

BUY (Unchanged)

Change in Numbers

TP: Bt 200.00 (From: Bt 170.00)**Upside : 17.6%****24 AUGUST 2023**

Bangkok Bank Pcl (BBL TB)

Unfinished rally

Despite an exceptional performance, BBL's share price remains below pre-COVID levels. Profits have surged to a historic high, and the prospects for a double-digit growth story are evident, supported by a significantly enhanced balance sheet quality. Given these factors, we lift our earnings forecasts and TP to Bt200. Reaffirm BUY.

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Raising our earnings and TP to Bt200

Amidst unexpectedly elevated provisions, BBL has managed to achieve a substantially higher NIM alongside significant investment gains. In total, these developments prompt us to boost our earnings estimates by 24% in 2023F, 25% in 2024F, and 26% in 2025F. The enhanced earnings outlook, coupled with rolling over our base year to 2024F, drives our DDM-based 12-month up to Bt200 from Bt170 previously. This new TP corresponds to a P/BV of 0.7x for 2024F.

Big-fish beneficiary

With a strategic focus on mid to large corporate clients, BBL has weathered the COVID-19 storm with a relatively milder impact compared to its peers, positioning it to reap substantial rewards from the country's reopening. While other banks adopted more aggressive balance sheet cleansing strategies, BBL chose a more conservative approach in dealing with NPLs. This prudent stance, in contrast to its peers, has borne fruit, resulting in robust loan growth that has outpaced other major banks. The bank's prospects for 2H23F look even more promising to us, bolstered by the growing loan demand for projects and long-term asset investments. Leveraging on its robust overseas network, we believe BBL is well poised to capitalize on growing ASEAN economies, which are benefiting from the relocation of production bases away from China.

All-time high coverage ratio

Despite a greater-than-expected expansion in NIM and gains from investments, BBL refrained from cutting provisions as initially planned. This decision was made despite clear evidence of improving asset quality, indicated by a decrease in Stage-2 loans and NPLs. BBL has, therefore, established a historically high provisioning buffer, with its loan-loss-coverage ratio climbing from 251% in 2022 to 276% in 1H23. Given this robust position, the prospect of reducing provisions appears very promising to us. We foresee a reduction in credit costs from 1.22% in 2023F to 1.1% in 2024F and falling further to 0.9% from 2025F onwards.

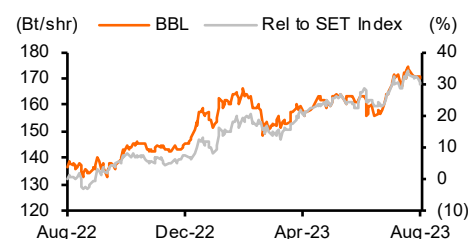
On course for double-digit EPS growth; BUY

Following our earnings hikes, we foresee all-time high profits of Bt42.2bn in 2023F, up 44% from 2022. The decrease in provisions, continued loan growth of 5%, and improving fees underscore a clear trajectory of ongoing double-digit earnings expansion. ROE has surged from 5.9% in 2022 to 8.1% this year, and we project a further rise to 8.7/9% in 2024-25F. BBL's valuation remains attractive, in our view, with 2024F P/BV and PE of 0.6x and 6.7x, respectively. With 18% potential upside to our new TP, we reaffirm our BUY call on the stock.

COMPANY VALUATION

Y/E Dec (Bt m)	2022A	2023F	2024F	2025F
Pre Provision Profit	69,687	87,060	92,614	95,599
Net profit	29,306	42,200	48,238	53,021
Consensus NP	—	40,384	43,963	46,481
Diff frm cons (%)	—	4.5	9.7	14.1
Norm profit	29,306	42,200	48,238	53,021
Prev. Norm profit	—	34,146	38,609	42,190
Chg frm prev (%)	—	23.6	24.9	25.7
Norm EPS (Bt)	15.4	22.1	25.3	27.8
Norm EPS grw (%)	10.6	44.0	14.3	9.9
Norm PE (x)	11.1	7.7	6.7	6.1
P/BV (x)	0.6	0.6	0.6	0.5
Div yield (%)	2.6	3.9	4.5	5.7
ROE (%)	5.9	8.1	8.7	9.0
ROA (%)	0.7	0.9	1.1	1.1

PRICE PERFORMANCE



COMPANY INFORMATION

Price: as of 23-Aug-23 (Bt)	170.00
Market Cap (US\$ m)	9,255
Listed Shares (m shares)	1,908.8
Free Float (%)	98.6
Avg. Daily Turnover (US\$ m)	33.1
12M Price H/L (Bt)	174.50/132.50
Sector	BANK
Major Shareholder	Thai NVDR 23.19%

Sources: Bloomberg, Company data, Thanachart estimates

ESG Summary Report P34

Ex 1: Earnings Revisions

	2019	2020	2021	2022	2023F	2024F	2025F
Net profits (Bt bn)							
- New	35.82	17.18	26.51	29.31	42.20	48.24	53.02
- Old					34.15	38.61	42.19
- Change (%)					23.59	24.94	25.67
Loan growth (%)							
- New	(1.05)	14.89	9.29	3.65	4.31	5.19	4.32
- Old					5.46	5.47	4.60
- Change (ppt)					(1.15)	(0.27)	(0.28)
NIM (%)							
-New	2.24	2.19	2.01	2.34	2.84	2.84	2.86
-Old					2.40	2.46	2.50
% change					0.44	0.38	0.35
Non-NII (Bt bn)							
- New	62.58	41.70	52.18	36.48	38.77	38.81	41.19
- Old					37.64	39.72	42.11
- Change (%)					3.00	(2.28)	(2.18)
Opex (Bt bn)							
- New	54.96	65.97	67.27	69.02	79.06	76.26	79.94
- Old					71.93	75.04	78.65
- Change (%)					9.91	1.63	1.64
Provisions (Bt bn)							
- New	32.35	31.20	34.13	32.65	34.00	32.00	29.00
- Old					30.00	29.00	29.00
- Change (%)					13.33	10.34	0.00
NPLs (Bt bn)							
- New	79.15	104.40	101.10	97.19	97.19	100.10	103.11
- Old					102.05	107.15	112.51
- Change (%)					(4.76)	(6.58)	(8.36)

Sources: Company data, Thanachart estimates

Ex 2: 12-month DDM-based TP Calculation Using A Base Year Of 2024F

(Bt m)	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	Terminal Value
Dividend of common shares	13,566	16,514	19,145	20,345	21,595	22,997	26,371	33,789	52,077	76,059	76,059
Dividend payment	13,566	16,514	19,145	20,345	21,595	22,997	26,371	33,789	52,077	76,059	741,688
PV of dividend	13,603	13,171	13,637	12,944	12,268	11,669	11,951	13,198	18,082	23,483	228,993
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	383,653										
No. of shares	1,909										
Equity value / share	200.00										

Sources: Company data, Thanachart estimates

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

THANACHART'S SWOT ANALYSIS

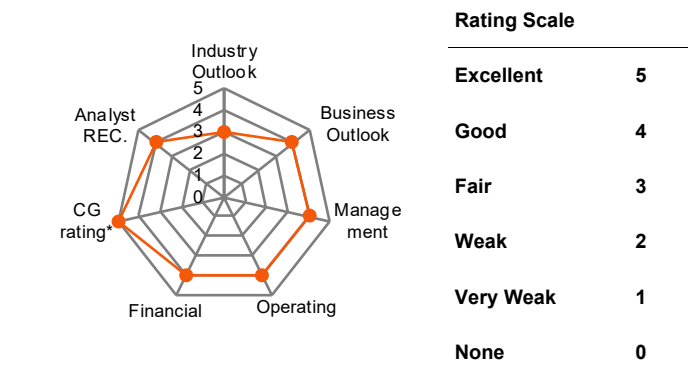
S — Strength

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

O — Opportunity

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

COMPANY RATING



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

T — Threat

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

CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	190.88	200.00	5%
Net profit 23F (Bt m)	40,384	42,200	4%
Net profit 24F (Bt m)	43,963	48,238	10%
Consensus REC	BUY: 23	HOLD: 3	SELL: 0

HOW ARE WE DIFFERENT FROM THE STREET?

- We believe we are ahead of the Bloomberg consensus in factoring in higher NIM for BBL and a provisioning decline from 2024F.
- As a result, our earnings and TP are higher.

RISKS TO OUR INVESTMENT CASE

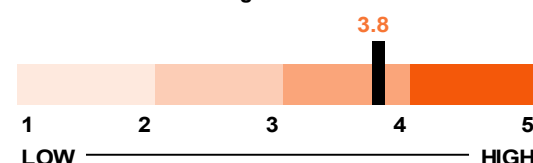
- Slower economic momentum adversely disrupting business activity would present the key downside risk to our NPL and credit cost assumptions.
- If the bank is not able to control operating expenses as we have assumed, this would present downside risks to our earnings forecasts.

Sources: Bloomberg consensus, Thanachart estimates

Source: Thanachart

BBL signed the Statement of Commitment for Sustainable Thailand 2021. The bank's approach to sustainability is based on four key pillars – efficient and effective risk management, sound human resource management, good corporate governance, and creating sustainable value for society and the environment. We assign an ESG score of 3.76 to BBL.

Thanachart ESG Rating



	SETTHSI Index	THSI Index	DJSI Index	MSCI (CCC-AAA)	ESG Book (0-100)	Refinitiv (0-100)	S&P Global (0-100)	Moody's (0-100)	CG Rating (0-5)
BBL	YES	YES	-	-	54.71	59.21	67.00	29.0	5.0

Sources: SETTRADE, SETTHSI Index, Thailand Sustainability Investment (THSI), The Dow Jones Industrial Average (DJSI), MSCI ESG Research LLC, ESG Book, Refinitiv ESG Information, S&P Global Market Intelligence, Moody's ESG Solutions, Thai IOD (CG rating)

Note: Please see third party on "term of use" in the following back page.

Factors

Our Comments

ENVIRONMENT

- Environmental Policies & Guidelines
- Energy Management
- Carbon Management
- Water Management
- Waste Management

- The bank has continuously supported many important sustainability projects, such as clean energy development across Asia, electric vehicle production, and electric mass-transit system development. BBL has also underwritten the majority of private-sector green bonds and sustainability-linked bonds issued in Thailand.
- BBL established its environmental and energy conservation policy and set a medium-term target to reduce Scope 1 and 2 greenhouse gas (GHG) emissions from its own operations, which will be closely monitored. The bank reported a 55% decrease in Scope 1 emissions and a 0.9% fall in Scope 2 emissions compared to 2020 (base year) in 2022. The 2021-23 target is to achieve a 7.5% decrease in Scope 1 and Scope 2 GHG emissions compared to 2020 (base year)
- BBL has partnered with the Hydro-Informatics Institute (Public Organization) and the Utopapat Foundation under Royal Patronage to help disadvantaged people in rural areas obtain access to water and manage it, which will enable them to have a better quality of life and gain economic stability.

SOCIAL

- Human Rights
- Staff Management
- Health & Safety
- Product Safety & Quality
- Social Responsibility

- To continuously enhance human rights and build awareness among employees, the bank is in the process of conducting human rights due diligence and it targets to review this every three years.
- BBL has social commitments of supporting financial literacy and financial inclusion. It initiated the "Fin Lit for the Blind" project. The bank continues to support its branch managers and staff in being school partners and working with schools in the CONNEXT ED Foundation to improve the quality of education, provide essential financial knowledge, and promote a savings mindset among students.
- To encourage financial inclusion, BBL has expanded its digital services to make it more convenient for people to do their banking anywhere and anytime.

GOVERNANCE & SUSTAINABILITY

- Board
- Ethics & Transparency
- Business Sustainability
- Risk Management
- Innovation

- BBL has 20 board of director members, of whom eight are independent
- BBL received an Excellent CG rating from the Corporate Governance Report of Thai Companies by the Thai Institute of Directors.
- The bank has prepared a written code of conduct and business ethics practices for directors, executives, and staff to follow. It was approved by the board of directors and posted on BBL's website.
- BBL includes phishing awareness as part of its compulsory training courses for all employees.

Source: Company data, Thanachart

INCOME STATEMENT

*Higher NIM and
investment gains*

FY ending Dec (Bt m)	2021A	2022A	2023F	2024F	2025F
Interest and Dividend Income	114,313	139,088	187,035	191,635	197,739
Interest Expenses	32,156	36,865	59,684	61,565	63,392
Net Interest Income	82,156	102,223	127,351	130,070	134,347
% of total income	61.2%	73.7%	76.7%	77.0%	76.5%
Gain on Investment	1,225	(1,454)	0	500	500
Fee Income	29,209	27,508	27,366	27,727	28,907
Gain on Exchange	17,868	5,155	7,000	6,000	7,000
Others	1,622	2,966	1,500	1,537	1,586
Non-interest Income	52,176	36,482	38,766	38,809	41,190
% of total income	38.8%	26.3%	23.3%	23.0%	23.5%
Total Income	134,332	138,705	166,117	168,878	175,537
Operating Expenses	67,266	69,019	79,057	76,264	79,938
Pre-provisioning Profit	67,066	69,687	87,060	92,614	95,599
Provisions	34,134	32,647	34,000	32,000	29,000
Pre-tax Profit	32,932	37,040	53,060	60,614	66,599
Income Tax	6,189	7,484	10,612	12,123	13,320
After Tax Profit	26,743	29,556	42,448	48,491	53,279
Equity Income	209	190	200	200	200
Minority Interest	(445)	(440)	(448)	(453)	(458)
Extraordinary Items	0	0	0	0	0
NET PROFIT	26,507	29,306	42,200	48,238	53,021
Normalized Profit	26,507	29,306	42,200	48,238	53,021
EPS (Bt)	13.9	15.4	22.1	25.3	27.8
Normalized EPS (Bt)	13.9	15.4	22.1	25.3	27.8

BALANCE SHEET

*Brighter prospects for
loan growth than the
sector, in our view*

FY ending Dec (Bt m)	2021A	2022A	2023F	2024F	2025F
ASSETS:					
Liquid Items	863,764	818,507	778,000	662,000	667,000
cash & cash equivalents	62,552	52,433	40,000	40,000	40,000
interbank & money market	801,212	766,074	738,000	622,000	627,000
Securities under resale agreeme	0	0	0	0	0
Investments	804,965	851,572	911,082	956,565	1,004,322
Net loans	2,376,027	2,449,355	2,539,135	2,667,613	2,781,554
Gross and accrued interest	2,595,828	2,692,829	2,806,815	2,952,575	3,080,161
Provisions for doubtful	219,801	243,474	267,680	284,962	298,608
Fixed assets - net	74,476	73,909	75,026	75,965	76,727
Other assets	214,049	228,409	250,000	255,000	260,000
Total assets	4,333,281	4,421,752	4,553,243	4,617,144	4,789,604
LIABILITIES:					
Liquid Items	3,453,761	3,481,187	3,573,573	3,601,133	3,735,929
Deposit	3,156,940	3,210,896	3,265,773	3,290,177	3,421,784
Interbank & money market	288,709	262,522	300,000	303,000	306,030
Liability payable on demand	8,113	7,770	7,800	7,956	8,115
Borrow ings	183,239	188,302	190,504	190,719	190,418
Other liabilities	201,688	245,122	250,000	251,000	252,000
Total liabilities	3,838,688	3,914,610	4,014,077	4,042,852	4,178,347
Minority interest	1,865	1,796	2,244	2,697	3,155
Shareholders' equity	492,727	505,346	536,922	571,595	608,102
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	66,349	54,243	54,243	54,243	54,243
Retained earnings	350,944	375,668	407,243	441,916	478,422
Liabilities & equity	4,333,281	4,421,752	4,553,243	4,617,144	4,789,604

Sources: Company data, Thanachart estimates

VALUATION

FY ending Dec	2021A	2022A	2023F	2024F	2025F
Normalized PE (x)	12.2	11.1	7.7	6.7	6.1
Normalized PE - at target price (x)	14.4	13.0	9.0	7.9	7.2
PE (x)	12.2	11.1	7.7	6.7	6.1
PE - at target price (x)	14.4	13.0	9.0	7.9	7.2
P/PPP (x)	4.8	4.7	3.7	3.5	3.4
P/PPP - at target price (x)	5.7	5.5	4.4	4.1	4.0
P/BV (x)	0.7	0.6	0.6	0.6	0.5
P/BV - at target price (x)	0.8	0.8	0.7	0.7	0.6
Dividend yield (%)	2.1	2.6	3.9	4.5	5.7
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	13.9	15.4	22.1	25.3	27.8
EPS	13.9	15.4	22.1	25.3	27.8
DPS	3.5	4.5	6.6	7.6	9.7
PPP/Share	35.1	36.5	45.6	48.5	50.1
BV/Share	258.1	264.7	281.3	299.4	318.5

Valuation still looks
inexpensive to us

FINANCIAL RATIOS

FY ending Dec	2021A	2022A	2023F	2024F	2025F
Growth Rate (%)					
Net interest income (NII)	6.6	24.4	24.6	2.1	3.3
Non-interest income (Non-II)	25.1	(30.1)	6.3	0.1	6.1
Operating expenses	2.0	2.6	14.5	(3.5)	4.8
Pre-provisioning profit (PPP)	27.1	3.9	24.9	6.4	3.2
Net profit	54.3	10.6	44.0	14.3	9.9
Normalized profit growth	54.3	10.6	44.0	14.3	9.9
EPS	54.3	10.6	44.0	14.3	9.9
Normalized EPS	54.3	10.6	44.0	14.3	9.9
Dividend payout ratio	25.2	29.3	30.0	30.0	35.0
Loan - gross	9.3	3.6	4.3	5.2	4.3
Loan - net	8.5	3.1	3.7	5.1	4.3
Deposit	12.3	1.7	1.7	0.7	4.0
NPLs	(3.2)	(3.9)	0.0	3.0	3.0
Total assets	13.3	2.0	3.0	1.4	3.7
Total equity	9.7	2.6	6.2	6.5	6.4
Operating Ratios (%)					
Net interest margin (NIM)	2.0	2.3	2.8	2.8	2.9
Net interest spread	3.3	3.8	4.5	4.5	4.4
Yield on earnings assets	2.9	3.3	4.3	4.3	4.3
Avg cost of fund	0.9	1.0	1.6	1.6	1.6
NII / operating income	61.2	73.7	76.7	77.0	76.5
Non-II / operating income	38.8	26.3	23.3	23.0	23.5
Fee income / operating income	21.7	19.8	16.5	16.4	16.5
Normalized net margin	19.7	21.1	25.4	28.6	30.2
Cost-to-income	50.1	49.8	47.6	45.2	45.5
Credit cost - provision exp / loans	1.3	1.2	1.2	1.1	0.9
PPP / total assets	1.6	1.6	1.9	2.0	2.0
PPP / total equity	14.2	14.0	16.7	16.7	16.2
ROA	0.6	0.7	0.9	1.1	1.1
ROE	5.6	5.9	8.1	8.7	9.0

Very impressive NIM
expansion

Sources: Company data, Thanachart estimates

FINANCIAL RATIOS

*Highly robust balance
sheet quality*

FY ending Dec	2021A	2022A	2023F	2024F	2025F
Liquidity and Quality Ratio (%)					
Loan-to-deposit	82.0	83.5	85.7	89.5	89.7
Loan-to-deposit & S-T borrow ing	82.0	83.5	85.7	89.4	89.7
Net loan / assets	54.8	55.4	55.8	57.8	58.1
Net loan / equity	482.2	484.7	472.9	466.7	457.4
Investment / assets	18.6	19.3	20.0	20.7	21.0
Deposit / liabilities	82.2	82.0	81.4	81.4	81.9
Liabilities / equity	779.1	774.6	747.6	707.3	687.1
Net interbank lender (Bt m)	512,504	503,553	438,000	319,000	320,970
Tier 1 CAR	16.0	15.7	15.8	16.6	17.1
Tier 2 CAR	3.6	3.5	3.3	3.2	3.1
Total CAR	19.6	19.1	19.0	19.9	20.2
NPLs (Bt m)	101,103	97,188	97,188	100,104	103,107
NPLs / Total loans (NPL Ratio)	3.9	3.6	3.5	3.4	3.3
Loan-Loss-Coverage	217.4	250.5	275.4	284.7	289.6

Sources: Company data, Thanachart estimates

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SET THSI Index (SETTHSI)

Nowadays, long-term investment tends to be more focused on sustainable companies. The financial statement performance and the consideration in environmental, social and governance (ESG) perspective are keys aspects for analysis.

SET has created a Thailand Sustainability Investment (THSI) list since 2015 for using as an alternative investment in the high performance ESG stocks for investors while, supporting the sustainable Thai companies. SET defines the sustainable companies as the companies that embrace risk management, supply chain management and innovations together with responsibility for environmental, social and governance aspects

As a result, SET has created the SETTHSI for the purpose of indicating the price of these sustainable companies that pass the market capital size and liquidity criteria.

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Score range	Description
CCC - B	LAGGARD: A company lagging its industry based on its high exposure and failure to manage significant ESG risks
BB - BBB - A	AVERAGE : A company with a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers
AA - AAA	LEADER: A company leading its industry in managing the most significant ESG risks and opportunities

The Dow Jones Sustainability Indices (DJSI)

The Dow Jones Sustainability Indices (DJSI) are a family of best-in-class benchmarks for investors who have recognized that sustainable business practices are critical to generating long-term shareholder value and who wish to reflect their sustainability convictions in their investment portfolios. The family was launched in 1999 as the first global sustainability benchmark and tracks the stock performance of the world's leading companies in terms of economic, environmental and social criteria. Created jointly by S&P Dow Jones Indices and SAM, the DJSI combine the experience of an established index provider with the expertise of a specialist in Sustainable Investing to select the most sustainable companies from across 61 industries. The indices serve as benchmarks for investors who integrate sustainability considerations into their portfolios, and provide an effective engagement platform for investors who wish to encourage companies to improve their corporate sustainability practices.

S&P Global Market Intelligence

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ESG risk combines the concepts of management and exposure to arrive at an absolute assessment of ESG risk. We identify five categories of ESG risk severity that could impact a company's enterprise value

Moody's ESG Solutions

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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.

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