

BUY (Unchanged)

Company Update

TP: Bt 180.00 (Unchanged)**Upside : 16.1%****26 SEPTEMBER 2024**

Bangkok Bank Pcl (BBL TB)

Overly discounted

BBL's recent uptick in NPLs, with its business structure being highly vulnerable to more dovish global monetary policies, has pressured the bank's share price, despite earnings meeting expectations. Supported by the largest provisioning cushion, we believe these concerns are overdone and reaffirm our BUY call with a TP of Bt180.

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Unaffected by the de-risking trend

As a mid-to-large corporate-focused bank, BBL has largely avoided the burden of legacy COVID-19 NPLs and the adverse effects of Thailand's high household debt levels. The bank's exposure to retail loans is limited to just 12%, with the majority consisting of secured housing loans. With increasing industry consolidation post-crisis, BBL is well-positioned to benefit significantly from the country's reopening. While other banks are focused on cleaning up their balance sheets and facing potential downside to their loan growth targets for 2024, BBL remains confident in stronger loan growth for the second half of 2024. The bank expects a minimum loan growth of 3% this year.

Far ahead of peers in regional expansions

With the slowdown in structural growth at home, SCBx and KBANK have diversified their banking businesses outside Thailand. KBANK views the regional expansion with AEC +3 as one of its new revenue creators. The bank lifted its stake in PT Bank Maspion Indonesia to 84.6% last year. SCB Bank is also in the process of acquiring 100% of Home Credit Vietnam. While the regional contributions of them are small at less than 5%, 25% of BBL's total loans are from its international businesses. BBL has established its footing across Asia and looks poised to capitalize on growing ASEAN economies, which benefit from the relocation of production bases away from China.

Extra provisions to cushion NIM impact

While loan volume growth has not been an issue, BBL appears to be the most susceptible to the declining interest trend. While 25% of its loan portfolio is comprised of overseas loans that could be repriced alongside the Fed Funds rate decline, it has a significant portion of domestic loans on floating rates. The bank's net interbank position is also sizable at 8% of total assets. We expect a larger NIM decline for the bank at 17bps in 2025F and another 2bps in 2026F. However, the NIM contraction impact will be cushioned by lower provisions. The recent NPL uptick does not appear alarming to the bank. BBL sees no perceived need for additional provisions and guides for credit costs of 1.0%.

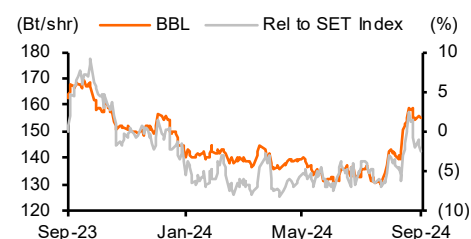
Too cheap to ignore; BUY

BBL is the second-worst performing banking stock YTD, making it too cheap to ignore. Its 2025F PE and P/BV multiples are 6.3x and 0.5x, respectively, at 30% and 12% discounts to the sector. While BBL's earnings growth and ROE expansion may be slower, this is balanced by its exceptionally strong balance sheet. BBL offers a healthy dividend yield of over 5%. We have made only minor adjustments to our earnings, and our DDM-based 12-month TP remains unchanged at Bt180.

COMPANY VALUATION

Y/E Dec (Bt m)	2023A	2024F	2025F	2026F
Pre Provision Profit	85,525	89,950	85,654	89,274
Net profit	41,636	44,960	47,118	50,009
Consensus NP	—	42,687	43,380	46,517
Diff frm cons (%)	—	5.3	8.6	7.5
Norm profit	41,636	44,960	47,118	50,009
Prev. Norm profit	—	44,485	47,270	50,954
Chg frm prev (%)	—	1.1	(0.3)	(1.9)
Norm EPS (Bt)	21.8	23.6	24.7	26.2
Norm EPS grw (%)	42.1	8.0	4.8	6.1
Norm PE (x)	7.1	6.6	6.3	5.9
P/BV (x)	0.6	0.5	0.5	0.5
Div yield (%)	4.5	4.5	5.2	5.2
ROE (%)	8.1	8.3	8.2	8.2
ROA (%)	0.9	1.0	1.0	1.1

PRICE PERFORMANCE



COMPANY INFORMATION

Price: as of 25-Sep-24 (Bt)	155.00
Market Cap (US\$ m)	9,051
Listed Shares (m shares)	1,908.8
Free Float (%)	98.5
Avg. Daily Turnover (US\$ m)	36.0
12M Price H/L (Bt)	169.50/130.00
Sector	BANK
Major Shareholder	Thai NVDR 23.74%

Sources: Bloomberg, Company data, Thanachart estimates

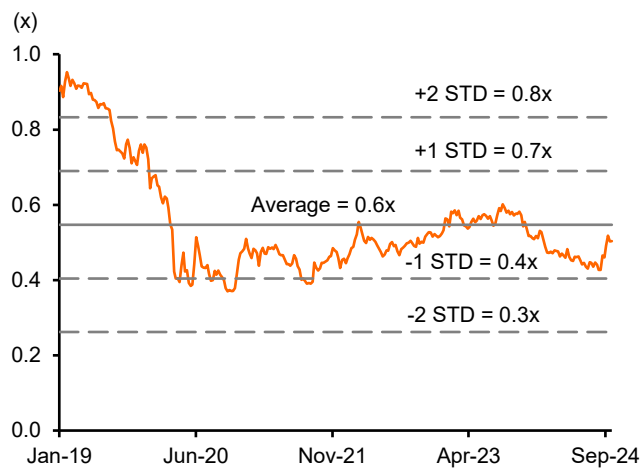
ESG Summary Report P35

Ex 1: Earnings Revision

	2019	2020	2021	2022	2023	2024F	2025F	2026F
Net profits (Bt bn)								
- New	35.82	17.18	26.51	29.31	41.64	44.96	47.12	50.01
- Old						44.49	47.27	50.95
- Change (%)						1.07	(0.32)	(1.85)
Loans growth (%)								
- New	(1.05)	14.89	9.29	3.65	(0.40)	3.06	4.06	4.08
- Old						3.06	3.62	3.63
- Change (ppt)						0.00	0.44	0.45
NIM (%)								
- New	2.24	2.19	2.01	2.34	2.93	2.94	2.77	2.75
- Old						2.81	2.75	2.78
- Change (ppt)						0.13	0.02	(0.02)
Provisioning expenses (Bt bn)								
- New	32.35	31.20	34.13	32.65	33.67	33.00	26.00	26.00
- Old						29.00	26.00	26.00
- Change (%)						13.79	0.00	(0.00)
Net fee income (Bt bn)								
- New	28.50	24.71	29.21	27.51	27.23	28.08	29.17	30.39
- Old						28.08	28.98	30.20
- Change (%)						0.00	0.65	0.64
Non-interest income (Bt bn)								
- New	62.58	41.70	52.18	36.48	36.44	37.53	39.01	40.76
- Old						38.43	39.79	41.58
- Change (%)						(2.34)	(1.96)	(1.96)
OPEX (Bt bn)								
- New	54.96	65.97	67.27	69.02	81.78	80.79	80.96	81.58
- Old						80.47	80.64	82.25
- Change (%)						0.39	0.40	(0.81)

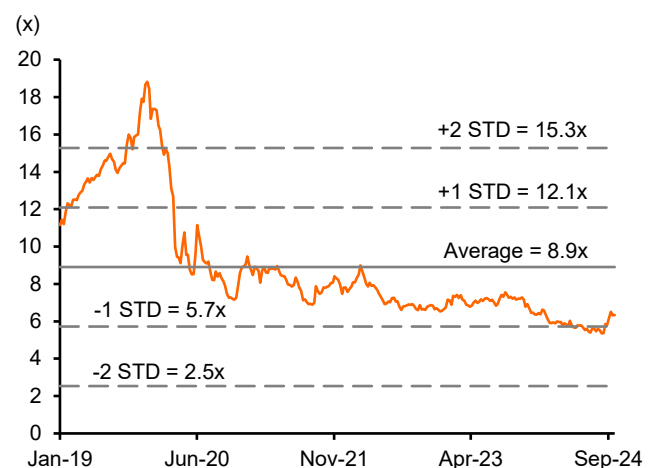
Sources: Company data, Thanachart estimates

Ex 2: STD P/BV



Sources: Bloomberg, Thanachart estimates

Ex 3: STD PE



Sources: Bloomberg; Thanachart estimates

Ex 4: 12-month DDM-based TP Calculation Using A Base Year Of 2025F

(Bt m)	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F	Terminal Value
Dividend of common shares	14,317	15,272	16,226	17,181	18,135	22,981	27,933	34,028	40,543	57,090	57,090
Dividend payment	14,317	15,272	16,226	17,181	18,135	22,981	27,933	34,028	40,543	57,090	556,711
PV of dividend	12,788	12,183	11,562	10,931	10,306	11,664	12,274	13,291	14,082	17,632	193,361
Risk-free rate (%)	3.0										
Market risk premium (%)	8.0										
Beta	1.1										
WACC (%)	12.0										
Cost of equity	12.0										
Terminal growth (%)	2.0										
Equity value	342,980										
No. of shares	1,909										
Equity value / share	180.00										

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

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
- Very solid balance sheet

O — Opportunity

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

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

- Global economic recession
- New accounting standards and regulations

CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	166.39	180.00	8%
Net profit 24F (Bt m)	42,687	44,960	5%
Net profit 25F (Bt m)	43,380	47,118	9%
Consensus REC	BUY: 19	HOLD: 7	SELL: 2

HOW ARE WE DIFFERENT FROM THE STREET?

- As we expect it to lower excess provisions, we think this is why our earnings forecast and TP are higher.

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 as we have assumed, this would present downside risks to our earnings forecasts.

Source: Thanachart

INCOME STATEMENT

Lower provisions to compensate for NIM decline

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
Interest and Dividend Income	139,088	194,365	207,426	193,259	193,637
Interest Expenses	36,865	63,504	74,218	65,654	63,546
Net Interest Income	102,223	130,860	133,208	127,605	130,091
% of total income	73.7%	78.2%	78.0%	76.6%	76.1%
Gain on Investment	(1,454)	(482)	100	100	100
Fee Income	27,508	27,234	28,079	29,169	30,392
Gain on Exchange	5,155	5,544	5,000	5,500	6,000
Others	2,966	1,814	2,000	1,863	1,867
Non-interest Income	36,482	36,440	37,532	39,009	40,760
% of total income	26.3%	21.8%	22.0%	23.4%	23.9%
Total Income	138,705	167,300	170,740	166,614	170,851
Operating Expenses	69,019	81,775	80,790	80,960	81,577
Pre-provisioning Profit	69,687	85,525	89,950	85,654	89,274
Provisions	32,647	33,667	33,000	26,000	26,000
Pre-tax Profit	37,040	51,859	56,950	59,654	63,274
Income Tax	7,484	9,993	11,390	11,931	12,655
After Tax Profit	29,556	41,865	45,560	47,723	50,619
Equity Income	190	187	200	200	200
Minority Interest	(440)	(417)	(800)	(805)	(810)
Extraordinary Items	0	0	0	0	0
NET PROFIT	29,306	41,636	44,960	47,118	50,009
Normalized Profit	29,306	41,636	44,960	47,118	50,009
EPS (Bt)	15.4	21.8	23.6	24.7	26.2
Normalized EPS (Bt)	15.4	21.8	23.6	24.7	26.2

BALANCE SHEET

Loan growth recovery in 2H24F

FY ending Dec (Bt m)	2022A	2023A	2024F	2025F	2026F
ASSETS:					
Liquid Items	818,507	802,638	698,000	651,000	604,000
cash & cash equivalents	52,433	45,518	40,000	40,000	40,000
interbank & money market	766,074	757,120	658,000	611,000	564,000
Securities under resale agreeme	0	0	0	0	0
Investments	851,572	973,690	1,002,859	1,052,931	1,105,508
Net loans	2,449,355	2,425,661	2,492,590	2,598,897	2,707,928
Gross and accrued interest	2,692,829	2,684,327	2,762,226	2,874,473	2,991,610
Provisions for doubtful	243,474	258,666	269,636	275,577	283,682
Fixed assets - net	73,909	72,855	74,337	75,657	76,816
Other assets	228,409	239,641	280,000	285,000	290,000
Total assets	4,421,752	4,514,484	4,547,786	4,663,485	4,784,252
LIABILITIES:					
Liquid Items	3,481,187	3,527,658	3,499,000	3,580,180	3,664,514
Deposit	3,210,896	3,184,283	3,190,000	3,268,000	3,349,120
Interbank & money market	262,522	334,219	300,000	303,000	306,030
Liability payable on demand	7,770	9,156	9,000	9,180	9,364
Borrow ings	188,302	212,505	205,557	205,470	205,356
Other liabilities	245,122	243,491	280,000	281,000	282,000
Total liabilities	3,914,610	3,983,654	3,984,557	4,066,650	4,151,869
Minority interest	1,796	1,855	2,655	3,460	4,270
Shareholders' equity	505,346	528,975	560,574	593,375	628,112
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	54,243	44,270	44,270	44,270	44,270
Retained earnings	375,668	409,270	440,867	473,669	508,406
Liabilities & equity	4,421,752	4,514,484	4,547,786	4,663,485	4,784,252

Sources: Company data, Thanachart estimates

VALUATION

FY ending Dec	2022A	2023A	2024F	2025F	2026F
Normalized PE (x)	10.1	7.1	6.6	6.3	5.9
Normalized PE - at target price (x)	11.7	8.3	7.6	7.3	6.9
PE (x)	10.1	7.1	6.6	6.3	5.9
PE - at target price (x)	11.7	8.3	7.6	7.3	6.9
P/PPP (x)	4.2	3.5	3.3	3.5	3.3
P/PPP - at target price (x)	4.9	4.0	3.8	4.0	3.8
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	0.5
Dividend yield (%)	2.9	4.5	4.5	5.2	5.2
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	15.4	21.8	23.6	24.7	26.2
EPS	15.4	21.8	23.6	24.7	26.2
DPS	4.5	7.0	7.0	8.0	8.0
PPP/Share	36.5	44.8	47.1	44.9	46.8
BV/Share	264.7	277.1	293.7	310.8	329.0

Overly punished on rising NPLs and expected declining interest rates

FINANCIAL RATIOS

FY ending Dec	2022A	2023A	2024F	2025F	2026F
Growth Rate (%)					
Net interest income (NII)	24.4	28.0	1.8	(4.2)	1.9
Non-interest income (Non-II)	(30.1)	(0.1)	3.0	3.9	4.5
Operating expenses	2.6	18.5	(1.2)	0.2	0.8
Pre-provisioning profit (PPP)	3.9	22.7	5.2	(4.8)	4.2
Net profit	10.6	42.1	8.0	4.8	6.1
Normalized profit growth	10.6	42.1	8.0	4.8	6.1
EPS	10.6	42.1	8.0	4.8	6.1
Normalized EPS	10.6	42.1	8.0	4.8	6.1
Dividend payout ratio	29.3	32.1	29.7	32.4	30.5
Loan - gross	3.6	(0.4)	3.1	4.1	4.1
Loan - net	3.1	(1.0)	2.8	4.3	4.2
Deposit	1.7	(0.8)	0.2	2.4	2.5
NPLs	(3.9)	(11.6)	16.3	3.0	3.0
Total assets	2.0	2.1	0.7	2.5	2.6
Total equity	2.6	4.7	6.0	5.9	5.9
Operating Ratios (%)					
Net interest margin (NIM)	2.3	2.9	2.9	2.8	2.8
Net interest spread	3.8	4.6	4.6	4.4	4.4
Yield on earnings assets	3.3	4.5	4.7	4.3	4.2
Avg cost of fund	1.0	1.7	2.0	1.8	1.7
NII / operating income	73.7	78.2	78.0	76.6	76.1
Non-II / operating income	26.3	21.8	22.0	23.4	23.9
Fee income / operating income	19.8	16.3	16.4	17.5	17.8
Normalized net margin	21.1	24.9	26.3	28.3	29.3
Cost-to-income	49.8	48.9	47.3	48.6	47.7
Credit cost - provision exp / loans	1.2	1.3	1.2	0.9	0.9
PPP / total assets	1.6	1.9	2.0	1.9	1.9
PPP / total equity	14.0	16.5	16.5	14.8	14.6
ROA	0.7	0.9	1.0	1.0	1.1
ROE	5.9	8.1	8.3	8.2	8.2

NIM slowdown but not a collapse

Sources: Company data, Thanachart estimates

FINANCIAL RATIOS

FY ending Dec	2022A	2023A	2024F	2025F	2026F
Liquidity and Quality Ratio (%)					
Loan-to-deposit	83.5	83.9	86.3	87.7	89.1
Loan-to-deposit & S-T borrowing	83.5	83.9	86.3	87.7	89.0
Net loan / assets	55.4	53.7	54.8	55.7	56.6
Net loan / equity	484.7	458.6	444.6	438.0	431.1
Investment / assets	19.3	21.6	22.1	22.6	23.1
Deposit / liabilities	82.0	79.9	80.1	80.4	80.7
Liabilities / equity	774.6	753.1	710.8	685.3	661.0
Net interbank lender (Bt m)	503,553	422,900	358,000	308,000	257,970
Tier 1 CAR	15.7	16.1	17.0	17.7	18.3
Tier 2 CAR	3.5	3.4	3.4	3.3	3.2
Total CAR	19.1	19.6	20.5	21.0	21.6
NPLs (Bt m)	97,188	85,955	100,000	103,000	106,090
NPLs / Total loans (NPL Ratio)	3.6	3.2	3.6	3.6	3.5
Loan-Loss-Coverage	250.5	300.9	269.6	267.6	267.4

Sources: Company data, Thanachart estimates

Too high loan loss coverage, in our view

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Score range	Description
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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

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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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90-100	▲▲▲▲▲	Excellent
80-89	▲▲▲▲	Very Good
70-79	▲▲▲	Good
60-69	▲▲	Satisfactory
50-59	▲	Pass
Below		N/A

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