BUY (From: HOLD)

Change in Recommendation

TP: Bt 165.00 (From: Bt 130.00)

Upside : 13.8%

9 FEBRUARY 2022

Bangkok Bank Pcl (BBL TB)

Double boost

SARACHADA SORNSONG

662 – 779 9106

sarachada.sor@thanachartsec.co.th

Thanachart Securities

We upgrade BBL to BUY as we see clear positive top-down and bottom-up developments driving profit growth and ROE. We raise our earnings by an average of 9% and lift our TP to Bt165. Despite its share price run-up, BBL still looks cheap on a 2022F P/BV of 0.5x.

Highly geared to top-down improvement

As a macro-driven bank, BBL looks well poised to reap the benefits of three developments as follows. 1) A swifter economic recovery at home, driven by recovering exports, an easing of the lockdown and increasing public spending. We project GDP growth of 3.6% and 4.4% in 2022-23F, rising from 1% in 2021. 2) Business relocation into Asia thanks to the bank's strongest international network covering 14 economies. 3) Improving pricing power via an end to interest rate cuts, higher loan demand and rising bond yields. Corporate and business loans make up 62% of the total and the bank's exposure to overseas loans has risen to 25% post acquisition of Permata Bank in Indonesia in 2020.

Clear bottom-up drivers

We see a good rationale for the bank setting aside higher provisions last year. The extra provisions were mainly to offset huge investment gain windfalls to smoothen earnings. In light of loans in the relief program falling to 11% from 14% in 1H21, lower NPLs and a five-year high coverage ratio, we expect provisions to fall by 24% and 8% in 2022F and 2023F. We also see the bank having passed the peak of its cost-to-income ratio of 56% in 2020. Along with the absence of one-off integration expenses, Permata has improved operating efficiency with cost-to-income ratio falling to 54% from 60% in 9M20. Lastly, BBL's increasing liquidity leverage along with rising interest rates is positive for its margin in 2023F when we expect a 50bps rise in the policy rate.

Raising earnings by 9% over 2022-24F

Given higher loans and non-NII, BBL's pre-provisioning profits in 2021 beat our estimate by 11%. In spite of higher provisions, net profit was still higher and we boost our earnings by an average of 9% over 2022-24F. The upward revisions reflect the net impact of higher loans, better NIM, higher fees, lower provisions and higher opex to strengthen its digital capability. Post-upgrade, we expect a three-year EPS CAGR of 12%, driven mainly by loan growth of 5% p.a. and credit costs falling from 1.3% in 2021 to 0.96% in 2022F, 0.84% in 2023F and 0.8% in 2024F.

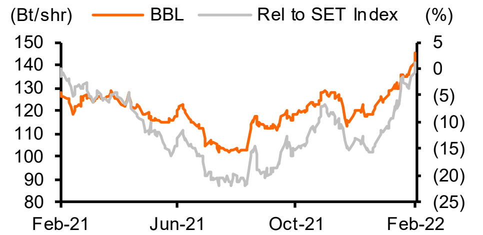
Upgrading to BUY

On the back of our earnings hikes, we raise our DDM-based 12-month TP (2022F base year) to Bt165 from Bt130 and upgrade BBL to BUY from Hold. BBL is highly leveraged to the economic upturn and a prime beneficiary of Asia's geographical investment advantage. The bank's lowest exposure to retail lending is not news and we believe it is too late for BBL to invest to regain its fair share of domestic retail loans. The bank's focus on expanding its regional platform makes sense and is a more beneficial strategy in our view. Despite its recent share price run-up, BBL still looks cheap on 2022F P/BV of 0.5x with a 3% dividend yield.

COMPANY VALUATION

Y/E Dec (Bt m)	2021A	2022F	2023F	2024F
Pre Provision Profit	67,066	63,704	66,208	71,234
Net profit	26,507	30,245	33,421	37,392
Consensus NP	—	31,265	33,391	37,090
Diff frm cons (%)	—	*(3.3)*	*0.1*	*0.8*
Norm profit	26,507	30,245	33,421	37,392
Prev. Norm profit	—	27,293	30,688	35,016
Chg frm prev (%)	—	*10.8*	*8.9*	*6.8*
Norm EPS (Bt)	13.9	15.8	17.5	19.6
Norm EPS grw (%)	54.3	14.1	10.5	11.9
Norm PE (x)	10.4	9.2	8.3	7.4
P/BV (x)	0.6	0.5	0.5	0.5
Div yield (%)	2.4	3.3	3.6	4.1
ROE (%)	5.6	6.0	6.3	6.8
ROA (%)	0.6	0.7	0.7	0.8

PRICE PERFORMANCE



COMPANY INFORMATION

Price: *as of* 9-Feb-22 (Bt)	145.00
Market Cap (US$ m)	8,455
Listed Shares (m shares)	1,908.8
Free Float (%)	98.5
Avg. Daily Turnover (US$ m)	51.1
12M Price H/L (Bt)	141.00/101.50
Sector	BANK
Major Shareholder	Thai NVDR 23.91%

Sources: Bloomberg, Company data, Thanachart estimates

Raising our earnings by 9% over 2022-24F

Stronger earnings outlook

In light of higher loans and non-NII, Bangkok Bank's (BBL) pre-provisioning profit in 2021 beat our estimate by 11%. In spite of higher provisions, net profit was still higher and we revise up our earnings estimates by an average of 9% over 2022-24F. The upward earnings revisions reflect the net impact of higher loans, better NIM, higher fees, lower provisions and higher opex to strengthen its digital capability.

Ex 1: Earnings Revisions

	2019A	2020A	2021A	2022F	2023F	2024F
Net profits (Bt bn)						
- New	35.82	17.18	26.51	30.25	33.42	37.39
- Old				27.29	30.69	35.02
- Change (%)				*10.82*	*8.91*	*6.79*
Loan growth (%)						
- New	(1.05)	14.89	9.29	5.01	5.18	5.20
- Old				4.82	4.89	4.90
- Change (pp)				*0.19*	*0.29*	*0.30*
NIM (%)						
- New	2.24	2.19	2.01	2.00	2.01	2.05
- Old				2.00	1.94	1.96
- Change (pp)				*0.01*	*0.06*	*0.09*
Non-interest income (Bt bn)						
- New	62.58	41.70	52.18	44.78	47.19	49.30
- Old				44.20	46.65	49.22
- Change (%)				*1.31*	*1.15*	*0.17*
Credit costs (%)						
- New	1.57	1.32	1.32	0.96	0.84	0.80
- Old				1.01	0.89	0.85
- Change (pp)				*(0.06)*	*(0.05)*	*(0.05)*
Opex (Bt bn)						
- New	54.96	65.97	67.27	68.84	71.66	74.60
- Old				67.99	69.38	70.86
- Change (%)				*1.25*	*3.30*	*5.28*

Sources: Company data, Thanachart estimates

Post-upgrade, we estimate 14% earnings growth this year, followed by 11% in 2023F and 12% in 2024F. Key growth drivers are:

1) Loan growth of 5%, driven by a 6% increase in corporate and overseas lending, a 2% rise in SME lending and 4% growth in retail loans. Growth in overseas loans was very strong at 19% last year. In addition to higher demand, BBL benefited from the baht weakening by 12% last year.

2) We expect a resumption of normal FIDF fees of 0.46% in 2023. Though we expect the policy rate to rise and lending yield to increase, we estimate NIM to improve slightly from 2% this year to 2.01% in 2022F.

3) With 15% exposure to declining transaction fees, we forecast fee income growth of only 1% this year. The slowdown in growth from 14% in 2021 should mainly be the result of the high base of capital market-related fees of c.Bt11bn, growing by 58% from 2020.

4) In light of loans in the relief program falling to 11% from 14% 1H21, lower NPLs and a five-year high coverage ratio, we expect provisions to decline by 24% and 8% in 2022F and 2023F. We estimate credit costs to drop from 1.3% in 2021 to 0.96% in 2022F, 0.84% in 2023F and 0.80% in 2024F.

On the back of our earnings upgrades, we raise our DDM-based 12-month TP, using a 2022F base year, to Bt165 from Bt130 previously.

Ex 2: 12-month DDM-based TP Calculation Using A Base Year Of 2022F

(Bt m)	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	Terminal Value
Dividend of common shares	9,550	10,622	13,735	16,843	20,396	24,386	34,699	45,750	55,805	66,596	66,596
Dividend of preferred shares	—	—	—	—	—	—	—	—	—	—	—
Dividend payment	9,550	10,622	13,735	16,843	20,396	24,386	34,699	45,750	55,805	66,596	659,497

Risk-free rate (%)	2.5
Market risk premium (%)	8.0
Beta	1.1
WACC (%)	11.2
Cost of equity	11.2
Terminal growth (%)	2.0
Equity value	314,256
No. of shares	1,909
Equity value / share	**165.00**

Sources: Company data, Thanachart estimates

Upgrading to BUY

Best play on economic upturn and Asia's geographical investment advantage in our view

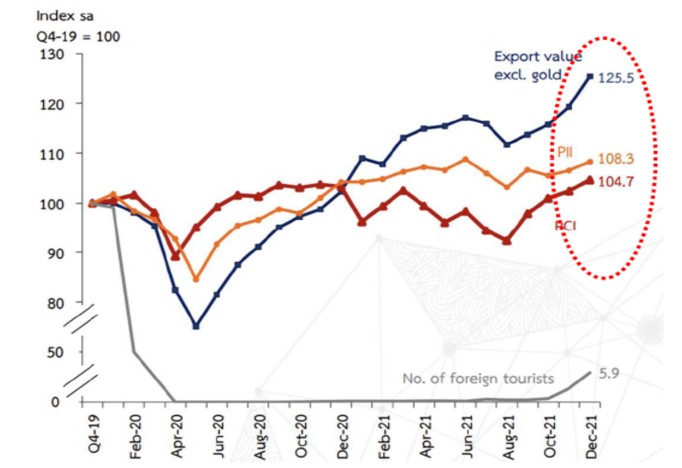
We see 13.8% potential upside to our new TP and we upgrade BBL to BUY from Hold for the following three reasons:

First, as a macro-driven bank, BBL looks well poised to reap the benefits of a stronger economic recovery at home, a business relocation into Asia thanks to the bank's strongest international network covering 14 economies, and improving pricing power via an end to interest rate cuts, higher loan demand and rising bond yields.

Second, bottom-up drivers also look clearly set to support profit expansion and ROE enhancement. We see three positive impacts of lower credit costs, falling cost to income and rising liquidity leverage.

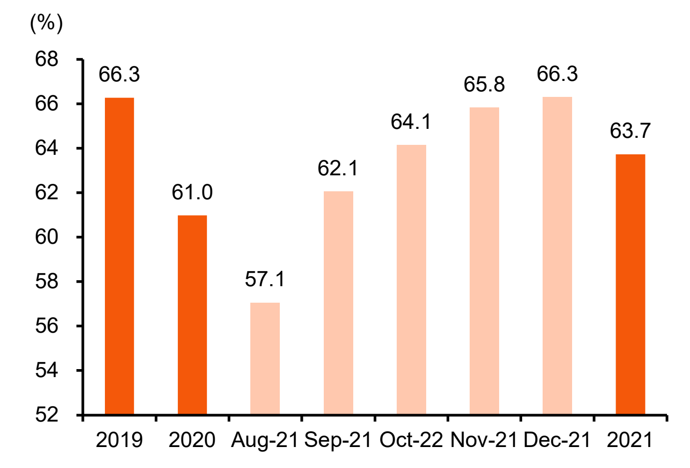
Third, the bank's lowest exposure to retail lending is not news and we believe it is too late for BBL to invest to regain its fair share of domestic retail loans. The bank's focus on expanding its regional platform makes sense and is a more beneficial strategy in our view.

Ex 3: Improving Economic Indicators



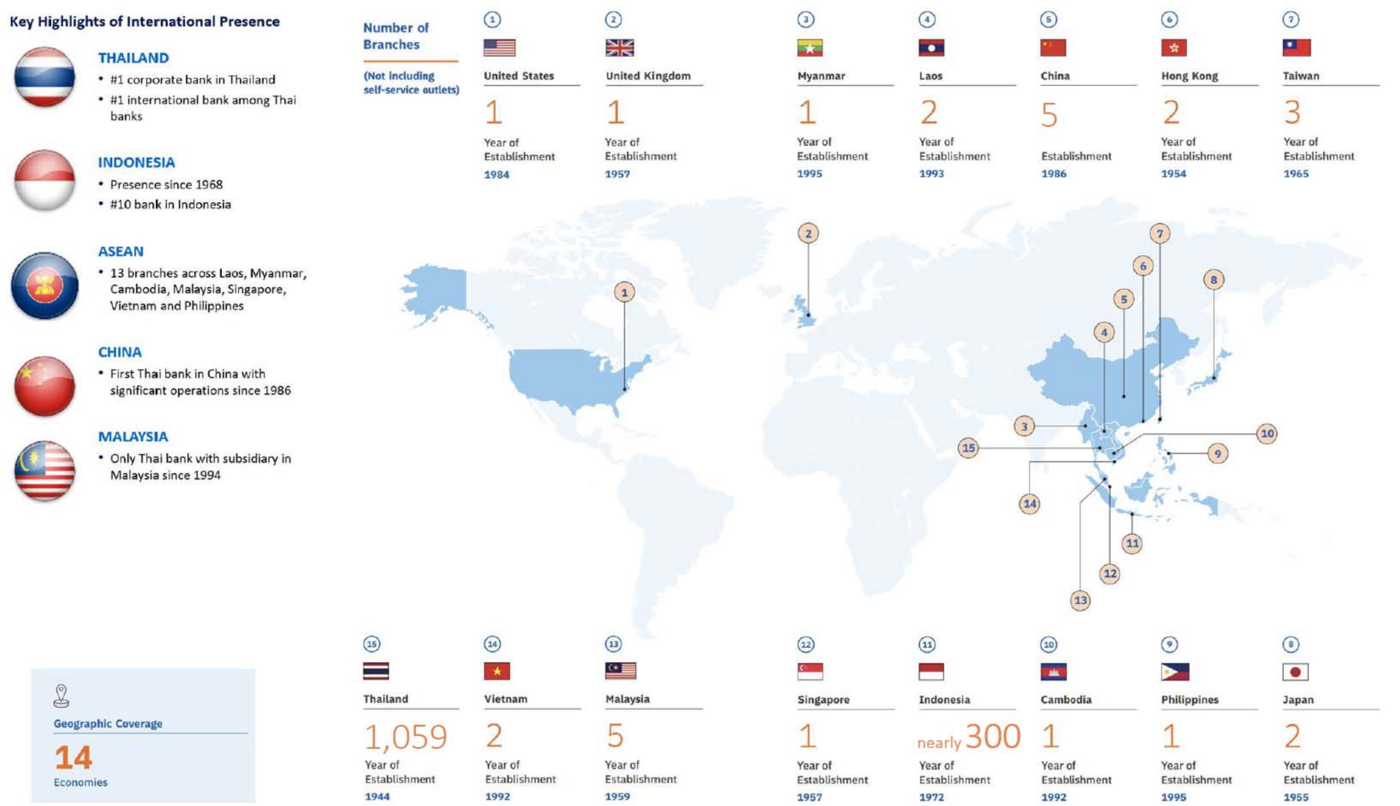
Sources: Company data, Bank of Thailand

Ex 4: Rising CAPU



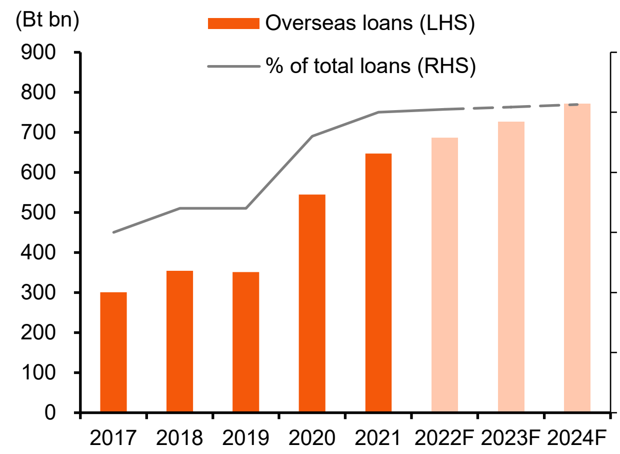
Source: Bank of Thailand

Ex 5: BBL's International Network



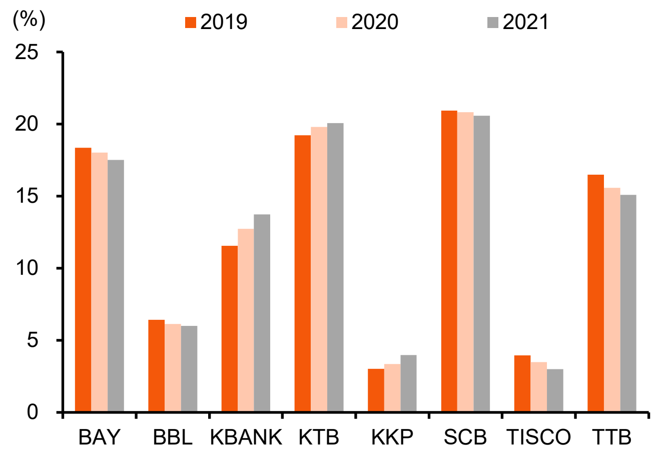
Source: Company data

Ex 6: Increasing Overseas Contribution



Sources: Company data; Thanachart estimates

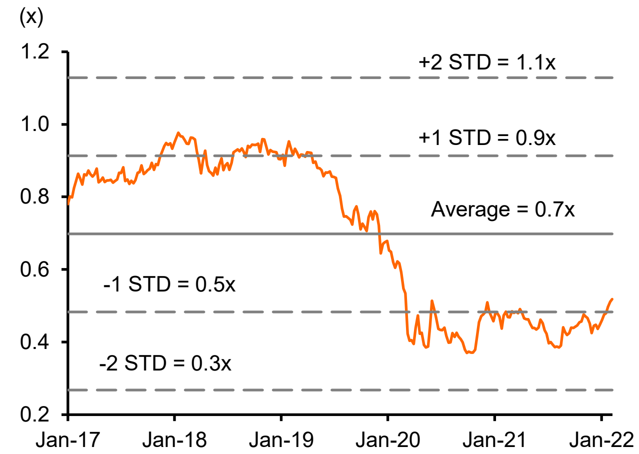
Ex 7: Falling Share Of Retail Lending



Source: Company data

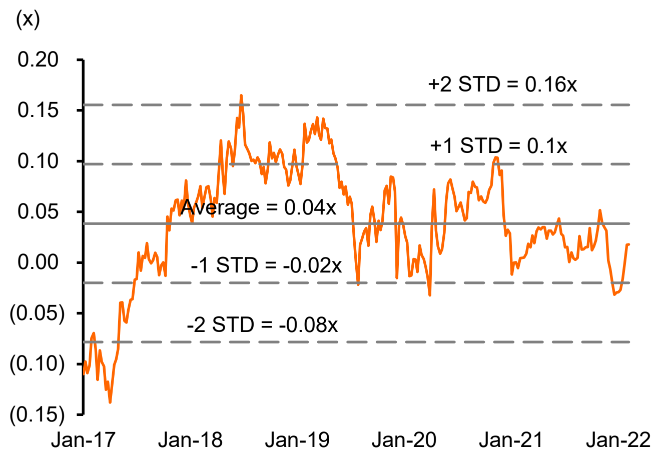
Lastly, despite its recent share price run-up, BBL's valuation looks undemanding to us trading at 2022F PE of 9x and just 0.5x P/BV. This is still at the low end of its five-year average. We do not expect the bank's valuation to re-rate to the average over the past five years of 0.7x as ROE is unlikely to recover to 2017's level of 9%. But we don't think it would be justified for BBL to trade at the same valuation multiple as Krung Thai Bank (KTB TB, BUY, Bt14.40) given its stronger core operation and balance sheet. Our Bt165 TP implies a P/BV of 0.6x in 2022F.

Ex 8: BBL's STD P/BV



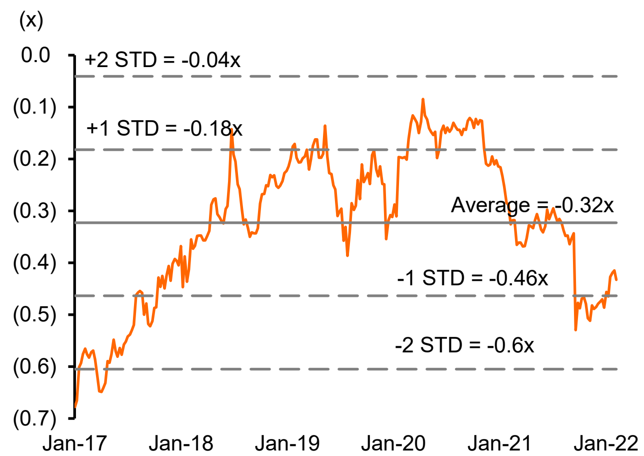
Sources: Company data, Bloomberg Thanachart estimates

Ex 9: P/BV Gap To KTB



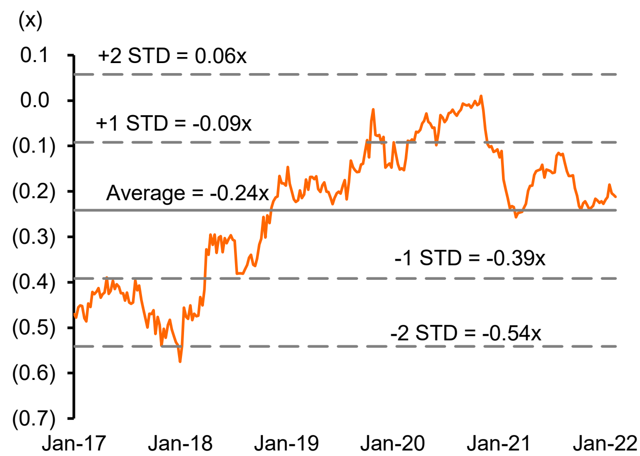
Sources: Company data, Bloomberg Thanachart estimates

Ex 10: P/BV Gap To SCB



Sources: Company data, Bloomberg Thanachart estimates

Ex 11: P/BV Gap To KBANK



Sources: Company data, Bloomberg Thanachart estimates

Valuation Comparison

Ex 12: Valuation Comparison With Regional Peers

Name	BBG Code	Country	EPS growth 22F (%)	EPS growth 23F (%)	PE 22F (x)	PE 23F (x)	P/BV 22F (x)	P/BV 23F (x)	ROE 22F (%)	ROE 23F (%)	Div. Yield 22F (%)	Div. Yield 23F (%)
BOC Hong Kong Holdings	2388 HK	Hong Kong	7.5	17.6	12.1	10.3	1.1	1.0	9.2	10.1	4.2	4.9
Bank of East Asia	23 HK	Hong Kong	71.1	19.2	8.5	7.2	0.4	0.4	4.3	5.1	5.4	6.3
China Citic Bank Corp	998 HK	Hong Kong	16.7	10.7	3.5	3.1	0.3	0.3	10.3	10.5	7.8	7.9
Hang Seng Bank	11 HK	Hong Kong	11.2	15.1	17.0	14.7	1.7	1.6	10.2	11.1	3.9	4.3
Industrial & Commercial Bk	1398 HK	Hong Kong	14.1	6.6	5.0	4.7	0.5	0.5	11.4	11.3	6.1	6.6
Axis Bank	AXSB IN	India	57.7	38.3	21.0	15.2	2.2	2.0	12.3	14.5	1.8	2.2
ICICI Bank	ICICIBC IN	India	16.7	23.9	25.3	20.4	na	na	14.2	15.2	0.6	0.7
State Bank of India	SBIN IN	India	54.1	30.9	13.9	10.6	1.7	1.5	13.9	15.2	1.1	1.4
Bank Central Asia	BBCA IJ	Indonesia	13.8	12.5	27.4	24.3	4.4	4.0	16.8	17.2	1.6	1.9
Bank Danamon	BDMN IJ	Indonesia	304.9	26.6	5.8	4.6	0.5	0.5	8.0	10.2	4.2	na
Bank Internasional	BNII IJ	Indonesia	na	na	na	na	na	na	na	na	na	na
Bank Mandiri	BMRI IJ	Indonesia	13.5	17.2	11.3	9.6	1.6	1.5	14.9	16.0	4.9	5.7
Bank Pan	PNBN IJ	Indonesia	8.6	10.0	5.7	5.2	na	na	7.3	7.4	na	na
Bank Rakyat	BBRI IJ	Indonesia	16.1	19.7	16.1	13.4	2.1	2.0	13.9	15.3	3.6	4.3
Bank Negara	BBNI IJ	Indonesia	38.9	22.7	9.3	7.6	1.0	0.9	11.9	13.1	2.6	3.6
CIMB Group Holdings	CIMB MK	Malaysia	314.5	16.8	10.8	9.3	0.9	0.9	8.2	9.3	4.5	5.8
Hong Leong Bank	HLBK MK	Malaysia	5.1	16.4	13.6	11.7	1.3	1.2	9.9	11.0	2.8	3.2
Malayan Banking	MAY MK	Malaysia	22.5	16.1	12.0	10.4	1.1	1.1	9.1	10.4	6.6	7.4
Public Bank	PBKF MK	Malaysia	(76.4)	16.2	na	na	na	na	11.2	12.4	na	na
Industrial Bank of Korea	024110 KS	S Korea	8.2	2.0	3.7	3.6	0.3	0.3	8.6	8.3	6.8	7.1
DBS Group Holdings	DBS SP	Singapore	51.7	13.1	13.1	11.6	1.6	1.5	12.3	13.1	3.7	4.0
Oversea-Chinese Banking	OCBC SP	Singapore	50.5	13.1	11.0	9.7	1.1	1.0	10.3	10.9	4.3	4.8
United Overseas Bank	UOB SP	Singapore	57.0	15.1	12.4	10.7	1.2	1.2	10.4	11.5	4.0	4.5
Bank of Ayudhya	BAY TB*	Thailand	(3.8)	4.0	11.1	10.7	0.8	0.8	7.6	7.5	2.2	2.3
Bangkok Bank	BBL TB*	Thailand	14.1	10.5	9.2	8.3	0.5	0.5	6.0	6.3	3.3	3.6
KASIKORNBANK	KBANK TB*	Thailand	1.7	4.5	10.0	9.6	0.8	0.7	7.9	7.8	2.0	4.2
Kiatnakin Bank	KKP TB*	Thailand	0.1	15.7	9.6	8.3	1.1	1.0	12.0	13.0	3.8	6.0
Krung Thai Bank	KTB TB*	Thailand	31.8	12.3	7.1	6.3	0.5	0.5	7.6	8.1	3.2	5.6
Siam Commercial Bank	SCB TB*	Thailand	(3.4)	7.8	13.3	12.3	1.0	0.9	7.6	7.8	2.3	4.1
Tisco Financial Group	TISCO TB*	Thailand	5.2	1.4	11.1	11.0	1.8	1.7	16.9	16.2	6.3	6.4
TMBThanachart Bank	TTB TB*	Thailand	13.7	11.1	11.3	10.2	0.6	0.6	5.6	6.0	3.6	4.9
Average			**37.9**	**14.9**	**11.8**	**10.2**	**1.2**	**1.1**	**10.3**	**11.0**	**3.8**	**4.6**

Source: Bloomberg

Note: * Thanachart estimates , using Thanachart normalized EPS

Based on 9 Feb 2022 closing prices

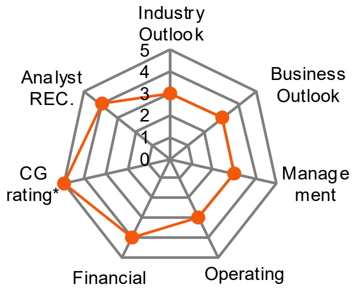
Note: Thanachart Capital Public Company Limited (TCAP), TMBThanachart Bank Public Company Limited (TTB), are related companies to Thanachart Securities Public Company Limited (TNS). Thanachart Securities Pcl is a subsidiary of Thanachart Capital Pcl (TCAP) which holds 21.2% of the shareholding in TMBThanachart Bank Pcl.

COMPANY DESCRIPTION

Bangkok Bank Pcl (BBL) provides various banking and financial services including commercial, consumer, credit card, and mortgage lending, international trade financing, investment banking, and securities services.

Source: Thanachart

COMPANY RATING



Rating Scale	
Excellent	5
Good	4
Fair	3
Weak	2
Very Weak	1
None	0

Source: Thanachart; *CG Rating

THANACHART'S SWOT ANALYSIS

S — Strength

- Extensive banking network and large customer base
- Strong relationships with large corporates
- Competitive edge in trade-finance services
- Very solid balance sheet

W — Weakness

- Its large business size makes it difficult for the bank to adjust itself to changes in the industry landscape
- Its conservatism has prevented the bank from running at its full potential in our view

O — Opportunity

- Beefing up its overseas presence and expanding its footprint into many more countries
- Rising cross-selling activity

T — Threat

- Digital disruption
- Global economic recession
- New accounting standards and regulations

CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	156.63	165.00	5%
Net profit 22F (Bt m)	31,265	30,245	-3%
Net profit 23F (Bt m)	33,391	33,421	0%
Consensus REC	**BUY: 18**	**HOLD: 7**	**SELL: 0**

HOW ARE WE DIFFERENT FROM THE STREET?

- We believe we are more conservative than the Bloomberg consensus on the bank's non-NII growth, leading to our lower earnings in 2022F. But our TP is higher than the Street's, which we attribute to us being more confident in BBL's medium- to longer-term outlook.

Sources: Bloomberg consensus, Thanachart estimates

RISKS TO OUR INVESTMENT CASE

- Slower economic momentum adversely disrupting business activity would present the key downside risk to our NPL and credit cost assumptions.
- If the bank is not able to control operating expenses and reap greater synergistic benefits from the Indonesian acquisition as we had assumed, this would present downside risks to our earnings forecasts.

Source: Thanachart

Growing volume

INCOME STATEMENT

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
Interest and Dividend Income	112,524	114,313	123,836	130,668	138,558
Interest Expenses	35,477	32,156	36,078	39,983	42,030
Net Interest Income	**77,046**	**82,156**	**87,759**	**90,685**	**96,528**
% of total income	64.9%	61.2%	66.2%	65.8%	66.2%
Gain on Investment	2,512	1,225	1,000	1,000	1,000
Fee Income	24,711	29,209	29,582	30,795	32,200
Gain on Exchange	11,058	17,868	10,500	11,500	12,000
Others	1,376	1,622	1,400	1,477	1,566
Non-interest Income	**41,696**	**52,176**	**44,782**	**47,187**	**49,303**
% of total income	35.1%	38.8%	33.8%	34.2%	33.8%
Total Income	**118,743**	**134,332**	**132,541**	**137,872**	**145,831**
Operating Expenses	65,974	67,266	68,837	71,664	74,597
Pre-provisioning Profit	**52,769**	**67,066**	**63,704**	**66,208**	**71,234**
Provisions	31,196	34,134	26,000	24,000	24,000
Pre-tax Profit	**21,573**	**32,932**	**37,704**	**42,208**	**47,234**
Income Tax	4,014	6,189	7,164	8,442	9,447
After Tax Profit	17,559	26,743	30,540	33,766	37,787
Equity Income	(14)	209	200	200	200
Minority Interest	(364)	(445)	(495)	(545)	(595)
Extraordinary Items	0	0	0	0	0
NET PROFIT	**17,181**	**26,507**	**30,245**	**33,421**	**37,392**
Normalized Profit	**17,181**	**26,507**	**30,245**	**33,421**	**37,392**
EPS (Bt)	9.0	13.9	15.8	17.5	19.6
Normalized EPS (Bt)	9.0	13.9	15.8	17.5	19.6

Healthy balance sheet

BALANCE SHEET

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
ASSETS:					
Liquid Items	**592,922**	**863,764**	**825,000**	**859,000**	**895,000**
cash & cash equivalents	73,886	62,552	60,000	60,000	60,000
interbank & money market	519,036	801,212	765,000	799,000	835,000
Securities under resale agreeme	0	0	0	0	0
Investments	759,394	804,965	829,074	853,907	879,484
Net loans	**2,189,102**	**2,376,027**	**2,482,681**	**2,614,037**	**2,753,941**
Gross and accrued interest	2,374,669	2,593,532	2,723,468	2,864,530	3,013,398
Provisions for doubtful	185,567	217,505	240,787	250,493	259,456
Fixed assets - net	74,804	74,476	74,278	73,929	73,430
Other assets	206,738	214,049	215,049	216,049	217,049
Total assets	**3,822,960**	**4,333,281**	**4,426,082**	**4,616,921**	**4,818,905**
LIABILITIES:					
Liquid Items	**3,037,269**	**3,453,761**	**3,522,090**	**3,687,822**	**3,861,734**
Deposit	2,810,863	3,156,940	3,260,990	3,424,040	3,595,242
Interbank & money market	219,149	288,709	254,000	256,540	259,105
Liability payable on demand	7,257	8,113	7,100	7,242	7,387
Borrow ings	136,177	183,239	183,847	183,539	183,244
Other liabilities	199,267	201,688	202,688	203,688	204,688
Total liabilities	**3,372,713**	**3,838,688**	**3,908,625**	**4,075,048**	**4,249,666**
Minority interest	1,233	1,865	2,361	2,906	3,501
Shareholders' equity	**449,014**	**492,727**	**515,096**	**538,967**	**565,738**
Preferred capital	-	-	-	-	-
Paid-in capital	19,088	19,088	19,090	19,090	19,090
Share premium	56,346	56,346	56,346	56,346	56,346
Surplus/ Others	47,257	66,349	66,349	66,349	66,349
Retained earnings	326,322	350,944	373,312	397,183	423,953
Liabilities & equity	**3,822,960**	**4,333,281**	**4,426,082**	**4,616,921**	**4,818,905**

Sources: Company data, Thanachart estimates

Undemanding valuation in our view

VALUATION

FY ending Dec	2020A	2021A	2022F	2023F	2024F
Normlized PE (x)	16.1	10.4	9.2	8.3	7.4
Normalized PE - at target price (x)	18.3	11.9	10.4	9.4	8.4
PE (x)	16.1	10.4	9.2	8.3	7.4
PE - at target price (x)	18.3	11.9	10.4	9.4	8.4
P/PPP (x)	5.2	4.1	4.3	4.2	3.9
P/PPP - at target price (x)	6.0	4.7	4.9	4.8	4.4
P/BV (x)	0.6	0.6	0.5	0.5	0.5
P/BV - at target price (x)	0.7	0.6	0.6	0.6	0.6
Dividend yield (%)	1.7	2.4	3.3	3.6	4.1
Market cap / net loans (x)	0.1	0.1	0.1	0.1	0.1
Market cap / deposit (x)	0.1	0.1	0.1	0.1	0.1
(Bt)					
Normalized EPS	9.0	13.9	15.8	17.5	19.6
EPS	9.0	13.9	15.8	17.5	19.6
DPS	2.5	3.5	4.8	5.3	5.9
PPP/Share	27.6	35.1	33.4	34.7	37.3
BV/Share	235.2	258.1	269.8	282.3	296.4

NIM to bottom out in 2022F

FINANCIAL RATIOS

FY ending Dec	2020A	2021A	2022F	2023F	2024F
Growth Rate (%)					
Net interest income (NII)	8.4	6.6	6.8	3.3	6.4
Non-interest income (Non-II)	(33.4)	25.1	(14.2)	5.4	4.5
Operating expenses	20.0	2.0	2.3	4.1	4.1
Pre-provisioning profit (PPP)	(32.9)	27.1	(5.0)	3.9	7.6
Net profit	(52.0)	54.3	14.1	10.5	11.9
Normalized profit growth	(52.0)	54.3	14.1	10.5	11.9
EPS	(52.0)	54.3	14.1	10.5	11.9
Normalized EPS	(52.0)	54.3	14.1	10.5	11.9
Dividend payout ratio	27.8	25.2	30.0	30.0	30.0
Loan - gross	14.9	9.3	5.0	5.2	5.2
Loan - net	15.8	8.5	4.5	5.3	5.4
Deposit	18.6	12.3	3.3	5.0	5.0
NPLs	31.9	(3.2)	5.0	5.0	5.0
Total assets	18.8	13.3	2.1	4.3	4.4
Total equity	5.0	9.7	4.5	4.6	5.0
Operating Ratios (%)					
Net interest margin (NIM)	2.2	2.0	2.0	2.0	2.0
Net interest spread	3.5	3.3	3.3	3.3	3.3
Yield on earnings assets	3.3	2.9	2.9	3.0	3.0
Avg cost of fund	1.2	0.9	1.0	1.1	1.1
NII / operating income	64.9	61.2	66.2	65.8	66.2
Non-II / operating income	35.1	38.8	33.8	34.2	33.8
Fee income / operating income	20.8	21.7	22.3	22.3	22.1
Normalized net margin	14.5	19.7	22.8	24.2	25.6
Cost-to-income	55.6	50.1	51.9	52.0	51.2
Credit cost - provision exp / loans	1.3	1.3	1.0	0.8	0.8
PPP / total assets	1.5	1.6	1.5	1.5	1.5
PPP / total equity	12.0	14.2	12.6	12.6	12.9
ROA	0.5	0.6	0.7	0.7	0.8
ROE	3.9	5.6	6.0	6.3	6.8

Sources: Company data, Thanachart estimates

Solid capital and high coverage ratio

FINANCIAL RATIOS

FY ending Dec	2020A	2021A	2022F	2023F	2024F
Liquidity and Quality Ratio (%)					
Loan-to-deposit	84.3	82.0	83.3	83.5	83.6
Loan-to-deposit & S-T borrow ing	84.2	82.0	83.3	83.5	83.6
Net loan / assets	57.3	54.8	56.1	56.6	57.1
Net loan / equity	487.5	482.2	482.0	485.0	486.8
Investment / assets	19.9	18.6	18.7	18.5	18.3
Deposit / liabilities	83.3	82.2	83.4	84.0	84.6
Liabilities / equity	751.1	779.1	758.8	756.1	751.2
Net interbank lender (Bt m)	299,887	512,504	511,000	542,460	575,895
Tier 1 CAR	15.8	16.0	15.5	15.6	15.7
Tier 2 CAR	2.6	3.6	3.3	3.2	3.1
Total CAR	18.3	19.6	18.8	18.8	18.8
NPLs (Bt m)	104,401	101,103	106,158	111,466	117,039
NPLs / Total loans (NPL Ratio)	4.4	3.9	3.9	3.9	3.9
Loan-Loss-Coverage	177.7	215.1	226.8	224.7	221.7

Sources: Company data, Thanachart estimates

General Disclaimers And Disclosures:

This report is prepared by analysts who are employed by the research department of TNS. While the information is from sources believed to be reliable, neither the information nor the forecasts shall be taken as a representation or warranty for which TNS or TCAP or its group companies or any of their employees incur any responsibility. This report is provided to you for informational purposes only and it is not, and is not to be construed as, an offer or an invitation to make an offer to sell or buy any securities. Neither TNS, TCAP nor its group companies accept any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

The information and opinions contained herein have been compiled or arrived at from sources believed reliable. However, TNS, TCAP and its group companies make no representation or warranty, express or implied, as to their accuracy or completeness. Expressions of opinion herein are subject to change without notice. The use of any information, forecasts and opinions contained in this report shall be at the sole discretion and risk of the user.

TNS, TCAP and its group companies perform and seek to perform business with companies covered in this report. TNS, TCAP, its group companies, their employees and directors may have positions and financial interest in securities mentioned in this report. TNS, TCAP or its group companies may from time to time perform investment banking or other services for, or solicit investment banking or other business from, any entity mentioned in this report. Therefore, investors should be aware of conflict of interest that may affect the objectivity of this report.

Note: Thanachart Securities Public Company Limited act as a Market Maker and Derivative Warrants Issuer. At present, TNS has issued 110 Derivative Warrants which are ACE16C2202A, ADVA16C2202A, ADVA16C2203A, AOT16C2202A, AOT16C2204A, BAM16C2204A, BANP16C2205A, BANP16C2202A, BANP16C2204A, BBL16C2203A, BBL16C2204A, BCH16C2203A, BEC16C2202A, BEC16C2204A, BGRI16C2203A, BGRI16C2205A, BLA16C2205A, CBG16C2202A, CBG16C2204A, CBG16C2205A, CHG16C2202A, COM716C2203A, COM716C2205A, CPAL16C2203A, CPAL16C2204A, CPF16C2205A, CPN16C2202A, CRC16C2204A, DELT16C2202A, DELT16C2203A, DOHO16C2202A, DTAC16C2203A, EA16C2206A, EA16C2203A, EA16C2205A, ESSO16C2202A, GLOB16C2203A, GPSC16C2206A, GPSC16C2203A, GPSC16C2205A, GULF16C2202A, GULF16C2203A, GULF16C2205A, GUNK16C2203A, GUNK16C2205A, HANA16C2202A, HANA16C2204A, HANA16C2205A, HMPR16C2202A, INTU16C2202A, INTU16C2205A, IRPC16C2205A, IVL16C2202A, IVL16C2203A, JAS16C2202A, JMAR16C2206A, JMAR16C2202A, JMAR16C2205A, JMT16C2203A, JMT16C2205A, KBAN16C2202A, KBAN16C2204A, KCE16C2204A, KCE16C2205A, KCE16C2205B, KTC16C2202A, LH16C2202A, MINT16C2203A, MINT16C2204A, MTC16C2202A, MTC16C2204A, OR16C2202A, OR16C2203A, OR16C2205A, PTG16C2202A, PTG16C2203A, PTL16C2202A, PTL16C2202B, PTT16C2203A, PTT16C2205A, PTTE16C2203A, RBF16C2202A, RCL16C2205A, RS16C2205A, S5016C2203A, S5016C2203B, S5016C2206A, S5016P2203A, S5016P2203B, S5016P2206A, SAWA16C2202A, SAWA16C2204A, SAWA16C2205A, SCB16C2202A, SCC16C2204A, SCGP16C2202A, SPAL16C2202A, STA16C2203A, STEC16C2204A, STGT16C2202A, SYNE16C2202A, TOP16C2202A, TRUE16C2205A, TRUE16C2202A, TRUE16C2203A, TRUE16C2203B, TU16C2202A, TU16C2204A, WHA16C2202A, WHA16C2204A (underlying securities are ACE, ADVANC, AOT, BAM, BANPU, BBL, BCH, BEC, BGRIM, BLA, CBG, CHG, COM7, CPALL, CPF, CPN, CRC, DELTA, DOHOME, DTAC, EA, ESSO, GLOBAL, GPSC, GULF, GUNKUL, HANA, HMPRO, INTUCH, IRPC, IVL, JAS, JMART, JMT, KBANK, KCE, KTC, LH, MINT, MTC, OR, PTG, PTL, PTT, PTTEP, RBF, RCL, RS, SAWAD, SCB, SCC, SCGP, SET50, SPALI, STA, STEC, STGT, SYNEX, TOP, TU, WHA, TRUE). Since TNS covers those underlying securities in research report, consequently TNS incurs conflicts of interest. Moreover, Investors are advised to carefully review the details and information in the prospectus before making investment decisions.

Note: Thanachart Securities has an indirect financial interest in Ratchthani Leasing Pcl (THANI). Thanachart Securities Pcl is a subsidiary of Thanachart Capital Pcl (TCAP) which holds more than 56% of the shareholding in Ratchthani Leasing Pcl (THANI).

Note: Thanachart Capital Public Company Limited (TCAP), TMBThanachart Bank Public Company Limited (TTB), are related companies to Thanachart Securities Public Company Limited (TNS). Thanachart Securities Pcl is a subsidiary of Thanachart Capital Pcl (TCAP) which holds 21.2% of the shareholding in TMBThanachart Bank Pcl.

Thanachart Capital Public Company Limited (TCAP), Ratchthani Leasing Public Company Limited (THANI), TMB Public Company Limited, MBK PUBLIC COMPANY LIMITED (MBK) and PATUM RICE MILL AND GRANARY PUBLIC COMPANY LIMTED (PRG) are related companies to Thanachart Securities Public Company Limited (TNS) . Since TNS covers those securities in research report, consequently TNS incurs conflicts of interest.

Disclosure of Interest of Thanachart Securities

Investment Banking Relationship

Within the preceding 12 months, Thanachart Securities has lead-managed public offerings and/or secondary offerings (excluding straight bonds) of the securities of the following companies: Saksiam Leasing Pcl. (SAK TB), SCG Packaging Pcl (SCGP TB)

Recommendation Structure:

Recommendations are based on absolute upside or downside, which is the difference between the target price and the current market price. If the upside is 10% or more, the recommendation is BUY. If the downside is 10% or more, the recommendation is SELL. For stocks where the upside or downside is less than 10%, the recommendation is HOLD. 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 the market price and the formal recommendation.

For sectors, an "Overweight" sector weighting is used when we have BUYs on majority of the stocks under our coverage by market cap. "Underweight" is used when we have SELLs on majority of the stocks we cover by market cap. "Neutral" is used when there are relatively equal weightings of BUYs and SELLs.

Thanachart Securities Pcl.

Research Team
19 Floor, MBK Tower
444 Phayathai Road, Pathumwan Road, Bangkok 10330
Tel: 662 - 779-9119
Email: thanachart.res@thanachartsec.co.th

Pimpaka Nichgaroon, CFA
Head of Research
Tel: 662-779-9199
pimpaka.nic@thanachartsec.co.th

Pattarawan Wangmingmat
Senior Technical Analyst
Tel: 662-779-9105
pattarawan.wan@thanachartsec.co.th

Phannarai Tiyapittayarut
Property, Retail
Tel: 662-779-9109
phannarai.von@thanachartsec.co.th

Sarachada Sornsong
Bank, Finance, Insurance
Tel: 662-779-9106
sarachada.sor@thanachartsec.co.th

Witchanan Tambamroong
Technical Analyst
Tel: 662-779-9123
witchanan.tam@thanachartsec.co.th

Adisak Phupiphathirungul, CFA
Retail Market Strategy
Tel: 662-779-9120
adisak.phu@thanachartsec.co.th

Nuttapop Prasitsuksant
Telecom, Utilities
Tel: 662-483-8296
nuttapop.pra@thanachartsec.co.th

Rata Limsuthiwanpoom
Auto, Industrial Estate, Media, Prop. Fund
Tel: 662-483-8297
rata.lim@thanachartsec.co.th

Siriporn Arunothai
Small Cap, Healthcare, Hotel
Tel: 662-779-9113
siriporn.aru@thanachartsec.co.th

Sittichet Rungrassameephat
Analyst, Quantitative
Tel: 662-483-8303
sittichet.run@thanachartsec.co.th

Chak Reungsinpinya
Thematic Research, Paper
Tel: 662-779-9104
chak.reu@thanachartsec.co.th

Pattadol Bunnak
Electronics, Food & Beverage, Shipping
Tel: 662-483-8298
pattadol.bun@thanachartsec.co.th

Saksid Phadthananarak
Construction, Transportation
Tel: 662-779-9112
saksid.pha@thanachartsec.co.th

Yupapan Polpornprasert
Energy, Petrochemical
Tel: 662-779-9110
yupapan.pol@thanachartsec.co.th

Thaloengsak Kucharoenpaisan
Analyst, Retail Market
Tel: 662-483-8304
thaloengsak.kuc@thanachartsec.co.th