

Company Update

Monday, April 29, 2024



I V Global Securities Public Company Limited

Bangkok Bank Plc (BBL)

Rating: BUY

Fair price: Bt175.7

Close price: Bt136.0

Company Information

Ticker:	BBL TB
Sector:	Financials/ Banking
Shares outstanding (m):	1,908.84
Market capitalization (Btm):	259,602.63
Trading vol/day (Btm):	1,207.10
Free float (%):	98.56
Beta:	0.51

Major Shareholders

Thai NVDR	22.36%
City Realty Co.	4.01%
Social Security	3.11%

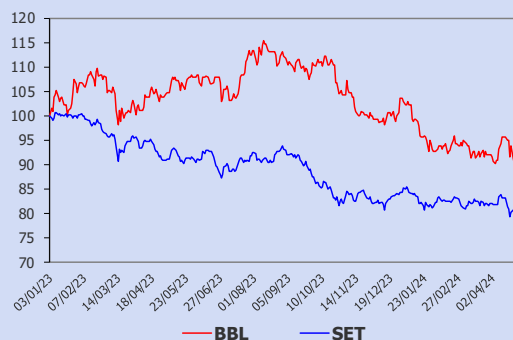
Consensus Bloomberg

2024F EPS (Bt):	22.70
Target price (Bt):	170.58

Price Performance

52 Wk high/low:	175.0/135.5
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	1M	3M	1Y	YTD
Absolute (%)	-2.9	-2.9	-13.7	-13.1
Relative (%)	-1.6	-2.3	-1.7	-9.2



Rating	CGR	Thai CAC	SET ESG
BBL		Certified	AA

Analyst

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A slim impact from rate cut

- Event:** On Friday, 26 April, BBL announced that the bank will cut its minimum retail lending rates (MRR) by 25bps for six months, effective from 29 April. The current minimum retail rate will be cut from 7.30% to 7.05%.

	29 September 2023	29 April 2024
MLR (Minimum lending rate)	7.10%	7.10%
MOR (Minimum overdraft rate)	7.55%	7.55%
MRR (Minimum retail rate)	7.30%	7.05%
Deposit (Savings)	0.45%	0.45%
Fixed deposit rates	1.20-1.60%	1.20-1.60%

- Our comment.** Previously, the Prime Minister had repeatedly asked the Bank of Thailand to lower the policy rate (with the last meeting on 10 April maintaining the policy rate at 2.5%) in a bid to help reduce the interest burden for vulnerable borrowers. BBL is the first mover to announce an MRR rate cut. The move also follows the Thai Bankers' Association's recent decision for members to cut their interest rates to respond to the request by the government.
- We foresee only a small impact on BBL's net interest margin. Based on our understanding, the MRR rate cut will apply to mortgage loans, which account for 80% of its total consumer loan portfolio. The consumer loan portfolio contributes about 12% of total loans. Therefore, the net impact on the lending portion is estimated at about 10% of the total loan portfolio for the bank. We estimate NIM to be hit by about 0.025bps. During 1Q24, the average yield on earning assets was 4.73%, while the cost of funds was 1.97%. NIM was 3.06% in 1Q24, versus 3.19% in 4Q23 and 2.84% in 1Q23.
- In terms of bottom-line net profit, we estimate the 25bps MRR rate cut on mortgage lending to hit 2024 earnings by about 0.6%, assuming everything else is equal and the rate cut applies for a six-month period.
- Maintain BUY.** We prefer to maintain our earnings estimates and BUY call on BBL with a price target of Bt175.7, based on 0.6x end-2024F book value. The stock trades at a 5.9x earnings multiple for 2024F. The downside risk to our earnings forecasts lies with global economic uncertainty, which may continue to hit the export sectors, and uncertainty over the stability of the current Thai government.

Investment summary

FY Dec 31	2021	2022	2023	2024F	2025F	2026F
Net profit (Btm)	26,507	29,306	41,636	43,849	45,330	47,307
Change (%)	54.3	10.6	42.1	5.3	3.4	4.4
PPOP (Btm)	67,275	69,876	85,712	86,624	89,745	93,540
Change (%)	27.5	3.9	22.7	1.1	3.6	4.2
EPS (Bt)	13.89	15.35	21.81	22.97	23.75	24.78
Change (%)	54.3	10.6	42.1	5.3	3.4	4.4
P/E (x)	9.8	8.9	6.2	5.9	5.7	5.5
DPS (Bt)	3.50	4.50	6.50	6.89	7.12	7.44
Yield (%)	2.6	3.3	4.8	5.1	5.2	5.5
BVPS (Bt)	258.13	264.74	277.12	293.59	310.45	328.10
P/BV (x)	0.5	0.5	0.5	0.5	0.4	0.4
ROAA (%)	0.6	0.7	0.9	1.0	1.0	1.0
ROAE (%)	5.6	5.9	8.1	8.1	7.9	7.8

Source: Company and IVG estimates

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Results

Btm	1Q24	1Q23	% YoY	4Q23	% QoQ	2023	2022	% YoY
Net interest income	33,422	30,078	11.1	35,165	-5.0	130,860	102,223	28.0
Non-interest income								
Fee income	6,927	7,122	-2.7	6,768	2.3	27,234	27,508	-1.0
Others	1,333	3,093	-56.9	245	444.9	9,393	9,164	2.5
Total	8,260	10,215	-19.1	7,013	17.8	36,627	36,672	-0.1
Operating expense	19,618	18,850	4.1	23,607	-16.9	81,775	69,019	18.5
PPOP	22,064	21,443	2.9	18,572	18.8	85,712	69,876	22.7
ECL	8,582	8,474	1.3	7,343	16.9	33,667	32,647	3.1
Pre-tax profits	13,483	12,969	4.0	11,228	20.1	52,046	37,229	39.8
Tax	2,849	2,728	4.5	2,281	24.9	9,993	7,484	33.5
Net profit	10,524	10,129	3.9	8,863	18.7	41,636	29,306	42.1
EPS (Bt)	5.51	5.31	3.9	4.64	18.7	21.81	15.35	42.1

Source: Company and IVG estimates

Key ratios

(%)	1Q23	2Q23	3Q23	4Q23	1Q24
Net loan growth, YTD	-1.6	0.6	1.5	-0.4	2.4
Net loan growth, YoY	2.0	1.7	-2.6	-0.4	3.6
NIM	2.84	2.91	3.11	3.19	3.06
Fee income, YoY	2.4	-2.3	-1.4	-2.7	-2.7
Non-int income, YoY	9.1	2.7	-17.3	9.0	-19.1
Cost to income	46.8	47.4	45.1	56.0	47.1
Loan-to-deposit	82.3	84.3	86.1	83.9	85.6
Credit cost (bps)	128.4	128.6	128.9	126.0	125.4
NPL	3.10	2.90	3.00	2.70	3.00
LLR/NPL	265.1	287.1	283.3	314.7	291.7
Tier I	15.7	15.7	16.2	16.1	16.3
Total CAR	19.2	19.1	19.6	19.6	19.7

Source: Company and IVG estimates

Quarterly performance

Btm	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23
Net interest income	21,747	23,526	26,496	30,454	30,078	31,487	34,130	35,165
Non-interest income								
Fee income	6,957	6,726	6,866	6,958	7,122	6,571	6,773	6,768
Others	2,406	3,940	3,345	(527)	3,093	4,385	1,670	245
Total	9,363	10,666	10,211	6,431	10,215	10,956	8,443	7,013
Operating expense	15,507	17,435	17,006	19,071	18,850	20,111	19,208	23,607
PPOP	15,604	16,757	19,701	17,815	21,443	22,333	23,365	18,572
Provisions	6,490	8,354	9,889	7,914	8,474	8,880	8,969	7,343
Pre-tax profits	9,114	8,403	9,812	9,900	12,969	13,453	14,396	11,228
Tax	1,875	1,319	2,032	2,257	2,728	2,047	2,938	2,281
Net profit	7,118	6,961	7,657	7,569	10,129	11,294	11,350	8,863
EPS (Bt)	3.73	3.65	4.01	3.97	5.31	5.92	5.95	4.64

Source: Company and IVG estimates

Key ratios

(%)	1Q22	2Q22	3Q22	4Q22	2021	2022	2023
Net loan growth, YTD	-0.3	2.1	7.7	3.1	8.6	3.1	-0.4
Net loan growth, YoY	8.6	9.0	10.4	3.1	8.6	3.1	-0.4
NIM	2.11	2.24	2.49	2.84	2.10	2.42	3.02
Fee income, YoY	-5.1	-2.5	-6.9	-8.5	18.2	-5.8	-1.0
Non-int income, YoY	-16.1	-22.7	-25.6	-53.0	25.7	-30.0	-0.1
Cost to income	49.8	51.0	46.3	51.7	50.0	49.7	48.8
Loan-to-deposit	81.0	84.3	88.4	83.5	82.0	83.5	83.9
Credit cost (bps)	100.3	111.9	117.9	121.7	131.9	121.7	126.0
NPL	3.30	3.40	3.50	3.10	3.20	3.10	2.70
LLR/NPL	229.0	232.5	240.1	260.8	225.8	260.8	314.7
Tier I	16.0	15.4	15.2	15.7	16.0	15.7	16.1
Total CAR	19.5	18.9	18.5	19.1	19.6	19.1	19.6

Source: Company and IVG estimates

BBL

E: Environmental

- Doing business in a responsible way that helps support sustainable activities, increases financial literacy and financial inclusion, strengthens communities, and protects the environment

S: Social

- Creating a safe, fair and supportive working environment where our people can continuously develop their skills and fulfill their personal and professional aspirations

G: Governance

- Managing risks to safeguard the financial health of customers, protect the Bank's business and ensure we can be resilient amid crises and challenges.
- Placing customers at the center of our decisions, providing them with innovative, seamless, and secure services and building and maintaining strong customer relationships
- Cultivating good governance, complying with laws and regulations, and encouraging our suppliers to adhere to good business conduct, while respecting human rights and opposing any form of corruption

Comment

BBL has been awarded a SET ESG rating of AA, indicating a strong commitment to Environmental, Social, and Governance (ESG) practices, as well as clear long-term objectives in this regard. Furthermore, the company demonstrates the ability to execute short-term goals effectively.

Source: Company and IVG estimate

I V Global Investment Research – Recommendation Definitions

Sector Recommendations

OVERWEIGHT: The industry, as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index by at least 10% over the next 12 months.

NEUTRAL: The industry, as defined by the analyst's coverage universe, is expected to perform in line with the relevant primary market index over the next 12 months.

UNDERWEIGHT: The industry, as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index by 10% over the next 12 months.

Stock Recommendations

BUY: Expecting positive total returns of 15% or more over the next 12 months.

HOLD: Expecting total returns of not more than -10% to +10% over the next 3 months.

SELL: Expecting negative total returns of 15% or more over the next 12 months

Anti-corruption Progress Indicator Definitions

Level 5 Extended	Extension of the anti-corruption policy to business partners in the supply chain, and disclosure of any current investigations, prosecutions or closed cases
Level 4 Certified	Audit engagement by audit committee or auditors approved by the office of SEC, and receiving certification or assurance by independent external assurance providers (CAC etc.)
Level 3 Established	Carrying out preventive measures, risk assessment, communication and training for all employees, including consistent monitoring and review processes. (3A: Established by Declaration of Intent, 3B: Established by Internal Commitment and Policy)
Level 2 Declared	Public declaration statement to participate in Thailand's private sector Collective Action Coalition Against Corruption (CAC) or equivalent initiatives
Level 1 Committed	Organization's statement or board's resolution to work against corruption and to be in compliance with all relevant laws
Partially progress	Insufficient or not clearly defined policy
No progress	Data not available / no policy

Corporate Governance Report (CGR)

	Excellent
	Very good
	Good

Disclaimers

The disclosure of the survey result of corporate governance, which is surveyed by the Thai Institute of Directors Association ("IOD"), and the Anti-Corruption Progress Indicators, which is assessed by Thaipat Institute, are the disclosure of the survey or assessment result based on the information received from the listed company that was stipulated in the form for Annual Corporate Governance Report of Thai Listed Companies (CGR) and the form for the assessment of Anti-corruption that refers to the Annual Registration Statement (Form 56-1), Annual Report (Form 56-2) or other relevant documents or reports of such listed company (as the case may be). The survey or assessment result is based on the information of the listed company, which is disclosed to the public and can be accessed by all investors, and is made in order to comply with the policy of the Office of the Stock Exchange of Thailand.

Nevertheless, the survey or assessment result is made from the perspective of the IOD or Thaipat Institute that are the third party only. It is not an assessment of operation of the listed company and is not based on any inside information."

Since this survey or assessment result is only the survey or assessment result as of the date appearing in the survey or assessment result only, it may be changed after that date or when there is any change to the relevant information. Nevertheless, I V Global Securities Plc. (IVG) does not confirm, verify, or certify the accuracy and completeness of the survey or assessment result.



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