), cost-to-income ratio (49.6% vs 51.5% in 2023), and NPL ratio (2.40% vs 2.70% in 1Q24 and 2.90% in 2023).

Exhibit 2: PermataBank's quarterly results, 2Q23-2Q24

	2Q23	3Q23	4Q23	1Q24	2Q24
	(IDR b)	(IDR b)	(IDR b)	(IDR b)	(IDR b)
Net interest income	2,418	2,516	2,415	2,399	2,421
Non-interest income	759	376	524	466	461
Non-operating income	15	10	0	0	0
Total revenue	3,192	2,901	2,939	2,865	2,882
Operating expense	1,464	1,439	1,377	1,300	1,390
PPOP	1,728	1,462	1,562	1,565	1,492
ECL	1,028	276	585	519	546
Tax	191	216	221	238	214
Net profit	651	734	756	807	731
Change (q-q %)	(13.9)	12.8	3.0	6.8	(9.4)
Change (y-y %)	(4.2)	(9.8)	n/a	6.8	12.4

Sources: BBL; PermataBank; FSSIA's compilation

Exhibit 3: PermataBank's key data and ratios, 2Q23-2Q24

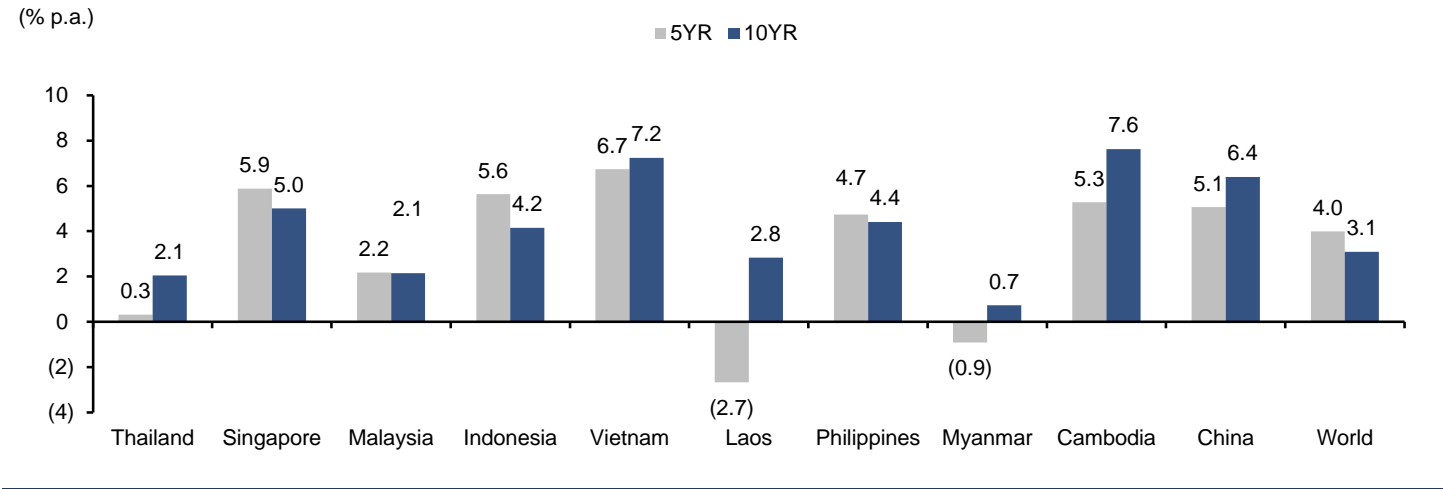
	2Q23	3Q23	4Q23	1Q24	2Q24
	(IDR b)	(IDR b)	(IDR b)	(IDR b)	(IDR b)
Assets	251,411	251,411	257,444	252,835	258,352
Equity	38,617	39,219	39,992	40,808	40,494
Loan	117,008	116,318	142,978	148,599	152,246
Deposit	159,607	181,841	211,506	181,284	194,614
Key ratios	(%)	(%)	(%)	(%)	(%)
NPL ratio	2.89	2.89	3.89	3.64	3.30
NIM	6.11	4.46	4.57	4.37	4.34
Cost to income	45.87	49.61	46.86	45.38	48.23
Credit cost (bp)	333	95	180	143	145
LLR/NPL	271	338	211	224	245
ROE	6.76	7.54	7.63	7.99	7.20

Sources: BBL; PermataBank; FSSIA's compilation

The international banking business should continue to be another key driver for business growth in the next 3-5 years, in parallel with domestic banking growth. We have a positive outlook on BBL's 2H24 loan momentum. Referencing the 1H24 loans, which grew 1.8% YTD, BBL reiterated the positive momentum in 2H24 and has maintained its 2024 growth guidance of 3-5% y-y. However, the growth is unlikely to accelerate as expected due to its prudent credit policy and continual repayment despite ample demand in the pipeline, particularly with its overseas clients – Hong Kong (China-related clients), the UK, and Indonesia (Permata Bank, +6.5% YTD) – and the concentration in ESG-related and renewable energy.

For the 2025-26 outlook, we expect loan growth to average 3.0% p.a., aligning with the expected c3% GDP growth based on the BoT's forecast. Large corporate and international loans should continue to drive growth, with solid demand from 2024. The bank will actively manage loan quality with caution.

Exhibit 4: Cumulative annualized GDP growth of selected countries, 2013-23



Sources: WorldBank; FSSIA's compilation

Exhibit 5: GDP growth forecasts of selected countries in Asia by the IMF

	2022 (%)	2023 (%)	2024E (%)	2025E (%)
China	3.0	5.2	5.0	4.5
India	7.0	8.2	7.0	6.5
Japan	1.0	1.9	0.7	1.0
Korea	2.6	1.4	2.5	2.2
ASEAN-5	5.5	4.1	4.5	4.6
Indonesia	5.3	5.0	5.0	5.1
Malaysia	8.9	3.6	4.4	4.4
Philippines	7.6	5.5	6.0	6.2
Singapore	3.8	1.1	2.1	2.3
Thailand	2.5	1.9	2.9	3.1

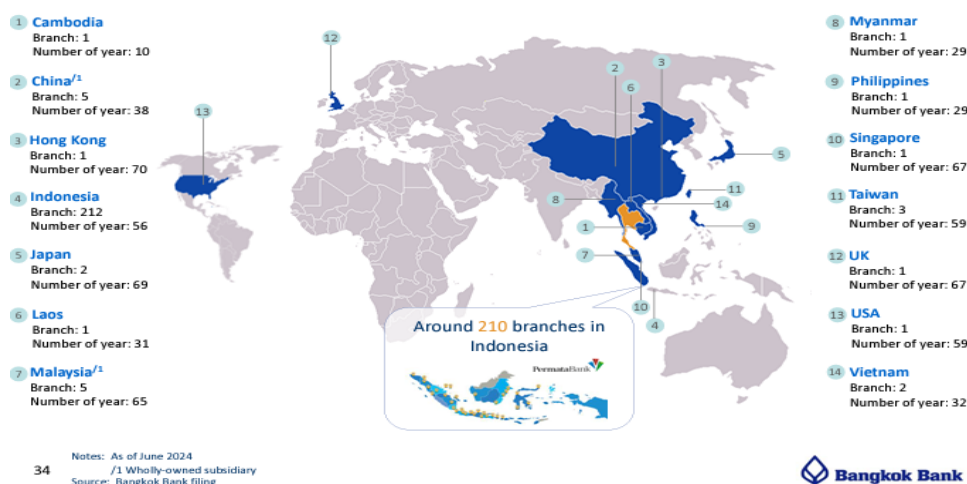
Sources: IMF, FSSIA estimates

Exhibit 6: Largest Southeast Asian banks by asset size

SEA rank	Company	Country	Assets (USD b)	Profits (USD b)	Market value (USD b)
1	DBS Bank	SG	554.45	5.94	61.9
2	OCBC Bank	SG	417.5	4.17	42.89
3	United Overseas Bank	SG	375.98	3.32	35.36
4	Maybank	MY	215.17	1.87	23.77
5	CIMB	MY	151.36	1.24	12.33
6	Bangkok Bank	TH	130.46	0.92	8.89
7	Kasikornbank	TH	124.31	1.18	10.82
8	Bank Mandiri	IND	120.8	2.72	32.58
9	Bank Rakyat Indonesia	IND	119.84	3.45	53.79
10	Public Bank Berhad	MY	111.98	1.39	17.54
11	Krung Thai Bank	TH	104.37	0.99	7.52
12	Siam Commercial Bank	TH	97.24	1.55	10.25
13	BIDV	VN	89.95	0.78	9.38
14	Bank Central Asia	IND	88.15	2.93	75.6
15	Vietinbank	VN	76.71	0.72	5.71

Source: Forbes The Global 2000 for 2023

Exhibit 7: International footprint in 14 economies as of June 2024



/1 Wholly-owned subsidiary; (x) illustrates number of locations

Source: BBL

Intensified pressure on 2025-26 NIM if interest rate reverses course

We expect the net interest margin (NIM) in 2H24 to be 2.97%, remaining relatively stable compared to 1H24, with the full-year 2024 NIM ending at c2.94%. This level is more potent than BBL's 2024 guidance of 2.80% since interest expense pressure did not accelerate as expected, thanks to effective cost management. Additionally, deposit competition in the market has not been intense recently, aligning with the sluggish domestic loan demand.

Moreover, the bank has increased its proportion of CASA (current and savings accounts) deposits to 61% of total deposits, up from just 52% in 2018. Similarly, the loan-to-deposit ratio (LDR) gradually increased to 85.4% at the end of 1H24, up from 83.9% at the end of 2023.

BBL reaffirmed its 2024 NIM guidance of 2.80%, even though it anticipates a global interest rate reduction trend that could impact its overseas operations, particularly in USD-linked and local currency loans. The bank assumes a two-notch reduction in global rates and a 0.25% cut in Thailand's policy rate. Given this, BBL expects to achieve a 2024 NIM slightly higher than its guidance and our forecast of 2.94%.

However, if the interest rate decreases, we expect BBL to be the second most affected bank due to its financial asset structures having more floating interest rate assets than floating interest rate liabilities (assuming only a 10bp saving deposit rate cut as during rising interest rates, this type of deposit rarely sees an increase in interest rates).

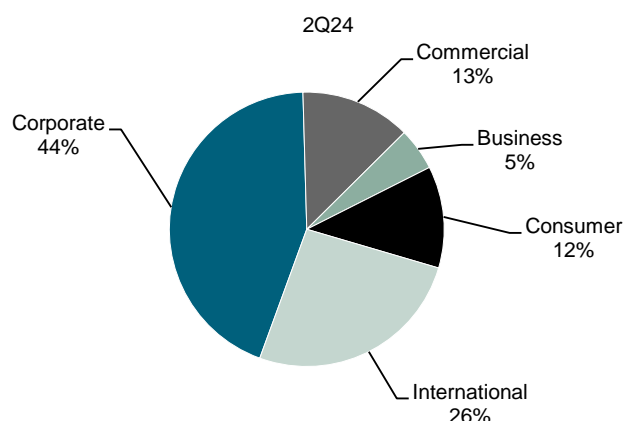
Based on our study of the impact on the 2025E NII, NIM, net profit, and target price of BBL, for every 25bp decrease in the market interest rate, the projected net interest income, currently at THB138.4b, would decline by 3.6%, all else being equal. The NIM would decrease by 9bp from the current forecast of 2.91%, net profit would drop by 7.6% from the current projection of THB43.8b, and our target price would fall by 3.1% from the current figure of THB184.

Exhibit 8: Sensitivity analysis of 2025 NII, NIM, net profit, and TP in the event of a 0.25% interest rate decrease

	BBL	KBANK	KTB	SCB	TTB	TISCO	KKP	Coverage
NII - Base case (THB m)	138,443	156,853	118,688	133,622	57,669	14,458	20,146	639,878
Change (%)	(3.6)	(3.1)	(5.3)	(2.7)	(1.0)	2.1	(0.3)	(3.1)
NIM - Base case (%)	2.91	3.68	3.27	3.83	3.27	4.84	4.69	3.42
Change (bp)	(9)	(10)	(15)	(8)	(1)	11	3	(7)
Net profit - Base case (THB m)	43,779	51,555	38,760	42,995	23,132	6,846	4,739	211,806
Change (%)	(7.6)	(6.5)	(11.4)	(5.4)	(0.9)	3.7	0.2	(6.3)
TP 2025 - Base case (THB)	184.00	173.00	23.50	112.00	2.52	98.00	50.30	
Change (%)	(3.1)	(2.7)	(4.7)	(2.2)	(0.1)	1.3	-	

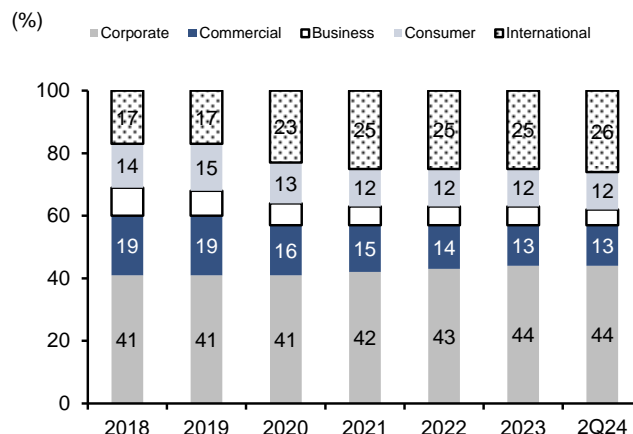
Sources: Company data; FSSIA estimates

Exhibit 9: Loan breakdown, as of 2Q24



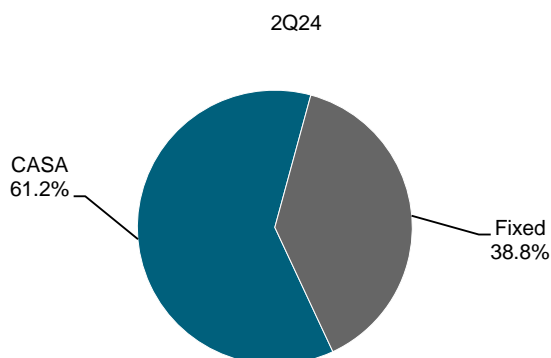
Sources: BBL; FSSIA's compilation

Exhibit 10: Loan breakdown, 2018-2Q24



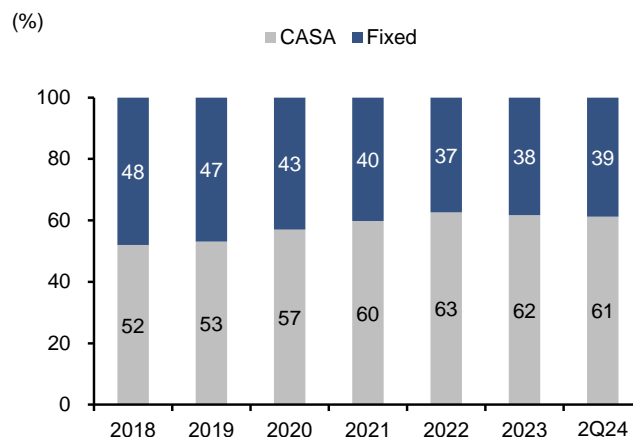
Sources: BBL; FSSIA's compilation

Exhibit 11: Deposit structure, as of 2Q24

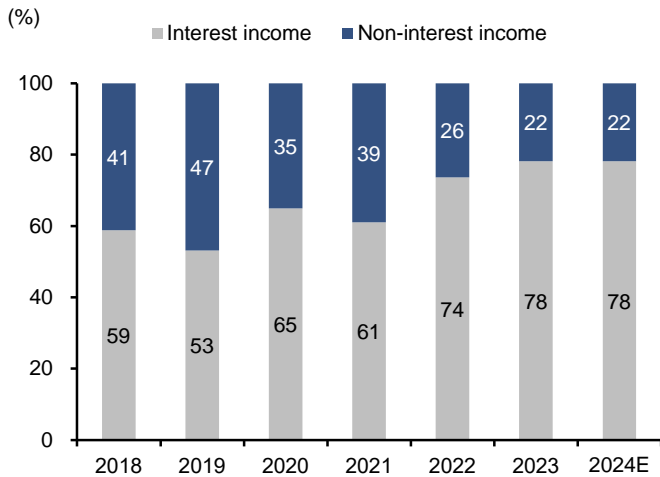


Sources: BBL; FSSIA's compilation

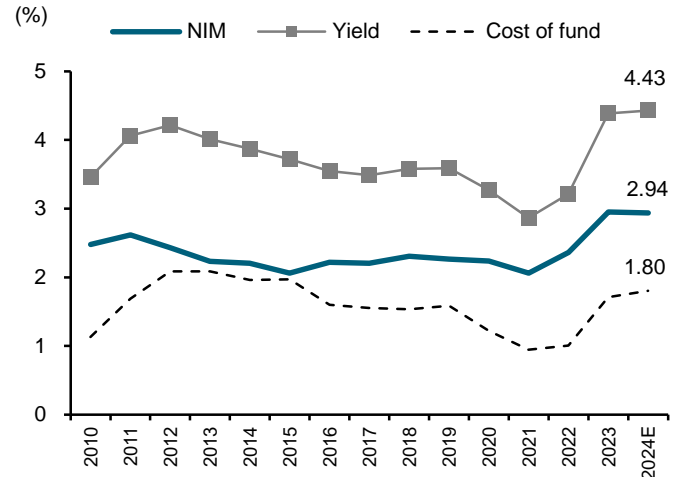
Exhibit 12: Deposit structure, 2018-2Q24



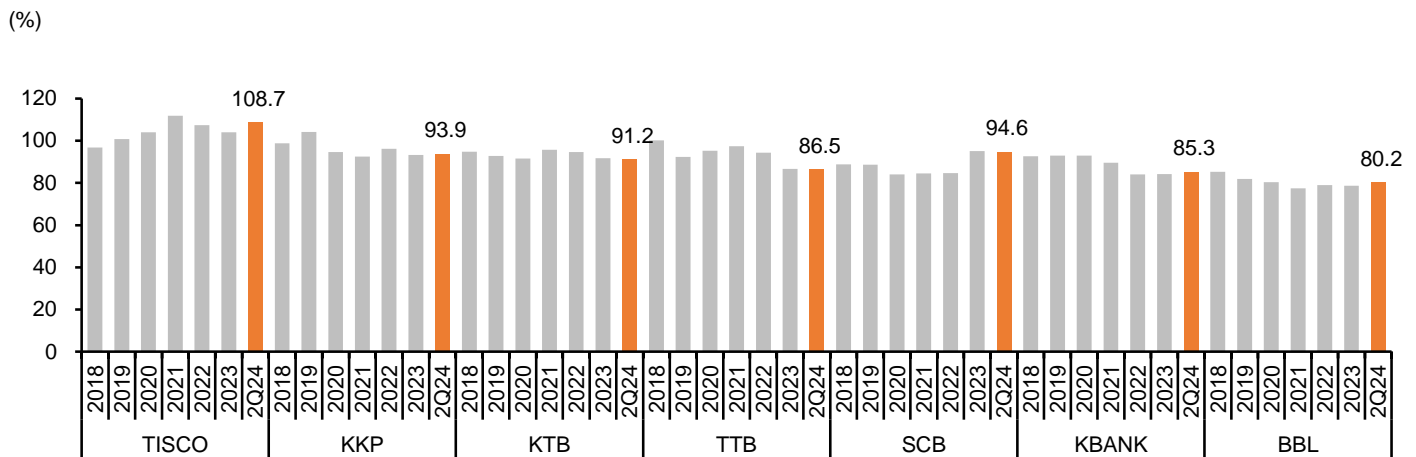
Sources: BBL; FSSIA's compilation

Exhibit 13: Revenue breakdown, 2018-24E

Sources: BBL; FSSIA's compilation

Exhibit 14: Yields, cost of funds, and NIM, 2010-24E

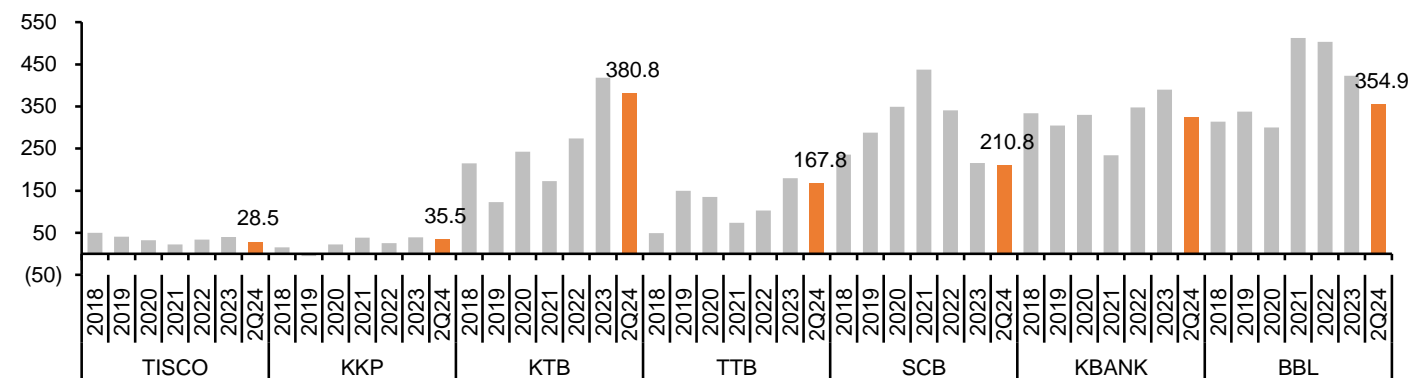
Sources: BBL; FSSIA's calculation

Exhibit 15: LDBR of Thai banks under coverage, 2018-2Q24

Sources: Company data; FSSIA's compilation

Exhibit 16: Net lending position in interbank market of Thai banks under coverage, 2018-2Q24

(THB b)



Sources: Company data; FSSIA's compilation

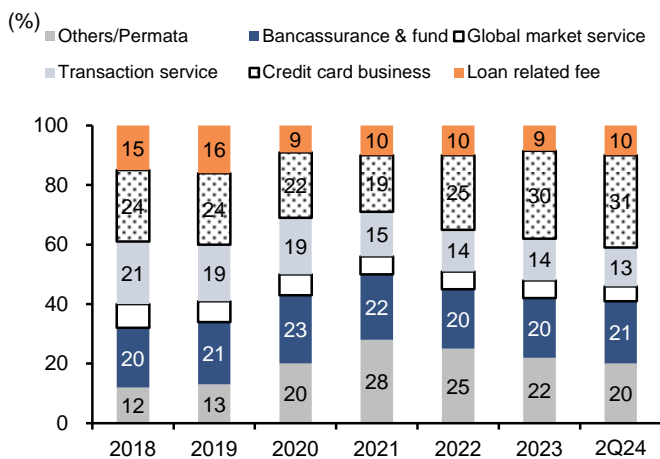
Bancassurance and mutual fund fees remain growth drivers in 2024-26E

Fee income has remained relatively flat over the past five years (2018-23), growing only by 1.0% y-y in 1H24. The proportion of fee income to total revenue declined from 22.7% in 2018 to 16.2% in 1H24. Primary sources of fee income, including transaction fees (which were impacted continually by disruptions from digital banking transactions) and loan-related fees (which aligned with the slowing loan growth), saw a significant decrease from 36% of total in 2018 to only 23% in 1H24.

In contrast, fee income from credit card transactions and other fees (including those from PermataBank) increased from 36% of total in 2018 to 51% in 1H24. Meanwhile, bancassurance and mutual fund transaction fees remained stable, accounting for c20-21% of total, in line with its policy to focus on growing fee income from these segments.

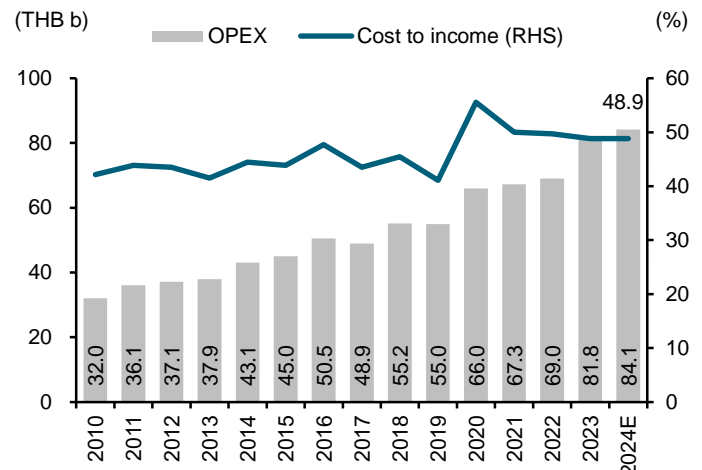
For 2025-26, we expect fee income growth of around 1% CAGR, based on a conservative assumption that aligns with the overall loan growth and the bank's 2024 guidance of low single-digit growth. The main drivers will continue to be bancassurance transactions (from key partner BLA) and mutual funds (through BBLAM). If the overall economy and capital market conditions outperform expectations, this would further support BBL's fee income growth, potentially exceeding our projections. For every 1% of fee income growth that surpasses expectations, it would add approximately 0.5% to the net profit forecast for 2025-26.

Exhibit 17: Fee income breakdown, 2018-2Q24



Sources: BBL; FSSIA's compilation

Exhibit 18: Cost to income and OPEX, 2010-24E



Sources: BBL; FSSIA estimates

Exhibit 19: Network, 2018-2Q24

	2018	2019	2020	2021	2022	2023	1Q24	2Q24
	(no.)	(no.)	(no.)	(no.)	(no.)	(no.)	(no.)	(no.)
Branch	1,161	1,148	1,128	1,059	891	847	832	810
Change y-y		(13)	(20)	(69)	(168)	(44)	(15)	(71)
ATM	9,389	9,392	9,050	8,675	7,957	7,263	7,118	7,010
Change y-y		3	(342)	(375)	(718)	(694)	(145)	(666)
CDM	1,296	1,279	1,257	1,185	942	910	894	873
Change y-y		(17)	(22)	(72)	(243)	(32)	(16)	(62)
Employee	25,287	25,043	24,359	22,692	21,294	20,917	20,671	20,863
Change y-y		(244)	(684)	(1,667)	(1,398)	(377)	(246)	114

Sources: BBL; FSSIA's compilation

No alarm over asset quality despite deterioration

The overall asset quality of BBL has taken a turn for the worse after showing positive developments since 2Q23. The NPL ratio steadily decreased, reaching its lowest point at 3.22% in 4Q23, but then continued to rise, hitting 3.64% by the end of 1H24 (3.20% for reported NPL). This level exceeds the 2024 guidance, which set the NPL ratio at $\pm 3.0\%$.

BBL has reaffirmed that its domestic and international loan quality had no alarms. This was mainly from two factors: 1) the expiration of the debt forbearance at the end of 2023 – hence, its NPL ratio returned to the pre-Covid level (3.40-3.90% during 2017-19); and 2) relapsed restructured loans, not new formation, which were still low and concentrated in the manufacturing and commercial segments – a broad base – not a specific industry. In addition, BBL emphasized its practice of writing off bad debts aggressively in 4Q (2Q24 figure was cTHB1b) with hardly any sales compared to peers.

Given the asset quality situation, the bank has had to maintain a high level of ECLs, which has aligned with an upward trend in overall credit costs. This acceleration has been evident since 1Q24, pushing credit costs in 1H24 to 140bps, higher than the 126bps in 2023 and exceeding the 2024 guidance of 90-100bps. This reflects the ongoing benefits from the rising NIM due to the upward interest rate trend extending into 1H24. Meanwhile, the bank also recorded mark-to-market investment gains, allowing it to increase credit costs to cushion against economic uncertainties before gradually lowering them in 2H24, in line with an expected NIM reduction.

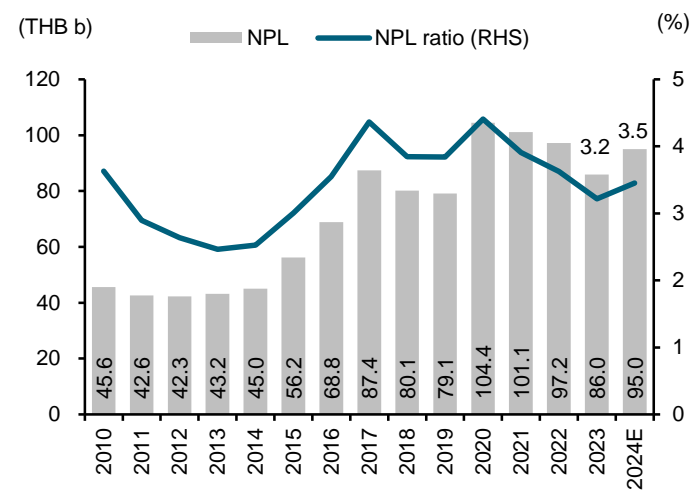
We expect the NPL ratio at the end of 2024-26 to gradually improve in line with the recovering economy. Similarly, the expected credit costs should decrease steadily to 115bps by 2026, which would help drive the NPL coverage ratio to 316% by the end of 2026 – positioning it as the strongest in the industry.

Exhibit 20: BBL – Staged loans and ECL, 2021-2Q24

	2021 (THB b)	2022 (THB b)	2023 (THB b)	2Q24 (THB b)	2021 (%)	2022 (%)	2023 (%)	2Q24 (%)
Staged loans								
Stage 1	2,356	2,450	2,431	2,445	90.8	91.0	90.6	89.6
Stage 2	136	142	164	182	5.3	5.3	6.1	6.7
Stage 3	104	100	90	102	4.0	3.7	3.3	3.8
Total	2,596	2,693	2,684	2,730	100.0	100.0	100.0	100.0
Allowance for ECL								
Stage 1	80	97	104	93	3.4	3.9	4.3	3.8
Stage 2	65	73	87	98	48.0	51.4	53.2	53.8
Stage 3	74	74	68	77	71.8	73.3	75.7	74.7
Total	220	243	259	267	8.5	9.0	9.6	9.8
LLR/ Loans								
Stage 1	3.4	3.9	4.3	3.8				
Stage 2	48.0	51.4	53.2	53.8				
Stage 3	71.8	73.3	75.7	74.7				
Total	8.5	9.0	9.6	9.8				
(%)								
NPL / TL	4.0	3.7	3.3	3.8				
NPL vs. Stage 2 loans / TL	9.2	9.0	9.4	10.4				
LLR / NPL	212	243	289	261				
LLR / (NPL vs. Stage 2)	92	100	102	94				

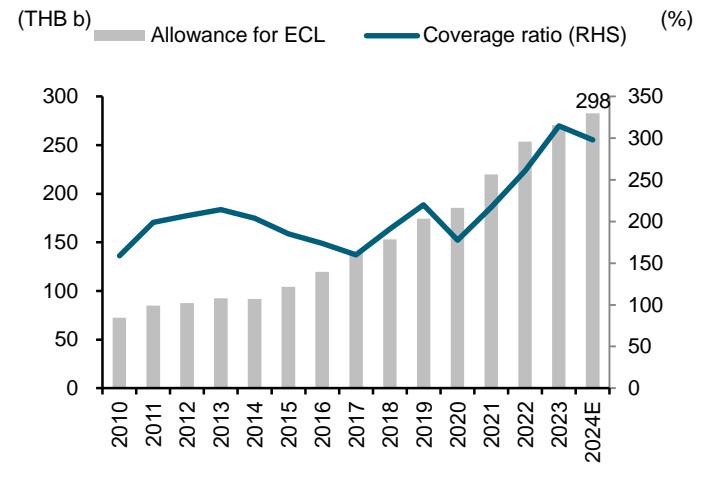
Sources: BBL; FSSIA's compilation

Exhibit 21: NPL and NPL ratio, 2010-24E



Sources: BBL; FSSIA's calculation

Exhibit 22: Coverage ratio and allowance for ECL, 2010-24E



Sources: BBL; FSSIA's calculation

3Q24 profit to drop despite rising fees

We expect BBL's 3Q24 net profit to dip by 2.8% q-q but slightly increase by 1.1% y-y, amounting to THB11.5b. The expected q-q drop is mainly due to a rise in the effective tax rate vs a 14.3% abnormal low in 2Q24, despite the anticipated increase in fees and lower credit costs. PPOP should decline by 1.9% q-q but rise by 2.2% y-y due mainly to a plunge in NII. We estimate a relatively stable NIM q-q at 2.93% in the quarter, pressured by an elevated cost of funds, which would be higher than a rise in loan yields.

Moreover, we expect 3Q24 loans to contract by 1.5% q-q and 1.6% y-y due to continued corporate repayments. The expected YTD loans would grow by 0.3%, far below its 3-5% y-y 2024 guidance. However, BBL expects loan growth to reach the lower bound of 3.0% y-y, as the corporate loan demand for working capital always accelerates in 4Q. Net fee income should grow by 3.7% q-q and 4.9% y-y in 3Q24 following a brighter capital market, which should bode well for its brokerage and mutual fund fees. We expect the cost-to-income ratio to expand to 45.6% from an abnormal low in 2Q24.

Overall, 9M24 net profit should contract by 3.1% y-y, accounting for 78% of our full-year net profit forecast. We expect the 4Q24 net profit to decrease sharply following the peak season of operating expenses – personnel, IT, and marketing, which could offset an expected lower ECL. In addition, we expect a plunge in its NPL ratio due to the debt write-off season.

Exhibit 23: BBL – 3Q24 earnings preview

Year end Dec 31	3Q23	4Q23	1Q24	2Q24	3Q24E	--- Change ---		9M24E	Change	% of	2024E	Change
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q %)	(y-y %)	(THB m)	(y-y %)	2024E	(THB m)	(y-y %)
Net interest income	34,130	35,165	33,422	33,134	32,830	(0.9)	(3.8)	95,694	(3.7)	71	134,594	2.9
Non-interest income	8,443	7,013	8,260	10,404	11,018	5.9	30.5	29,614	(0.2)	79	37,643	2.8
Fee income - net	6,773	6,768	6,927	6,850	7,104	3.7	4.9	20,466	(2.0)	74	27,513	1.0
Total operating income	42,573	42,178	41,682	43,538	43,848	0.7	3.0	125,308	(2.9)	73	172,237	2.8
Total operating expenses	19,208	23,607	19,618	19,208	19,979	4.0	4.0	58,168	(1.1)	69	84,143	2.9
PPOP before tax	23,365	18,572	22,064	24,330	23,869	(1.9)	2.2	67,140	(4.4)	76	88,094	2.8
Expected credit loss	8,969	7,343	8,582	10,425	9,400	(9.8)	4.8	26,323	(7.3)	75	35,000	4.0
Income tax	2,938	2,281	2,849	1,993	2,894	45.2	(1.5)	7,712	(0.3)	73	10,619	6.3
Non-controlling interest	108	84	109	105	100	(4.4)	(7.8)	333	6.0	76	438	5.0
Net profit	11,350	8,863	10,524	11,807	11,475	(2.8)	1.1	32,771	(3.1)	78	42,037	1.0
EPS (THB)	5.95	4.64	5.51	6.19	6.01	(2.8)	1.1	17.17	(3.1)	78	22.02	1.0
Key ratios	3Q23	4Q23	1Q24	2Q24	3Q24E	--- Change ---		9M24E	Change		2024E	Change
Asset quality ratio	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q %)	(y-y %)	(THB m)	(y-y %)		(%)	(y-y %)
Gross NPLs (THB m)	94,884	85,955	93,949	99,140	100,000	0.9	5.4	85,955	(9.4)		94,955	10.5
% from prior period	1.7	(9.4)	9.3	5.5	0.9			(9.4)			10.5	
NPL ratio (%)	3.48	3.22	3.43	3.64	3.73			3.73			3.45	
Coverage ratio (%)	283	315	292	283	279			279			298	
NPL ratio (%) - reported	3.00	2.72	2.98	3.20								
Coverage ratio (%) - reported	283	315	292	283								
Credit cost (bp)	132	109	127	153	139			109			129	
Profitability ratio	(%)	(%)	(%)	(%)	(%)			(%)			(%)	
Cost to income ratio	45.1	56.0	47.1	44.1	45.6			46.4			48.9	
Average yield (%)	4.51	4.70	4.59	4.59	4.61			4.63			4.43	
Cost of funds (%)	1.74	1.87	1.96	1.99	2.04			2.01			1.80	
NIM (%)	3.06	3.14	2.97	2.94	2.93			2.86			2.94	
NIM (%) - reported	3.11	3.19	3.06	3.06								
Non-NII / total inc. (%)	19.8	16.6	19.8	23.9	25.1			23.6			21.9	
Loan growth	(%)	(%)	(%)	(%)	(%)						(%)	
q-q	0.9	(1.9)	2.4	(0.6)	(1.5)							
y-y	(2.6)	(0.4)	3.6	0.8	(1.6)			(1.6)			3.0	
Year-to-date	1.5	(0.4)	2.4	1.8	0.3			(1.6)				

Sources: BBL; FSSIA estimates

Maintain 2024-26 forecast; NII and fee growth are key catalysts

We retain our 2024-26 forecast at a 3.7% CAGR, based on our conservative assumptions following the 2024 economic situation, without factoring in any positive effects from the government stimulus packages to drive the Thai economy.

For 2024, we expect 1.0% y-y net profit growth with a 7.7% ROE, due mainly to a large base in 2023 following the market interest rate hikes. We assume a 3.0% y-y loan expansion – the lower bound of its 3-5% y-y guidance – with a stable NIM (stable 2024 RP rate) at 2.94%, higher than the bank's c2.80% guidance. Fee income should grow 1% y-y, aligning with its low single-digit growth guidance, mainly driven by bancassurance and mutual fund fees. We anticipate a slight increase in credit costs to 129bp (to factor in the sluggish economic recovery, rising concerns over asset quality, and utilizing its extra NIM in 1H24), exceeding BBL's c100bp guidance. The expected cost-to-income ratio should be relatively stable at 48.9%, aligning with its guidance in the high-40% range.

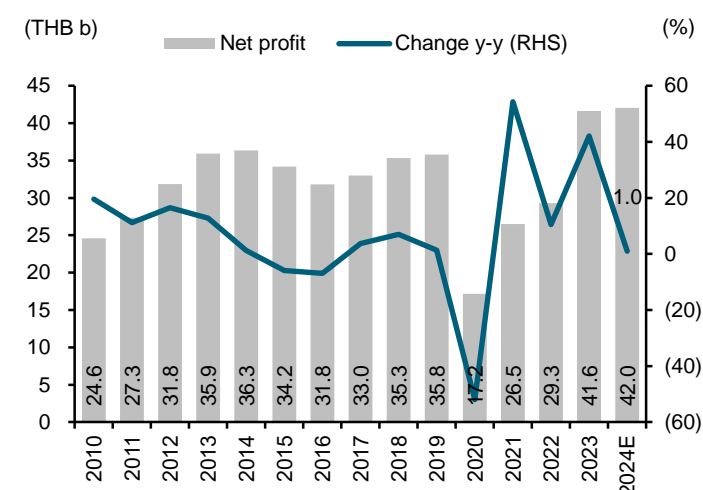
For 2025-26, we anticipate a net profit recovery of 4.1% y-y and 6.0% y-y, respectively. We expect a continued 3.0% loan expansion CAGR, mainly driven by more domestic loan demand entering the new investment cycle. We anticipate a slight drop in 2025 NIM to 2.91% which should then stabilize in 2026 with our assumed stable MPC policy rate. The 2025-26 credit cost should gradually slow down to 129bp and 122bp, respectively, as we have less concern over its asset quality, with ample reserve coverage expected at 316% in 2026.

Exhibit 24: FSSIA estimates vs management guidance

	BBL 2023	BBL 2024E	FSSIA 2024E
Loan growth	-0.40%	3-5%	3%
NPL ratio (gross)	2.70%	±3.0%	3.5%
Net interest margin	3.02%	~ 2.8%	2.91%
Net fee income growth	-1.0%	Low single digit	1.0%
Cost to income	48.8%	High-40s%	48.9%
Credit cost	1.30%	0.9-1.0%	1.29%

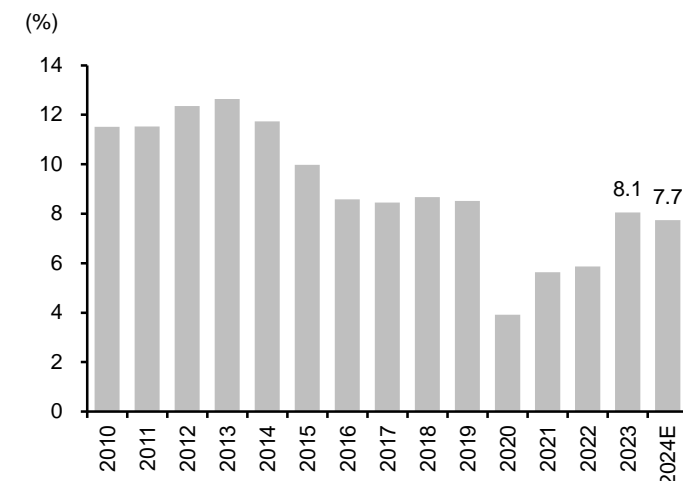
Sources: BBL; FSSIA estimates

Exhibit 25: Net profit and growth, 2010-24E



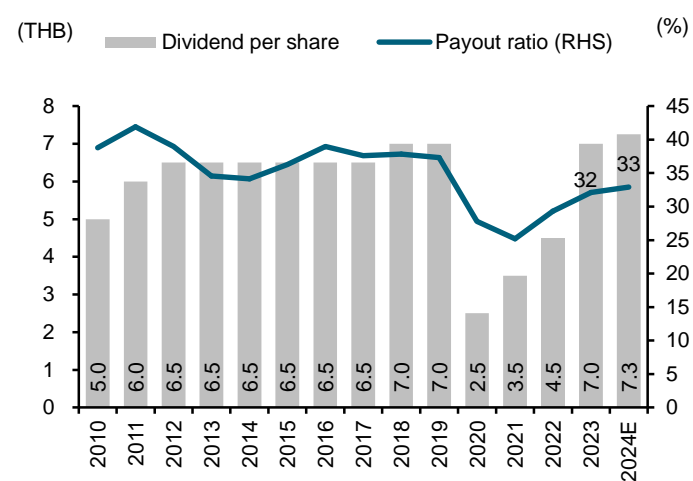
Sources: BBL; FSSIA estimates

Exhibit 26: ROE, 2010-24E



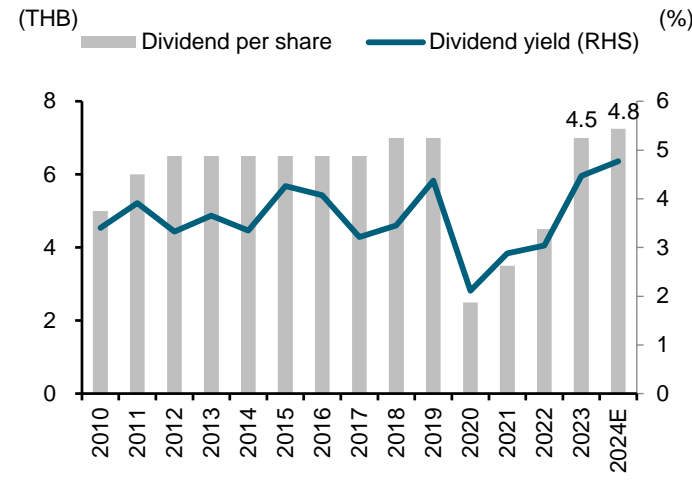
Sources: BBL; FSSIA estimates

Exhibit 27: Dividend and payout ratio, 2010-24E



Sources: BBL; FSSIA's compilation

Exhibit 28: Dividend yield vs DPS, 2010-24E



Sources: BBL; Bloomberg; FSSIA estimates

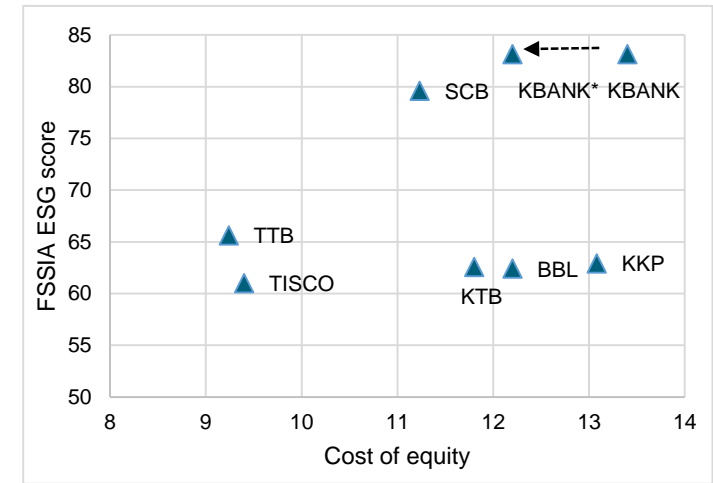
Upgrade to BUY and roll over to 2025 TP of THB184

We upgrade our recommendation to BUY from Hold due to the more solid net profit growth projected at 4.1-6.0% y-y in 2025-26. The current share price trades at a very cheap valuation of 0.53x P/BV, below its 5-yr average of 0.60x, combined with an attractive dividend yield of c4.7-5.2% p.a. In addition, we roll our GGM-based TP over to 2025 at THB184 (from THB157), implying a P/BV of 0.60x, under an expected LT-ROE of 7.7% (previously 7.0%) and COE of 12.2%, with no adjustment to our 4-star ESG score.

With our compiled set of ESG scores of banks under coverage, KBANK and SCB stand out the most with ESG scores of 83 and 80, respectively, while most banks range in the lower-scored territory of 60-65. As per our investigation to include ESG views on our valuations, we expect BBL to neither deserve a premium nor a discount, given its on-average score of 62. Meanwhile, we think SCB, with its outstanding ESG performance, deserves a lower cost of equity (COE) of 11.2%, relative to other big banks.

However, despite KBANK's leading sustainability performance, the COE that we are currently assigning remains the highest among banks under our coverage, which we think calls for a reduction to at least at 12.2%, equivalent to BBL's. Therefore, we see the potential for a higher P/BV valuation multiple of 0.71x, which we now have for the bank.

Exhibit 29: 2025E P/BV ratio vs FSSIA ESG scores



Source: FSSIA estimates

Exhibit 30: 2025E P/BV ratio vs FSSIA ESG scores (table)

	Current COE (%)	FSSIA ESG score
BBL	12.2	62
KBANK	13.4	83
SCB	11.232	80
KTB	11.8	63
TTB	9.24	66
TISCO	9.4	61
KKP	13.08	63
KBANK	12.2	83

Source: FSSIA estimates

Exhibit 31: BBL – GGM-based 2025 TP

Gordon Growth Model		2025E
Sustainable ROE		7.7%
g		1.0%
ROE-g		6.0%
Beta		1.15
RF		3.0%
MRP		8.0%
COE		12.2%
COE-g		11.2%
ROE-g/COE-g (PBV)		0.60
FV		184.0

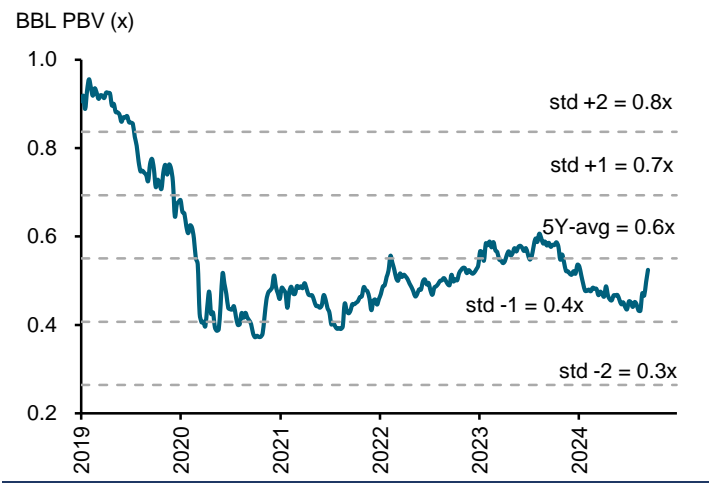
Source: FSSIA estimates

Exhibit 32: Share price performance of banks under coverage, as of 1 October 2024

	Price performance				
	1M	3M	6M	1Y	YTD
	(%)	(%)	(%)	(%)	(%)
BBL TB	9.7	16.3	10.5	(8.4)	(2.2)
KBANK TB	7.4	22.1	24.1	20.6	12.6
KKP TB	11.6	10.4	(3.3)	(8.2)	0.5
KTB TB	13.7	22.4	25.3	10.1	13.0
SCB TB	3.3	6.3	(3.5)	8.4	3.8
TISCO TB	1.3	1.0	(2.8)	(1.8)	(3.3)
TTB TB	7.7	14.6	8.9	14.6	17.4
SETBANK	7.6	14.0	8.0	3.5	4.3
SET	8.2	13.7	6.2	(0.3)	3.4

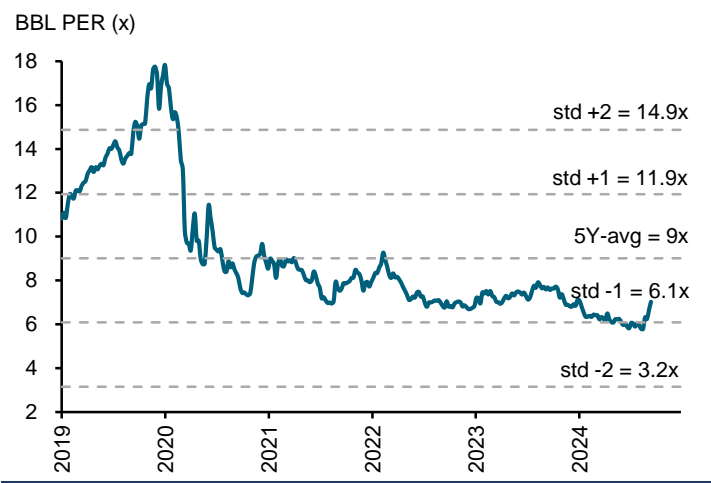
Source: Bloomberg

Exhibit 33: BBL – one-year prospective P/BV band



Sources: Bloomberg; FSSIA estimates

Exhibit 34: BBL – one-year prospective PER band



Sources: Bloomberg; FSSIA estimates

Exhibit 35: Regional peers comparison, as of 1 October 2024

Company name	BBG code	Share price (LCY)	Target price (LCY)	Upside (%)	Market Cap. (USD m)	----- PE ----- 24E (x)	25E (x)	---- PBV ---- 24E (x)	25E (x)	---- ROE ---- 24E (%)	25E (%)	---- Div yld ---- 24E (x)	25E (x)
Thailand													
Bangkok Bank	BBL TB	153.00	184.00	20	8,961	6.9	6.7	0.5	0.5	7.7	7.6	4.7	4.9
Kasikornbank	KBANK TB	152.00	145.00	(5)	11,051	7.7	7.0	0.6	0.6	8.6	9.0	4.9	5.6
Krung Thai Bank	KTB TB	20.80	19.90	(4)	8,920	7.7	7.5	0.7	0.6	9.1	8.8	4.3	4.4
SCB X	SCB TB	110.00	110.00	0	11,365	9.0	8.6	0.8	0.7	8.6	8.8	8.9	9.3
TMBThanachart Bank	TTB TB	1.96	2.53	29	5,852	8.9	8.2	0.8	0.8	9.1	9.4	6.2	6.7
Kiatnakin Bank	KKP TB	50.50	50.30	(0)	1,295	9.7	8.8	0.7	0.6	7.0	7.5	5.0	5.4
Tisco Financial Group	TISCO TB	96.50	98.00	2	2,371	11.1	11.3	1.8	1.7	16.1	15.6	8.0	8.0
Thailand weighted average					7,116	9.0	8.5	0.8	0.7	8.6	8.7	5.6	5.9
Hong Kong													
Industrial & Comm Bank of China	1398 HK	4.64	n/a	n/a	290,986	4.4	4.4	0.4	0.4	9.9	9.4	7.1	7.1
China Construction Bank	939 HK	5.88	n/a	n/a	197,176	4.2	4.1	0.4	0.4	10.5	10.0	7.2	7.4
HSBC Holdings	5 HK	70.45	n/a	n/a	162,980	7.0	7.1	0.9	0.9	13.5	12.6	9.0	7.2
Bank of China	3988 HK	3.67	n/a	n/a	190,920	4.6	4.5	0.4	0.4	9.3	8.9	6.9	7.0
Hong Kong average					210,515	5.1	5.0	0.6	0.5	10.8	10.2	7.6	7.2
China													
Industrial & Comm Bank of China	601398 CH	6.18	n/a	n/a	291,044	6.3	6.1	0.6	0.6	9.8	9.3	4.9	5.0
Agricultural Bank of China	601288 CH	4.80	n/a	n/a	233,329	6.4	6.3	0.6	0.6	10.1	9.7	4.8	4.9
China Construction Bank	601939 CH	7.93	n/a	n/a	197,525	6.1	6.0	0.6	0.6	10.5	10.0	4.9	5.0
Bank of China	601988 CH	5.00	n/a	n/a	190,958	6.7	6.6	0.6	0.6	9.2	8.8	4.7	4.8
China average					228,214	6.4	6.3	0.6	0.6	9.9	9.4	4.9	4.9
South Korea													
KB Financial Group	105560 KS	80,900	n/a	n/a	24,454	6.2	5.6	0.5	0.5	9.0	9.2	3.9	4.3
Shinhan Financial Group	055550 KS	55,500	n/a	n/a	21,772	6.0	5.5	0.5	0.5	9.0	9.0	3.9	4.3
Hana Financial Group	086790 KS	58,800	n/a	n/a	12,995	4.6	4.3	0.4	0.4	9.5	9.4	6.0	6.5
Industrial Bank of Korea	024110 KS	13,970	n/a	n/a	8,412	4.1	4.0	0.4	0.3	8.7	8.5	7.5	8.0
South Korea average					16,908	5.2	4.9	0.5	0.4	9.0	9.0	5.3	5.8
Indonesia													
Bank Central Asia	BBCA IJ	10,550	n/a	n/a	84,778	24.0	21.9	4.9	4.5	21.2	21.2	2.7	2.9
Bank Rakyat Indonesia Persero	BBRI IJ	5,075	n/a	n/a	49,434	12.4	11.2	2.3	2.2	19.1	19.8	6.5	6.9
Bank Mandiri Persero	BMRI IJ	7,050	n/a	n/a	42,944	11.6	10.4	2.3	2.1	20.7	21.0	5.1	5.4
Bank Negara Indonesia Persero	BBNI IJ	5,375	n/a	n/a	13,069	9.0	7.9	1.2	1.1	14.2	15.0	5.2	5.8
Bank Syariah Indonesia	BRIS IJ	3,000	n/a	n/a	8,852	19.9	16.7	3.0	2.6	16.2	16.8	0.8	1.1
Indonesia average					39,816	15.4	13.6	2.8	2.5	18.3	18.8	4.1	4.4
Malaysia													
Malayan Banking	MAY MK	10.54	n/a	n/a	30,301	12.5	11.9	1.3	1.3	10.5	10.7	6.0	6.3
Public Bank	PBK MK	4.61	n/a	n/a	21,155	12.5	11.9	1.5	1.4	12.4	12.3	4.5	4.7
CIMB Group Holdings	CIMB MK	8.09	n/a	n/a	20,551	10.9	10.2	1.2	1.1	11.1	11.3	5.7	5.6
Hong Leong Bank	HLBK MK	21.38	n/a	n/a	11,115	10.7	9.9	1.2	1.1	11.6	11.6	3.2	3.6
RHB Bank	RHBBANK MK	6.22	n/a	n/a	6,415	9.0	8.5	0.8	0.8	9.2	9.4	6.5	6.7
Malaysia average					17,908	11.1	10.5	1.2	1.1	11.0	11.1	5.2	5.4
Singapore													
DBS Group Holdings	DBS SP	37.89	n/a	n/a	83,157	9.9	10.2	1.6	1.6	17.1	15.9	5.9	6.5
Oversea-Chinese Banking	OCBC SP	14.96	n/a	n/a	52,087	8.9	9.0	1.2	1.1	13.5	12.7	5.9	6.0
United Overseas Bank	UOB SP	32.07	n/a	n/a	41,288	9.0	8.7	1.1	1.1	12.9	12.6	5.6	5.8
Singapore average					58,844	9.3	9.3	1.3	1.2	14.5	13.7	5.8	6.1
Regional average (excl. Thailand)					91,508	9.1	8.5	1.2	1.1	12.4	12.2	5.4	5.5
Total average (incl. Thailand)					73,047	9.0	8.5	1.1	1.1	11.7	11.6	5.5	5.7

Sources: Bloomberg; FSSIA estimates

Our take on BBL’s ESG metrics

BBL demonstrates a well-rounded and committed approach to ESG issues, emphasizing sustainable growth across multiple dimensions. The bank frames its sustainability goals within four key pillars: risk management, human resource management, corporate governance, and creating sustainable value for society and the environment. One of BBL's strengths lies in its responsible lending practices and active promotion of sustainable finance, such as project finance for renewable energy corporate loans. However, BBL's pace of green financing lags behind KBANK's.

Environmental performance: BBL has made moderate progress in its ESG targets, though it faces notable challenges in environmental performance. The bank aims to reduce Scope 1 and 2 emissions by 7.5% by 2023. While Scope 2 emissions show a modest reduction of 3.13%, Scope 1 emissions increased by 48.48%. Despite setting relatively low targets compared to KBANK and KTB, BBL has experienced a significant setback in its carbon reduction efforts. Although the bank achieves targets for energy and water consumption reduction, these targets remain unchallenging, specifying only a 5.0-7.5% reduction in water and waste from 2020, with the timeline limited to 2021-23.

Green financing: At the end of 2023, BBL's outstanding THB41.9b in green loans accounted for 1.6% of its total loans, down from the 3-4% level in 2020-22. This decline places BBL behind KBANK's 2.8%, focusing on large-scale renewable energy projects and extending to retail green car and greenhouse products.

Social initiatives: BBL has made significant strides in financial inclusion by expanding its network to 204,020 service points and providing 37,813 basic banking accounts for vulnerable groups. While BBL has lost its commitment to promoting sustainable finance, it needs explicit targets for green lending and needs to demonstrate transparency regarding its progress compared to KBANK.

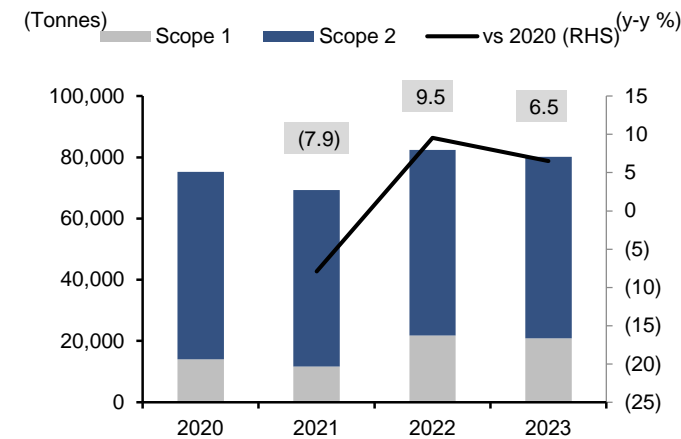
Governance: BBL maintains strong governance, holding an "Excellent" rating from the Thai Institute of Directors and ensuring 100% compliance in employee training on ethical practices and cybersecurity.

Recommendation

While BBL shows notable dedication to its ESG initiatives, it faces challenges regarding environmental targets and carbon footprint reduction. In 2023, the bank reduced Scope 2 greenhouse gas emissions by only 3.13% compared to 2020, falling short of the 7.5% reduction target. This indicates that while progress occurs, it proceeds at a slower pace than anticipated. Additionally, the bank's green financing has declined, signaling a need for a more adaptive approach to emerging trends.

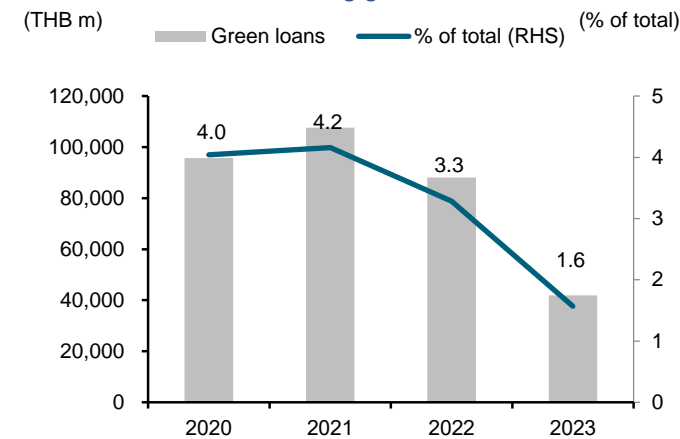
Although BBL's governance and risk management structure remains robust, the bank has yet to fully integrate diversity and inclusion metrics into its ESG objectives, representing a gap in its otherwise comprehensive ESG approach. Given BBL's diverse overseas operations, we expect its inclusive finance targets to pose more significant challenges than its peers, extending the bank's responsibilities beyond the domestic economy, where BBL enjoys a strong position as an international bank.

Exhibit 36: BBL – GHG emissions, 2020-23



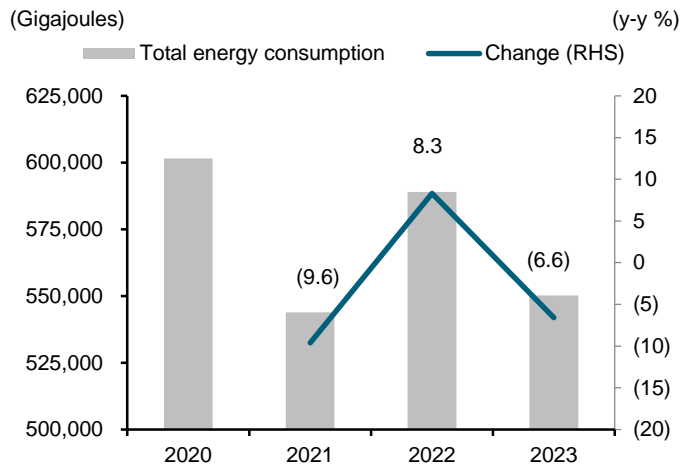
Sources: BBL; FSSIA's compilation

Exhibit 37: BBL – outstanding green loans, 2020-23



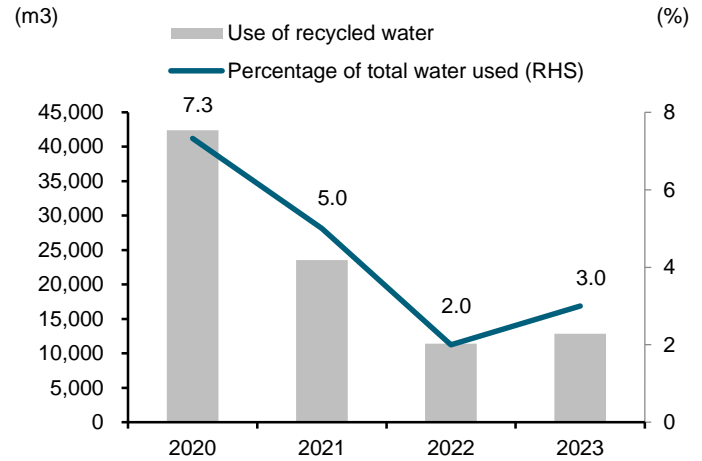
Sources: BBL; FSSIA' compilation

Exhibit 38: Energy consumption, 2020-23



Sources: BBL; FSSIA's compilation

Exhibit 39: Use of water and recycling, 2020-23



Sources: BBL; FSSIA's compilation

Exhibit 40: FSSIA ESG score implication

62.41 /100

Rating	Score	Implication
★★★★★	>79-100	Leading its industry peers in managing the most significant ESG risks which not only better cost efficiency but also lead to higher profitability.
★★★★	>59-79	A mixed track record of managing the most significant ESG risks and opportunities relative to industry peers.
★★★	>39-59	Relevant ESG materiality matrix has been constructively addressed, well-managed and incorporated into day-to-day operations, in which targets and achievements are evaluated annually.
★★	>19-39	Relevant ESG materiality matrix has been identified with key management in charge for progress to be followed up on and to provide intensive disclosure. Most targets are conventional and achievable.
★	1-19	The company has adopted the United Nations Sustainable Development Goals (UN SDGs), established sustainability management guidelines and fully complies with regulations or ESG suggested guidance from related organizations such as the SET and SEC.

Sources: FSSIA estimates

Exhibit 41: ESG – peers comparison

	FSSIA ESG score	Domestic ratings						Global ratings				Bloomberg			
		DJSI	SET THSI	THSI	CG score	AGM level	Thai CAC	Morningstar ESG risk	ESG Book	MSCI	Moody's	Refinitiv	S&P Global	ESG score	Disclosure score
SET100	70.66	5.69	4.40	4.05	4.81	4.50	4.04	Medium	57.14	BBB	23.05	60.65	66.19	3.72	28.17
Coverage	66.38	5.37	4.15	4.00	4.65	4.31	3.64	Medium	52.68	BB	18.59	58.02	61.99	3.40	31.94
BBL	62.41	--	Y	AA	5.00	4.00	Certified	Medium	59.26	--	41.00	62.71	69.00	2.19	60.06
KBANK	83.13	Y	Y	AAA	5.00	5.00	Certified	Medium	51.11	AA	48.00	73.64	86.00	4.05	59.77
KTB	62.57	--	Y	AAA	5.00	4.00	Certified	Medium	64.47	BBB	36.00	60.53	61.00	2.12	59.11
SCB	79.60	Y	Y	AA	5.00	4.00	Certified	Medium	50.11	A	--	77.07	85.00	3.43	--
KKP	62.90	--	Y	BBB	5.00	5.00	Certified	Medium	54.19	BBB	--	75.73	26.00	2.18	45.90
TISCO	60.99	--	Y	AAA	5.00	5.00	Certified	Medium	65.63	--	--	63.45	26.00	3.57	44.21
TTB	65.62	--	Y	AA	5.00	5.00	Certified	Medium	62.10	BBB	39.00	59.32	68.00	3.20	52.96

Sources: [SETTRADE.com](https://www.settrade.com); FSSIA's compilation

Financial Statements

Bangkok Bank

Profit and Loss (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Interest Income	139,088	194,365	202,719	210,424	218,320
Interest expense	(36,865)	(63,505)	(68,125)	(71,981)	(74,559)
Net interest income	102,223	130,860	134,594	138,443	143,761
Net fees & commission	27,508	27,234	27,513	27,789	28,066
Foreign exchange trading income	5,155	5,544	5,544	5,544	5,544
Securities trading income	(1,454)	(482)	0	0	0
Dividend income	2,306	2,330	2,447	2,569	2,698
Other income	3,156	2,001	2,139	2,287	2,446
Non interest income	36,672	36,627	37,643	38,189	38,754
Total income	138,895	167,487	172,237	176,632	182,514
Staff costs	(34,794)	(35,921)	(38,436)	(39,973)	(41,572)
Other operating costs	(34,225)	(45,854)	(45,707)	(47,360)	(49,334)
Operating costs	(69,019)	(81,775)	(84,143)	(87,333)	(90,905)
Pre provision operating profit	69,876	85,712	88,094	89,298	91,609
Expected credit loss	(32,647)	(33,667)	(35,000)	(34,000)	(33,000)
Other provisions	-	-	-	-	-
Operating profit	37,229	52,046	53,094	55,298	58,609
Recurring non operating income	0	0	0	0	0
Associates	-	-	-	-	-
Goodwill amortization	-	-	-	-	-
Non recurring items	0	0	0	0	0
Profit before tax	37,229	52,046	53,094	55,298	58,609
Tax	(7,484)	(9,993)	(10,619)	(11,060)	(11,722)
Profit after tax	29,746	42,052	42,475	44,239	46,887
Non-controlling interest	(440)	(417)	(438)	(460)	(483)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	29,306	41,635	42,037	43,779	46,404
Non recurring items & goodwill (net)	-	-	0	0	0
Recurring net profit	29,306	41,635	42,037	43,779	46,404
Per share (THB)					
Recurring EPS *	15.35	21.81	22.02	22.93	24.31
Reported EPS	15.35	21.81	22.02	22.93	24.31
DPS	4.50	7.00	7.25	7.50	8.00
Growth					
Net interest income (%)	24.4	28.0	2.9	2.9	3.8
Non interest income (%)	(30.0)	(0.1)	2.8	1.4	1.5
Pre provision operating profit (%)	3.9	22.7	2.8	1.4	2.6
Operating profit (%)	12.3	39.8	2.0	4.2	6.0
Reported net profit (%)	10.6	42.1	1.0	4.1	6.0
Recurring EPS (%)	10.6	42.1	1.0	4.1	6.0
Reported EPS (%)	10.6	42.1	1.0	4.1	6.0
Income Breakdown					
Net interest income (%)	73.6	78.1	78.1	78.4	78.8
Net fees & commission (%)	19.8	16.3	16.0	15.7	15.4
Foreign exchange trading income (%)	3.7	3.3	3.2	3.1	3.0
Securities trading income (%)	(1.0)	(0.3)	-	-	-
Dividend income (%)	1.7	1.4	1.4	1.5	1.5
Other income (%)	2.3	1.2	1.2	1.3	1.3
Operating performance					
Gross interest yield (%)	3.22	4.38	4.43	4.42	4.42
Cost of funds (%)	1.01	1.71	1.80	1.84	1.85
Net interest spread (%)	2.21	2.67	2.63	2.58	2.57
Net interest margin (%)	2.4	3.0	2.9	2.9	2.9
Cost/income(%)	49.7	48.8	48.9	49.4	49.8
Cost/assets(%)	1.6	1.8	1.8	1.8	1.8
Effective tax rate (%)	20.1	19.2	20.0	20.0	20.0
Dividend payout on recurring profit (%)	29.3	32.1	32.9	32.7	32.9
ROE (%)	5.9	8.1	7.7	7.6	7.7
ROE - COE (%)	(6.3)	(4.1)	(4.5)	(4.6)	(4.5)
ROA (%)	0.7	0.9	0.9	0.9	1.0
RORWA (%)	1.0	1.4	1.4	1.4	1.4
* Pre-exceptional, pre-goodwill and fully diluted					

Sources: Bangkok Bank; FSSIA estimates

Financial Statements

Bangkok Bank

Balance Sheet (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Gross customer loans	2,682,691	2,671,964	2,752,123	2,834,687	2,919,727
Allowance for expected credit loss	(243,474)	(270,539)	(282,789)	(294,689)	(306,239)
interest in suspense	10,138	24,236	12,935	13,323	13,723
Net customer loans	2,449,355	2,425,661	2,482,269	2,553,321	2,627,211
Bank loans	766,074	757,120	779,833	803,228	827,325
Government securities	-	-	-	-	-
Trading securities	-	-	-	-	-
Investment securities	926,608	1,062,668	1,137,055	1,205,278	1,277,595
Cash & equivalents	52,433	45,518	52,455	46,904	40,644
Other interesting assets	-	-	-	-	-
Tangible fixed assets	73,909	72,855	76,948	81,150	85,472
Associates	-	-	-	-	-
Goodwill	-	-	-	-	-
Other intangible assets	-	-	-	-	-
Other assets	153,373	150,663	153,005	155,464	158,046
Total assets	4,421,752	4,514,484	4,681,565	4,845,345	5,016,294
Customer deposits	3,210,896	3,184,283	3,279,812	3,378,206	3,479,552
Bank deposits	262,522	334,219	367,641	393,376	420,912
Other interest bearing liabilities	188,302	212,505	218,880	225,446	232,210
Non interest bearing liabilities	252,891	252,647	255,541	258,482	261,472
Hybrid Capital	-	-	-	-	-
Total liabilities	3,914,610	3,983,654	4,121,874	4,255,511	4,394,146
Share capital	19,088	19,088	19,088	19,088	19,088
Reserves	486,258	509,886	538,562	568,502	600,590
Total equity	505,346	528,975	557,650	587,590	619,678
Non-controlling interest	1,796	1,855	2,041	2,245	2,469
Total liabilities & equity	4,421,752	4,514,484	4,681,565	4,845,345	5,016,294
Supplementary items					
Risk weighted assets (RWA)	3,008,228	3,002,132	3,113,241	3,222,155	3,335,835
Average interest earning assets	4,325,741	4,432,852	4,580,381	4,756,102	4,933,920
Average interest bearing liabilities	3,658,397	3,709,456	3,781,959	3,902,102	4,038,216
CET 1 capital	447,590	476,473	504,671	534,134	565,267
Total capital	551,698	580,581	608,779	638,242	669,375
Gross non performing loans (NPL)	97,188	85,955	94,955	95,955	96,955
Per share (THB)					
Book value per share	264.74	277.12	292.14	307.83	324.64
Tangible book value per share	264.74	277.12	292.14	307.83	324.64
Growth					
Gross customer loans	3.6	(0.4)	3.0	3.0	3.0
Average interest earning assets	8.4	2.5	3.3	3.8	3.7
Total asset (%)	2.0	2.1	3.7	3.5	3.5
Risk weighted assets (%)	5.0	(0.2)	3.7	3.5	3.5
Customer deposits (%)	1.7	(0.8)	3.0	3.0	3.0
Leverage & capital measures					
Customer loan/deposits (%)	76.3	76.2	75.7	75.6	75.5
Equity/assets (%)	11.4	11.7	11.9	12.1	12.4
Tangible equity/assets (%)	11.4	11.7	11.9	12.1	12.4
RWA/assets (%)	68.0	66.5	66.5	66.5	66.5
CET 1 CAR (%)	14.9	15.9	16.2	16.6	16.9
Total CAR (%)	18.3	19.3	19.6	19.8	20.1
Asset Quality (FSSIA's calculation)					
Change in NPL (%)	(3.9)	(11.6)	10.5	1.1	1.0
NPL/gross loans (%)	3.6	3.2	3.5	3.4	3.3
Allowance for ECL/gross loans (%)	9.1	10.1	10.3	10.4	10.5
Allowance for ECL/NPL (%)	250.5	314.7	297.8	307.1	315.9
Valuation					
Recurring P/E (x) *	10.0	7.0	6.9	6.7	6.3
Recurring P/E @ target price (x) *	12.0	8.4	8.4	8.0	7.6
Reported P/E (x)	10.0	7.0	6.9	6.7	6.3
Dividend yield (%)	2.9	4.6	4.7	4.9	5.2
Price/book (x)	0.6	0.6	0.5	0.5	0.5
Price/tangible book (x)	0.6	0.6	0.5	0.5	0.5
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

Bangkok Bank PCL (BBL TB)

FSSIA ESG rating



Exhibit 42: FSSIA ESG score implication

62.08 /100

Rating	Score	Implication
★★★★★	>79-100	Leading its industry peers in managing the most significant ESG risks which not only better cost efficiency but also lead to higher profitability.
★★★★★	>59-79	A mixed track record of managing the most significant ESG risks and opportunities relative to industry peers.
★★★	>39-59	Relevant ESG materiality matrix has been constructively addressed, well-managed and incorporated into day-to-day operations, in which targets and achievements are evaluated annually.
★★	>19-39	Relevant ESG materiality matrix has been identified with key management in charge for progress to be followed up on and to provide intensive disclosure. Most targets are conventional and achievable.
★	1-19	The company has adopted the United Nations Sustainable Development Goals (UN SDGs), established sustainability management guidelines and fully complies with regulations or ESG suggested guidance from related organizations such as the SET and SEC.

Sources: FSSIA estimates

Exhibit 43: ESG – peer comparison

	FSSIA ESG score	Domestic ratings						Global ratings						Bloomberg	
		DJSI	SET THSI	THSI	CG score	AGM level	Thai CAC	Morningstar ESG risk	ESG Book	MSCI	Moody's	Refinitiv	S&P Global	ESG score	Disclosure score
SET100	69.20	5.34	4.40	4.40	4.76	4.65	3.84	Medium	51.76	BBB	20.87	58.72	63.91	3.72	28.17
Coverage	67.12	5.11	4.15	4.17	4.83	4.71	3.53	Medium	52.04	BB	16.97	56.85	62.09	3.40	31.94
BBL	62.08	--	Y	Y	5.00	5.00	Certified	Medium	54.70	--	29.00	58.68	67.00	2.19	60.06
KBANK	84.17	Y	Y	Y	5.00	5.00	Certified	Medium	62.19	AA	46.00	73.83	83.00	4.05	59.77
KTB	63.10	--	Y	Y	5.00	5.00	Certified	Medium	53.59	BBB	34.00	64.64	64.00	2.12	59.11
SCB	62.57	Y	Y	Y	5.00	4.00	--	High	--	A	--	--	86.00	3.43	--
KKP	62.96	--	Y	Y	5.00	5.00	Certified	Medium	52.81	BBB	--	77.56	26.00	2.18	45.90
TISCO	61.17	--	Y	Y	5.00	5.00	Certified	Medium	61.41	--	--	66.13	29.00	3.57	44.21
TTB	63.69	--	Y	Y	5.00	5.00	Certified	Medium	53.98	--	36.00	56.17	71.00	3.20	52.96

 Sources: [SETTRADE.com](https://www.settrade.com); FSSIA's compilation

Exhibit 44: ESG score by Bloomberg

FY ending Dec 31	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
ESG financial materiality scores - ESG score	1.69	1.69	1.92	2.36	2.60	2.83	2.36	2.19
BESG environmental pillar score	0.00	0.00	0.00	0.00	0.31	0.89	0.88	0.08
BESG social pillar score	2.05	2.03	2.39	3.54	3.58	3.58	2.32	2.81
BESG governance pillar score	3.44	3.49	3.84	3.71	4.05	3.97	4.33	4.07
ESG disclosure score	43.14	43.98	49.13	55.53	55.31	57.88	60.92	60.06
Environmental disclosure score	16.79	16.79	31.23	39.72	38.87	44.22	44.55	44.55
Social disclosure score	36.31	36.31	37.33	45.68	48.25	48.25	48.25	45.68
Governance disclosure score	76.22	78.72	78.72	81.10	78.72	81.10	89.86	89.86
Environmental								
Emissions reduction initiatives	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Climate change policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Climate change opportunities discussed	No	No	No	No	No	No	No	No
Risks of climate change discussed	No	No	No	No	No	No	Yes	Yes
GHG scope 1	—	—	4	12	12	14	12	22
GHG scope 2 location-based	—	—	20	68	67	61	58	61
GHG Scope 3	—	—	1	1	2	2	1	2
Carbon per unit of production	—	—	—	—	—	—	—	—
Biodiversity policy	No	No	Yes	Yes	No	No	No	No
Energy efficiency policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Total energy consumption	—	—	45	156	156	167	151	164
Renewable energy use	—	—	—	—	—	—	—	—
Electricity used	—	—	—	117	116	122	115	121
Fuel used - natural gas	—	—	—	—	—	—	—	—

Sources: Bloomberg; FSSIA's compilation

Exhibit 45: ESG score by Bloomberg (cont.)

FY ending Dec 31	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Fuel used - crude oil/diesel	No	No	No	No	No	No	No	No
Waste reduction policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Hazardous waste	—	—	0	0	0	0	0	0
Total waste	—	—	1	2	5	6	4	4
Waste recycled	—	—	—	—	—	1	1	0
Waste sent to landfills	—	—	0	0	3	4	2	3
Environmental supply chain management	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Water policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Water consumption	—	—	—	124	128	116	92	100
Social								
Human rights policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Policy against child labor	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Quality assurance and recall policy	No	No	No	No	No	No	No	No
Consumer data protection policy	No	No	Yes	Yes	Yes	Yes	Yes	Yes
Equal opportunity policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Gender pay gap breakout	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Pct women in workforce	34	65	67	67	67	67	67	66
Pct disabled in workforce	—	—	—	—	—	—	—	—
Business ethics policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Anti-bribery ethics policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Health and safety policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Lost time incident rate - employees	—	—	—	—	—	—	—	—
Total recordable incident rate - employees	0	0	0	0	0	0	0	0
Training policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Fair remuneration policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Number of employees – CSR	25,806	25,512	23,802	23,054	22,797	22,048	20,514	19,091
Employee turnover pct	10	10	10	10	10	8	11	13
Total hours spent by firm - employee training	3,134,200	765,360	638,014	702,052	1,267,540	883,463	1,313,310	710,376
Social supply chain management	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Governance								
Board size	17	17	18	17	17	19	19	18
No. of independent directors (ID)	6	6	6	7	7	9	8	6
No. of women on board	1	1	1	1	1	1	2	1
No. of non-executive directors on board	11	12	13	9	8	10	9	7
Company conducts board evaluations	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
No. of board meetings for the year	12	12	12	12	13	13	12	12
Board meeting attendance pct	—	—	—	96	—	95	98	98
Board duration (years)	3	3	3	3	3	3	3	3
Director share ownership guidelines	No	No	No	No	No	No	No	No
Age of the youngest director	48	49	50	51	52	53	52	53
Age of the oldest director	85	86	87	88	89	90	91	92
No. of executives / company managers	60	64	64	67	66	70	66	60
No. of female executives	22	21	22	20	22	24	21	24
Executive share ownership guidelines	No	No	No	No	No	No	No	No
Size of audit committee	4	4	4	4	4	4	3	3
No. of ID on audit committee	4	4	4	4	4	4	3	3
Audit committee meetings	16	18	18	17	17	18	16	17
Audit meeting attendance %	—	89	82	88	90	89	98	94
Size of compensation committee	3	3	3	3	2	3	3	3
No. of ID on compensation committee	2	2	2	2	2	3	3	2
No. of compensation committee meetings	10	7	10	11	10	11	9	12
Compensation meeting attendance %	97	86	90	97	83	97	100	100
Size of nomination committee	3	3	3	3	2	3	3	3
No. of nomination committee meetings	10	7	10	11	10	11	9	12
Nomination meeting attendance %	97	86	90	97	83	97	100	100
Sustainability governance								
Verification type	No	No	No	No	No	No	Yes	Yes

Sources: Bloomberg; FSSIA's compilation

Disclaimer for ESG scoring

ESG score	Methodology	Rating																				
The Dow Jones Sustainability Indices (DJSI) By S&P Global	The DJSI World applies a transparent, rules-based component selection process based on the companies' Total Sustainability Scores resulting from the annual S&P Global Corporate Sustainability Assessment (CSA). Only the top-ranked companies within each industry are selected for inclusion.	Be a member and invited to the annual S&P Global Corporate Sustainability Assessment (CSA) for DJSI. Companies with an S&P Global ESG Score of less than 45% of the S&P Global ESG Score of the highest scoring company are disqualified. The constituents of the DJSI indices are selected from the Eligible Universe.																				
Sustainability Investment List (THSI) by The Stock Exchange of Thailand (SET)	THSI quantifies responsibility in Environmental and Social issues by managing business with transparency in Governance, updated annually. Candidates must pass the preemptive criteria, with two crucial conditions: 1) no irregular trading of the board members and executives; and 2) free float of >150 shareholders, and combined holding must be >15% of paid-up capital. Some key disqualifying criteria include: 1) CG score of below 70%; 2) independent directors and free float violation; 3) executives' wrongdoing related to CG, social & environmental impacts; 4) equity in negative territory; and 5) earnings in red for > 3 years in the last 5 years.	To be eligible for THSI inclusion , verified data must be scored at a minimum of 50% for each indicator, unless the company is a part of DJSI during the assessment year. The scoring will be fairly weighted against the nature of the relevant industry and materiality. SETTHSI Index is extended from the THSI companies whose 1) market capitalization > 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.																				
CG Score by Thai Institute of Directors Association (Thai IOD)	An indicator of CG strength in sustainable development, measured annually by the Thai IOD, with support from the Stock Exchange of Thailand (SET). The results are from the perspective of a third party, not an evaluation of operations.	Scores are rated in six categories: 5 for Excellent (90-100), 4 for Very Good (80-89), 3 for Good (70-79), 2 for Fair (60-69), 1 for Pass (60-69), and not rated for scores below 50. Weightings include: 1) the rights; 2) and equitable treatment of shareholders (weight 25% combined); 3) the role of stakeholders (25%); 4) disclosure & transparency (15%); and 5) board responsibilities (35%).																				
AGM level By Thai Investors Association (TIA) with support from the SEC	It quantifies the extent to which shareholders' rights and equitable treatment are incorporated into business operations and information is transparent and sufficiently disclosed. All form important elements of two out of five the CG components to be evaluated annually. The assessment criteria cover AGM procedures before the meeting (45%), at the meeting date (45%), and after the meeting (10%). <i>(The first assesses 1) advance circulation of sufficient information for voting; and 2) facilitating 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.)</i>	The scores are classified into four categories: 5 for Excellent (100), 4 for Very Good (90-99), 3 for Fair (80-89), and not rated for scores below 79.																				
Thai CAC By Thai Private Sector Collective Action Against Corruption (CAC)	The core elements of the Checklist include corruption risk assessment, establishment of key controls, and the monitoring and developing of policies. The Certification is good for three years. <i>(Companies deciding to become a CAC certified member start by submitting a Declaration of Intent to kick off an 18-month deadline to submit the CAC Checklist for Certification, including risk assessment, in place of policy and control, training of managers and employees, establishment of whistleblowing channels, and communication of policies to all stakeholders.)</i>	The document will be reviewed by a committee of nine professionals. A passed Checklist will move for granting certification by the CAC Council approvals whose members are twelve highly respected individuals in professionalism and ethical achievements.																				
Morningstar Sustainalytics	The Sustainalytics' ESG risk rating provides an overall company score based on an assessment of how much of a company's exposure to ESG risk is unmanaged. <i>Sources to be reviewed include corporate publications and regulatory filings, news and other media, NGO reports/websites, multi-sector information, company feedback, ESG controversies, issuer feedback on draft ESG reports, and quality & peer reviews.</i>	A company's ESG risk rating score is the sum of unmanaged risk. The more risk is unmanaged, the higher ESG risk is scored. <table><tr><th>NEGL</th><th>Low</th><th>Medium</th><th>High</th><th>Severe</th></tr><tr><td>0-10</td><td>10-20</td><td>20-30</td><td>30-40</td><td>40+</td></tr></table>	NEGL	Low	Medium	High	Severe	0-10	10-20	20-30	30-40	40+										
NEGL	Low	Medium	High	Severe																		
0-10	10-20	20-30	30-40	40+																		
ESG Book	The ESG score identifies sustainable companies that are better positioned to outperform over the long term. The methodology considers the principle of financial materiality including information that significantly helps explain future risk-adjusted performance. Materiality is applied by over-weighting features with higher materiality and rebalancing these weights on a rolling quarterly basis.	The total ESG score is calculated as a weighted sum of the features scores using materiality-based weights. The score is scaled between 0 and 100 with higher scores indicating better performance.																				
MSCI	MSCI ESG ratings aim to measure a company's management of financially relevant ESG risks and opportunities. It uses a rules-based methodology to identify industry leaders and laggards according to their exposure to ESG risks and how well they manage those risks relative to peers. <table><tr><td>AAA</td><td>8.571-10.000</td><td rowspan="3">Leader:</td><td rowspan="3">leading its industry in managing the most significant ESG risks and opportunities</td></tr><tr><td>AA</td><td>7.143-8.570</td></tr><tr><td>A</td><td>5.714-7.142</td></tr><tr><td>BBB</td><td>4.286-5.713</td><td rowspan="3">Average:</td><td rowspan="3">a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers</td></tr><tr><td>BB</td><td>2.857-4.285</td></tr><tr><td>B</td><td>1.429-2.856</td></tr><tr><td>CCC</td><td>0.000-1.428</td><td>Laggard:</td><td>lagging its industry based on its high exposure and failure to manage significant ESG risks</td></tr></table>	AAA	8.571-10.000	Leader:	leading its industry in managing the most significant ESG risks and opportunities	AA	7.143-8.570	A	5.714-7.142	BBB	4.286-5.713	Average:	a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers	BB	2.857-4.285	B	1.429-2.856	CCC	0.000-1.428	Laggard:	lagging its industry based on its high exposure and failure to manage significant ESG risks	
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B	1.429-2.856																					
CCC	0.000-1.428	Laggard:	lagging its industry based on its high exposure and failure to manage significant ESG risks																			
Moody's ESG solutions	Moody's assesses the degree to which companies take into account ESG objectives in the definition and implementation of their strategy policies. It believes that a company integrating ESG factors into its business model and relatively outperforming its peers is better positioned to mitigate risks and create sustainable value for shareholders over the medium to long term.																					
Refinitiv ESG rating	Designed to transparently and objectively measure a company's relative ESG performance, commitment and effectiveness across 10 main themes, based on publicly available and auditable data. The score ranges from 0 to 100 on relative ESG performance and insufficient degree of transparency in reporting material ESG data publicly. <i>(Score ratings are 0 to 25 = poor; >25 to 50 = satisfactory; >50 to 75 = good; and >75 to 100 = excellent.)</i>																					
S&P Global	The S&P Global ESG Score is a relative score measuring a company's performance on and management of ESG risks, opportunities, and impacts compared to its peers within the same industry classification. The score ranges from 0 to 100.																					
Bloomberg	ESG Score	Bloomberg score evaluating the company's aggregated Environmental, Social and Governance (ESG) performance. The score is based on Bloomberg's view of ESG financial materiality. The score is a weighted generalized mean (power mean) of Pillar Scores, where the weights are determined by the pillar priority ranking. Values range from 0 to 10; 10 is the best.																				
Bloomberg	ESG Disclosure Score	Disclosure of a company's ESG used for Bloomberg ESG score. The score ranges from 0 for none to 100 for disclosure of every data point, measuring the amount of ESG data reported publicly, and not the performance on any data point.																				

[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**"; 2) "**AGM Level**"; 3) "**Thai CAC**"; and 4) **THSI**. The ratings are updated on an annual basis. FSSIA does not confirm nor certify the accuracy of such ratings.
Source: FSSIA's compilation

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

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Company	Ticker	Price	Rating	Valuation & Risks
Bangkok Bank	BBL TB	THB 153.00	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 152.00	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. Upside risks comprise 1) lower credit cost from better asset quality; and 2) the better ongoing cost control efficiency
Krung Thai Bank	KTB TB	THB 20.80	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.
SCB X	SCB TB	THB 110.00	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. Upside risks comprise 1) the faster-than-expected recovery of EA operation and financial stability and 2) the reduction in Thailand household debts.
TMBThanachart Bank	TTB TB	THB 1.96	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 Phatra Bank	KKP TB	THB 50.50	HOLD	Downside risks to our GGM-based target price include weakened asset quality and lower fee income. By contrast, upside risks include better capital market conditions, higher used car prices, and strengthened asset quality. Upside risks comprise 1) lower credit cost from better asset quality; and 2) improved market price of used cars and lower loss on sales of NPAs
Tisco Financial	TISCO TB	THB 96.50	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. Upside risks are 1) aggressive loan growth; and 2) well-controlled asset quality.

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.

All share prices are as at market close on 1-Oct-2024 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.