

18 December 2023

Financial Services | Banks

## Bangkok Bank (BBL TB)

# Buy

Stay With a Highly Defensive Stock; Initiate BUY

Target Price (Return): THB192 (+26%)  
 Price (Market Cap): THB152 (USD8,304m)  
 ESG score: 3.1 (out of 4)  
 Avg Daily Turnover (THB/USD) 976m/26.9m

- Initiating coverage with a BUY and THB192 TP, 26% upside and c.4% FY24F yield.** Given the expected modest recovery of Thailand's economy for 2024, with lingering challenges on asset quality, we prefer sticking to Bangkok Bank, our sector's top defensive stock and Top Pick. We see four key catalysts to drive share price vs peers: i) Top defensive play, ii) the bank's outstanding international presence, iii) resilient earnings outlook, and iv) appealing valuation.
- Top defensive play.** We believed BBL is well positioned to be the main gainer from Thailand's modest economic recovery (with RHB's GDP growth of 4% for 2024F vs 2.5% for 2023F) and to handle well any headwinds, especially challenges on asset quality. The bank's high reserve cushion of 283% and lower risk portfolio mix, with lesser exposure to SMEs (19% vs c.31% for the sector) and unsecured retail loans, should help support BBL from any unexpected headwinds.
- International operations – another main growth engine.** We expect BBL's superior international presence vs peers to continue to boost its earnings, offsetting the mild growth in its domestic operations. PBT contribution from overseas operations should increase to c.34% in 9M23 vs 12% in 2012, particularly from Bank Permata (BNLI IJ, NR), which contributed around the mid-teens percentage of BBL's earnings for 9M23. We expect this positive momentum to continue.
- Resilient earnings with high reserves as an earnings buffer.** We expect BBL to continue showing resilient net profit growth of 7% in 2024 following its high base growth of 47% in 2023F, backed mainly by improving loans growth, lower credit cost and continual boost from its overseas operations. We also see its ample reserves leaving more room to cut credit cost to manage its bottomline growth in case of any unexpected headwinds.
- Appealing valuation provides a good entry point.** We believe BBL's inexpensive valuation – 2024F P/BV of just 0.5x and P/E of 6.3x, or below -1SD – provides investors with a good buying opportunity for the long term. Our GGM-based 2024F TP of THB192 (for an implied target P/BV of 0.66x), based on 8.1% ROE and 10.8% CoE, also incorporates a 2% ESG discount to its intrinsic value.
- Risks.** Key downside risks should come from the changes in asset quality and potential rate cut.

### Analysts

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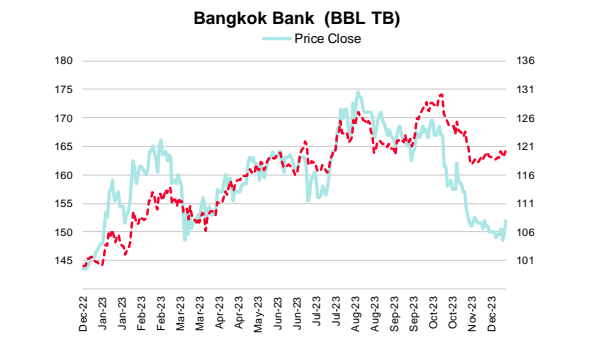


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### Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	2.7	0.3	(9.8)	(6.2)	5.9
Relative	19.3	2.0	0.0	4.5	20.1
52-wk Price low/high (THB)	144 – 175				



Source: Bloomberg

Forecasts and Valuation	Dec-21	Dec-22	Dec-23F	Dec-24F	Dec-25F
Reported net profit (THBm)	26,507	29,305	42,971	45,864	48,727
Net profit growth (%)	54.3	10.6	46.6	6.7	6.2
Recurring net profit (THBm)	26,507	29,305	42,971	45,864	48,727
Recurring EPS (THB)	13.89	15.35	22.51	24.03	25.53
BVPS (THB)	258.13	264.74	281.90	299.10	317.32
DPS (THB)	3.50	4.50	6.00	6.50	7.00
Recurring P/E (x)	10.95	9.90	6.75	6.33	5.95
P/B (x)	0.59	0.57	0.54	0.51	0.48
Dividend Yield (%)	2.3	3.0	3.9	4.3	4.6
Return on average equity (%)	5.6	5.9	8.2	8.3	8.3

Source: Company data, RHB

### Overall ESG Score: 3.1 (out of 4)

#### E: GOOD

BBL is guided by globally recognised sustainability frameworks, namely the United Nations Sustainable Development Goals. The bank has a responsible lending policy to foster effective ESG risk management, and entails setting up an exclusion list as well as incorporation of climate change issues into the bank's risk assessment process.

#### S: GOOD

BBL's 2020-2022 targets include development of products and services for vulnerable groups, including SMEs, to promote access to financial services and improve financial literacy to empower farmers and SMEs. BBL encourages its employees to participate in social activities of their preference so that they can take pride in their contributions to the community and feel further inspired to do their best in their duties.

#### G: EXCELLENT

BBL has an "Excellent" rating from the Corporate Governance Report of Thai Companies by the Thai Institute of Directors. It has committed to the highest ethical and corporate governance standards, in accordance with local and international regulatory rules.

## Financial Exhibits

Asia	Financial summary (THB)	Dec-21	Dec-22	Dec-23F	Dec-24F	Dec-25F
Thailand	EPS	13.89	15.35	22.51	24.03	25.53
Financial Services	Recurring EPS	13.89	15.35	22.51	24.03	25.53
<b>Bangkok Bank</b>	DPS	3.50	4.50	6.00	6.50	7.00
BBL TB	BVPS	258.13	264.74	281.90	299.10	317.32
Buy						
	<b>Valuation metrics</b>	<b>Dec-21</b>	<b>Dec-22</b>	<b>Dec-23F</b>	<b>Dec-24F</b>	<b>Dec-25F</b>
	Recurring P/E (x)	10.95	9.90	6.75	6.33	5.95
	P/B (x)	0.6	0.6	0.5	0.5	0.5
	Dividend Yield (%)	2.3	3.0	3.9	4.3	4.6
<b>Valuation basis</b>						
Our GGM assumptions include:						
i. COE of 10.8%						
ii. ROE of 8.1%; and						
iii. 3.0% long term growth.						
	<b>Income statement (THBm)</b>	<b>Dec-21</b>	<b>Dec-22</b>	<b>Dec-23F</b>	<b>Dec-24F</b>	<b>Dec-25F</b>
	Interest income	114,312	139,088	194,527	210,214	217,919
	Interest expense	(32,156)	(36,865)	(63,364)	(77,352)	(80,580)
	<b>Net interest income</b>	<b>82,156</b>	<b>102,223</b>	<b>131,163</b>	<b>132,862</b>	<b>137,339</b>
	Non interest income	52,385	36,672	38,088	38,289	39,190
	<b>Total operating income</b>	<b>134,541</b>	<b>138,895</b>	<b>169,251</b>	<b>171,151</b>	<b>176,529</b>
	Overheads	(67,266)	(69,019)	(79,889)	(79,889)	(81,647)
	<b>Pre-provision operating profit</b>	<b>67,275</b>	<b>69,876</b>	<b>89,362</b>	<b>91,261</b>	<b>94,881</b>
	Loan impairment allowances	(34,134)	(32,647)	(35,021)	(33,355)	(33,379)
	<b>Pre-tax profit</b>	<b>33,141</b>	<b>37,229</b>	<b>54,341</b>	<b>57,907</b>	<b>61,502</b>
	Taxation	(6,189)	(7,484)	(10,923)	(11,581)	(12,300)
	Minority interests	(445)	(440)	(448)	(461)	(475)
	<b>Reported net profit</b>	<b>26,507</b>	<b>29,305</b>	<b>42,971</b>	<b>45,864</b>	<b>48,727</b>
	<b>Recurring net profit</b>	<b>26,507</b>	<b>29,305</b>	<b>42,971</b>	<b>45,864</b>	<b>48,727</b>
	<b>Profitability ratios</b>	<b>Dec-21</b>	<b>Dec-22</b>	<b>Dec-23F</b>	<b>Dec-24F</b>	<b>Dec-25F</b>
	Return on average assets (%)	0.6	0.7	1.0	1.0	1.0
	Return on average equity (%)	5.6	5.9	8.2	8.3	8.3
	Return on IEAs (%)	2.9	3.2	4.4	4.6	4.6
	Cost of funds (%)	0.9	1.0	1.7	2.0	2.0
	Net interest spread (%)	1.9	2.2	2.7	2.6	2.6
	Net interest margin (%)	2.1	2.4	3.0	2.9	2.9
	Non-interest income / total income (%)	38.9	26.4	22.5	22.4	22.2
	Cost to income ratio (%)	50.0	49.7	47.2	46.7	46.3
	Credit cost (bps)	138	124	128	117	112
	<b>Balance sheet (THBm)</b>	<b>Dec-21</b>	<b>Dec-22</b>	<b>Dec-23F</b>	<b>Dec-24F</b>	<b>Dec-25F</b>
	Total gross loans	2,588,339	2,682,691	2,786,047	2,900,419	3,034,440
	Other interest earning assets	1,689,190	1,691,261	1,726,792	1,751,424	1,761,370
	Total gross IEAs	4,277,529	4,373,952	4,512,839	4,651,843	4,795,810
	Total provisions	(219,801)	(243,474)	(278,495)	(300,849)	(323,228)
	Net loans to customers	2,368,538	2,439,217	2,507,552	2,599,569	2,711,211
	Total net IEAs	4,057,728	4,130,479	4,234,344	4,350,993	4,472,581
	Total non-IEAs	275,553	291,273	316,356	330,268	338,767
	Total assets	4,333,281	4,421,752	4,550,700	4,681,262	4,811,348
	Customer deposits	3,156,940	3,210,896	3,220,528	3,317,144	3,416,658
	Other interest-bearing liabilities	471,948	450,823	554,567	564,511	568,530
	Total IBLs	3,628,888	3,661,719	3,775,096	3,881,655	3,985,189
	Total non-IBLs	209,801	252,891	235,583	226,658	218,321
	Total liabilities	3,838,688	3,914,610	4,010,679	4,108,312	4,203,510
	Share capital	19,088	19,088	19,088	19,088	19,088
	Shareholders' equity	492,727	505,346	538,099	570,932	605,720
	Minority interests	1,865	1,796	1,922	2,018	2,119
	<b>Asset quality and capital</b>	<b>Dec-21</b>	<b>Dec-22</b>	<b>Dec-23F</b>	<b>Dec-24F</b>	<b>Dec-25F</b>
	Reported NPLs / gross cust loans (%)	3.9	3.6	3.6	3.7	3.7
	Total provisions / reported NPLs (%)	217.4	250.5	279.5	283.8	288.3
	CET-1 ratio (%)	15.1	14.9	15.7	15.8	16.0
	Tier-1 ratio (%)	16.0	15.7	16.5	16.6	16.7
	Total capital ratio (%)	19.6	19.1	19.9	19.8	19.8

Source: Company data, RHB

### Top defensive play

Sectorally, we believe BBL remains in the best position to gain from Thailand's estimated modest economic growth in 2024 as well as handle any unexpected headwinds, especially lingering asset quality pressure. This is thanks to its high reserve cushion (283% as of 3Q23) and lower risk loan structure with lesser exposure to SME loans (19% vs sector average of c.31%) and unsecured consumer loans.

Note that RHB Economics projects GDP growth for 2024 or +4% higher than the Bank of Thailand's (BoT) forecast of +3.2% without the digital wallet scheme (+3.8% with digital wallet scheme). This is in comparison to RHB and BoT's forecasts of +2.5% and +2.4% for 2023 (Figures 1 and 2). Meanwhile, the potential downside risk could come from a delay in fiscal budget disbursement, recovery of Chinese tourist arrivals, and uncertainty of the digital wallet scheme.

We still expect corporate loan demand to remain the main loan growth driver for 2024 – BBL to continue to be the primary gainer of this impetus, thanks to its higher corporate loan exposure at 44% vs c.35% for the sector average. We see the continuing higher loan demand, specifically in mass transit/infrastructure projects, ie mass rapid transit and high-speed rail projects linking three airports and private investments in EV-related projects. Additionally, we expect to see a shift from funding in the bond market to bank borrowings in the midst of the rate peak cycle.

Meanwhile, the primary challenges for the Thailand's banking sector for 2024 could come from the lingering asset quality pressure likely caused by the end of BoT's pre-COVID relief programme in 2023 and the system's higher rollover risk of low-graded corporate bonds, especially in smaller corporates and SMEs. We see BBL facing less risk vs peers given its lower exposure to SMEs (19% vs the sector average of c.31%) and the bank's SME clients mainly being in mid- to large-sized SMEs that are less vulnerable vs small and micro SMEs.

BBL's high reserve cushion – LLC ratio of 283% in 3Q23 vs the sector average of c.170% – and its higher LLR to loan ratio of 9.8% vs peers' 5-6% (Figures 3 and 4) leaves more room for BBL to cut its credit cost to stabilise earnings. This is in case of any unexpected headwinds.

Management guided that, out of its 9M23 total credit cost of THB26bn (130bps), around 70bps or c.60% was normalised credit cost while c.40% was set as management overlay buffer.

Figure 1: RHB's key economic forecasts

	2022	2023F	2024F	1H23	2H23F	1H24F	2H24F
Real GDP Growth (% YoY)	2.6	2.5	4.0	2.2	2.8	4.2	3.8
Contribution to real GDP Growth (%)							
Private Consumption	3.4	4.3	2.7	3.8	4.8	3.2	2.3
Gross Fixed Capital Formation	0.6	0.4	0.1	0.4	0.4	0.3	-0.2
Government Consumption	0.0	-0.7	-0.6	-0.8	-0.7	-0.5	-0.8
Net Exports	1.8	3.9	2.9	2.0	5.8	3.7	2.1
CPI	6.1	1.0	2.0	2.5	0.2	1.0	3.0
Policy Interest Rate	1.25	2.50	2.50	2.00	2.50	2.50	2.50
Current Account Balance (% of GDP)	-3.0	0.7	3.0	-0.2	1.5	3.8	1.2
Fiscal Balance (% of GDP)	-2.7	-3.2	-3.5	-2.3	-4.1	-3.5	-3.5

Source: CEIC, RHB Economics & Market Strategy

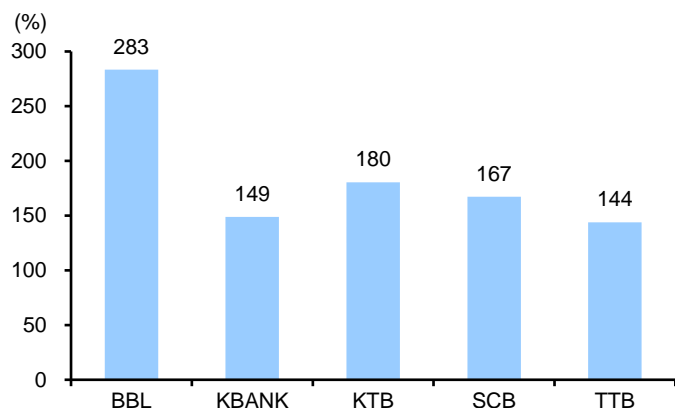
Figure 2: BoT's macroeconomic projections as of Nov 2023

Annual percentage change	2022*	2023	2024		2025	
			excl. DW <sup>1</sup>	incl. DW	excl. DW	incl. DW
GDP growth	2.6	2.4	3.2	3.8	3.1	2.8
Domestic demand	4.1	3.7	2.9	3.7	3.1	2.5
Private consumption	6.3	7.1	3.2	4.5	3.0	2.1
Private investment	5.1	2.4	3.6	3.9	4.5	4.1
Government consumption	0.2	-4.0	1.1	1.1	2.8	2.8
Public investment	-4.9	0.5	2.7	2.7	1.4	1.4
Exports of goods and services	6.8	2.4	5.6	5.6	3.8	3.8
Import of goods and services	4.1	-2.0	4.9	5.2	3.6	3.2
Current account (billion, U.S. dollar)	-15.7	5.0	10.0	8.3	14.8	13.8
Value of merchandise exports (%YoY)	5.4	-1.5	4.3	4.3	3.3	3.3
Value of merchandise imports (%YoY)	14.0	-1.8	5.3	5.7	2.9	2.7
Number of foreign tourists (million persons)	11.2	28.3	34.5	34.5	39.0	39.0
Dubai crude oil price (U.S. dollar per barrel)	96.5	82.0	85.0	85.0	85.0	85.0
Headline inflation	6.1	1.3	2.0	2.2	1.9	2.0
Core inflation	2.5	1.3	1.2	1.5	1.3	1.4

Note: \* Outturns  
<sup>1</sup> Digital Wallet scheme

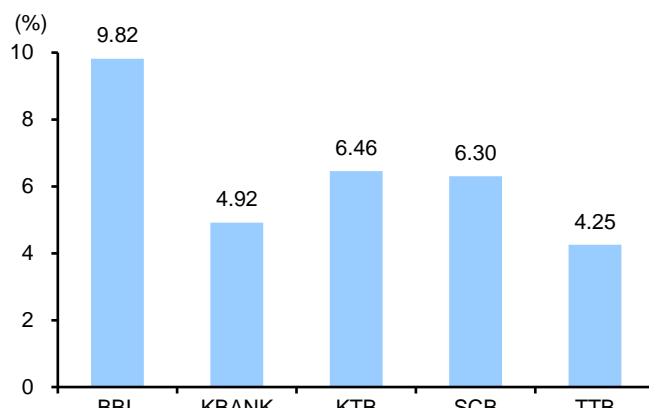
Source: Bank of Thailand (BoT)

Figure 3: LLC ratio (3Q23)



Source: Company data, RHB

Figure 4: Loan loss reserve to loan ratio (3Q23)



Source: Company data, RHB

Figure 5: BBL's loan breakdown vs peers (3Q23)

Loan breakdown (3Q23)	BBL	KBANK	KKP	KTB	SCB	TTB	TISCO	BAY
Corporate	44%	36%	14%	28%	36%	32%	25%	35%
SME	19%	30%	15%	11%	17%	8%	5%	17%
Retail	12%	28%	68%	44%	47%	60%	68%	48%
Mortgage		17%	14%	18%	31%	23%	4%	14%
Auto loans		5%	48%		7%	29%	47%	21%
Consumer loans		6%	6%	25%	9%	5%	17%	13%
Government & state-owned enterprises				17%				
International	25%	6%						
Other			3%				2%	
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: Company data, RHB

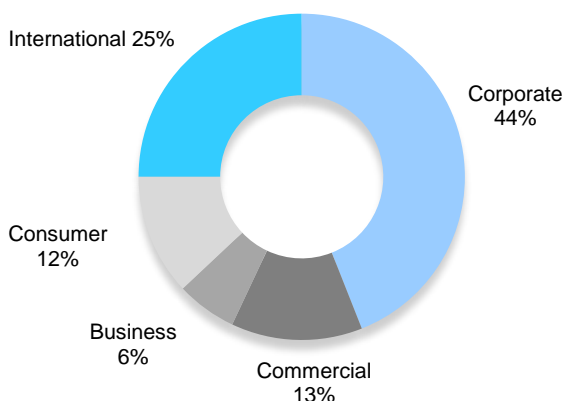
**International operations another main growth engine**

We expect BBL’s extensive and outstanding international presence vs other Thai banks to continue to be another main growth engine to earnings, offsetting the mild growth in its domestic operations. This is seen through the continuous increase in international revenue and PBT from 11% and 12% in 2012 to 27% and 34% in 9M23 (Figures 8 and 9). We expect the positive momentum to continue, thanks to the solid growth of its Indonesia and Singapore operations as well as improving GDP growth in ASEAN-5 and Indonesia, despite the slightly slower growth in China (Figures 10-12).

Note: BBL’s international loans accounted for 25% of total loans as of 9M23 (c.11% of total loans from Indonesia operations through its 98.7% stake in BNLI, and c.10% from associates in China, Singapore, Taiwan, and Hong Kong. BNLI’s earnings for 9M23 contributed c.15% of BBL’s bottomline.

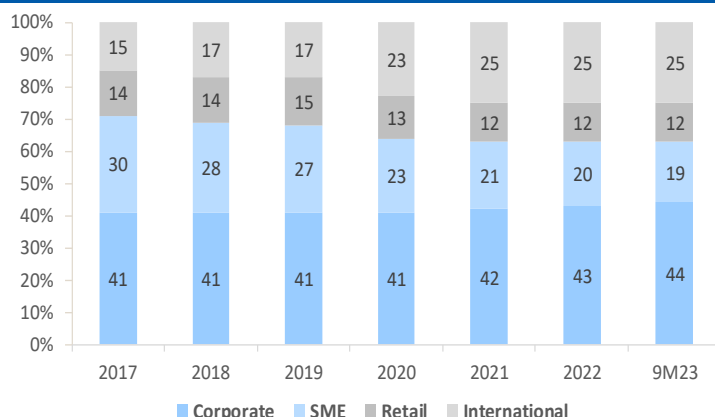
On China’s real estate sector, management guided that the bank does not see any material concerns as its China operations have limited exposure to that sector, adding that its main exposure lies in larger corporates and conglomerates in the manufacturing and commercial sectors.

**Figure 6: BBL’s loan structure (3Q23)**



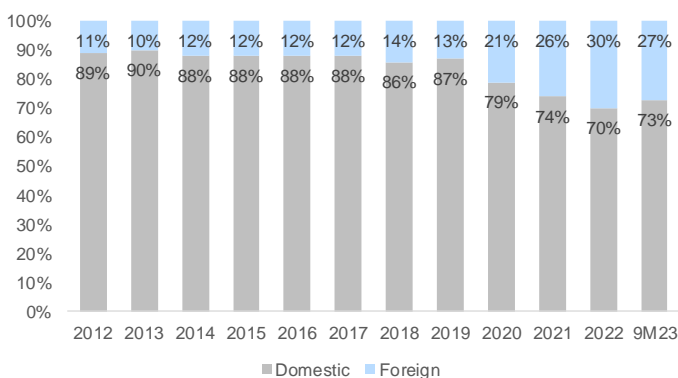
Source: Company data, RHB

**Figure 7: BBL’s international loans continue to increase**



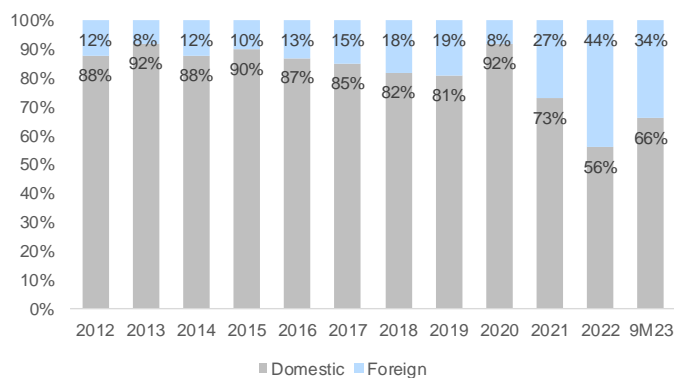
Source: Company data, RHB

**Figure 8: BBL’s revenue composition by geographical segment**



Source: Company data, RHB

**Figure 9: BBL’s PBT by geographical segment**



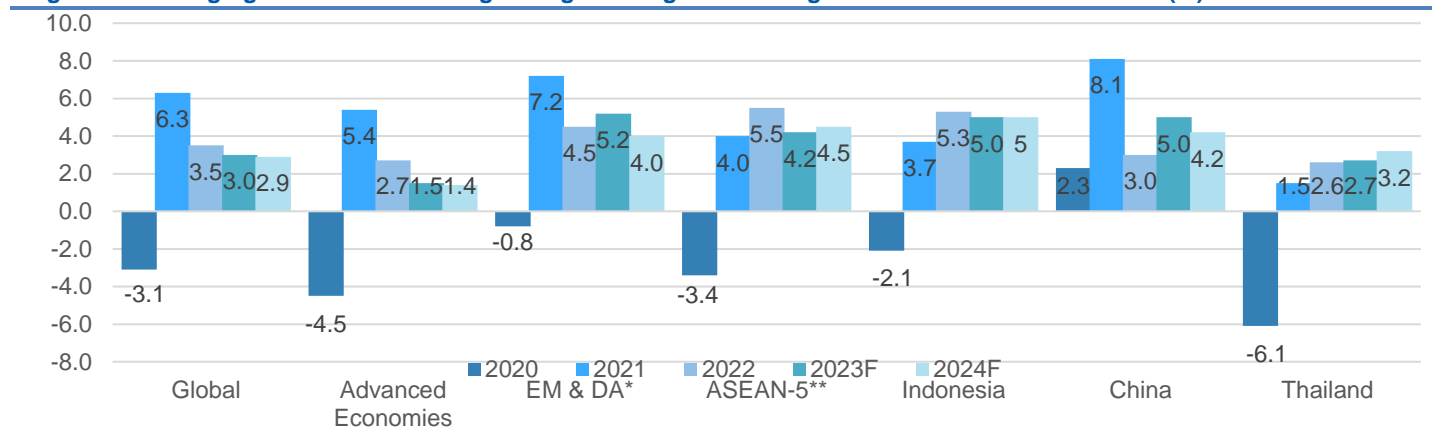
Source: Company data, RHB

Figure 10: RHB real GDP growth forecasts vs Bloomberg consensus

RHB Real GDP Growth Forecasts					Bloomberg Consensus				
% YoY	2021	2022	2023F	2024F	% YoY	2021	2022	2023F	2024F
US	5.9	2.1	2.5	2.2	US	5.9	2.1	2.4	1.2
Western Europe	5.8	3.6	0.6	1.7	Western Europe	5.8	3.6	0.6	0.7
Japan	2.1	1.0	1.9	1.5	Japan	2.1	1.0	1.7	0.9
China	8.4	3.0	5.0	5.0	China	8.4	3.0	5.2	4.5
<b>ASEAN</b>					<b>ASEAN</b>				
Indonesia	3.7	5.3	5.1	5.0	Indonesia	3.7	5.3	5.0	5.0
Malaysia	3.1	8.7	4.1	4.6	Malaysia	3.1	8.7	4.0	4.5
Singapore	8.9	3.6	1.5	3.0	Singapore	8.9	3.6	0.9	2.3
Thailand	1.6	2.6	2.5	4.0	Thailand	1.6	2.6	2.5	3.5
Vietnam	2.6	8.0	4.7	6.4	Vietnam	2.6	8.0	4.7	6.2

Source: Source: Bloomberg, RHB Economics & Market Strategy

Figure 11: Emerging economies showing stronger GDP growth than global and advance economies (%)



Note: \*Emerging market and Developing Asia  
 Note 2: \*\*ASEAN-5: Indonesia, Malaysia, the Philippines, Singapore, and Thailand  
 Source: International Monetary Fund's (IMF) World Economic Outlook (Oct 2023)

Figure 12: Asian and Pacific economies

Annex Table 1.1.2. Asian and Pacific Economies: Real GDP, Consumer Prices, Current Account Balance, and Unemployment (Annual percent change, unless noted otherwise)

	Real GDP			Consumer Prices <sup>1</sup>			Current Account Balance <sup>2</sup>			Unemployment <sup>3</sup>		
	2022	Projections		2022	Projections		2022	Projections		2022	Projections	
		2023	2024		2023	2024		2023	2024		2023	2024
<b>Asia</b>	<b>3.9</b>	<b>4.6</b>	<b>4.2</b>	<b>3.8</b>	<b>2.8</b>	<b>2.7</b>	<b>1.8</b>	<b>1.6</b>	<b>1.5</b>	...	...	...
<b>Advanced Asia</b>	<b>1.8</b>	<b>2.1</b>	<b>1.8</b>	<b>3.8</b>	<b>3.5</b>	<b>2.7</b>	<b>3.6</b>	<b>3.8</b>	<b>3.9</b>	<b>2.9</b>	<b>2.8</b>	<b>2.9</b>
Japan	1.0	2.0	1.0	2.5	3.2	2.9	2.1	3.3	3.7	2.6	2.5	2.3
Korea	2.6	1.4	2.2	5.1	3.4	2.3	1.8	1.3	1.7	2.9	2.7	3.2
Taiwan Province of China	2.4	0.8	3.0	2.9	2.1	1.5	13.3	11.8	12.1	3.7	3.7	3.7
Australia	3.7	1.8	1.2	6.6	5.8	4.0	1.1	0.6	-0.7	3.7	3.7	4.3
Singapore	3.6	1.0	2.1	6.1	5.5	3.5	19.3	16.6	15.2	2.1	1.8	1.8
Hong Kong SAR	-3.5	4.4	2.9	1.9	2.2	2.3	10.6	7.1	6.3	4.3	3.2	3.1
New Zealand	2.7	1.1	1.0	7.2	4.9	2.7	-9.0	-7.9	-6.5	3.3	3.8	4.9
Macao SAR	-26.8	74.4	27.2	1.0	0.9	1.7	-23.5	19.9	32.4	3.0	2.7	2.5
<b>Emerging and Developing Asia</b>	<b>4.5</b>	<b>5.2</b>	<b>4.8</b>	<b>3.8</b>	<b>2.6</b>	<b>2.7</b>	<b>1.2</b>	<b>0.7</b>	<b>0.6</b>	...	...	...
China	3.0	5.0	4.2	1.9	0.7	1.7	2.2	1.5	1.4	5.5	5.3	5.2
India <sup>4</sup>	7.2	6.3	6.3	6.7	5.5	4.6	-2.0	-1.8	-1.8	...	...	...
Indonesia	5.3	5.0	5.0	4.2	3.6	2.5	1.0	-0.3	-0.6	5.9	5.3	5.2
Thailand	2.6	2.7	3.2	6.1	1.5	1.6	-3.0	-0.2	1.9	1.3	1.2	1.1
Vietnam	8.0	4.7	5.8	3.2	3.4	3.4	-0.3	0.2	0.7	2.3	2.1	2.1
Philippines	7.6	5.3	5.9	5.8	5.8	3.2	-4.5	-3.0	-2.6	5.4	4.7	5.1
Malaysia	8.7	4.0	4.3	3.4	2.9	2.7	3.1	2.7	2.8	3.8	3.6	3.5
<b>Other Emerging and Developing Asia<sup>5</sup></b>	<b>3.9</b>	<b>3.8</b>	<b>5.6</b>	<b>12.3</b>	<b>10.8</b>	<b>7.4</b>	<b>-3.8</b>	<b>-1.2</b>	<b>-1.2</b>	...	...	...
<b>Memorandum</b>												
ASEAN-5 <sup>6</sup>	5.5	4.2	4.5	4.8	3.6	2.5	2.7	2.3	2.3	...	...	...
Emerging Asia <sup>7</sup>	4.5	5.2	4.8	3.4	2.3	2.5	1.3	0.8	0.7	...	...	...

Source: IMF staff estimates.

Note: Data for some countries are based on fiscal years. Please refer to Table F in the Statistical Appendix for a list of economies with exceptional reporting periods.

<sup>1</sup>Movements in consumer prices are shown as annual averages. Year-end to year-end changes can be found in Tables A6 and A7 in the Statistical Appendix.

<sup>2</sup>Percent of GDP.

<sup>3</sup>Percent. National definitions of unemployment may differ.

<sup>4</sup>See the country-specific note for India in the "Country Notes" section of the Statistical Appendix.

<sup>5</sup>Other Emerging and Developing Asia comprises Bangladesh, Bhutan, Brunei Darussalam, Cambodia, Fiji, Kiribati, Lao P.D.R., Maldives, the Marshall Islands, Micronesia, Mongolia, Myanmar, Nauru, Nepal, Palau, Papua New Guinea, Samoa, the Solomon Islands, Sri Lanka, Timor-Leste, Tonga, Tuvalu, and Vanuatu.

<sup>6</sup>Indonesia, Malaysia, the Philippines, Singapore, and Thailand.

<sup>7</sup>Emerging Asia comprises China, India, Indonesia, Malaysia, the Philippines, Thailand, and Vietnam.

Source: IMF's World Economic Outlook (Oct 2023)

Figure 13: BNL's loan composition (3Q23)

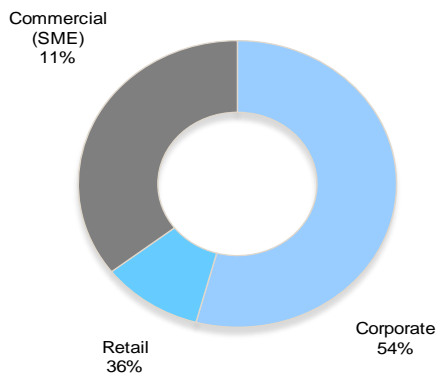
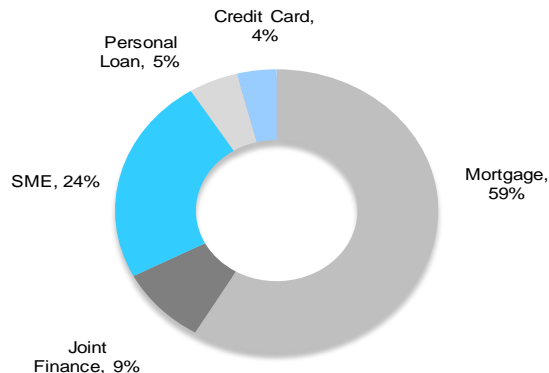


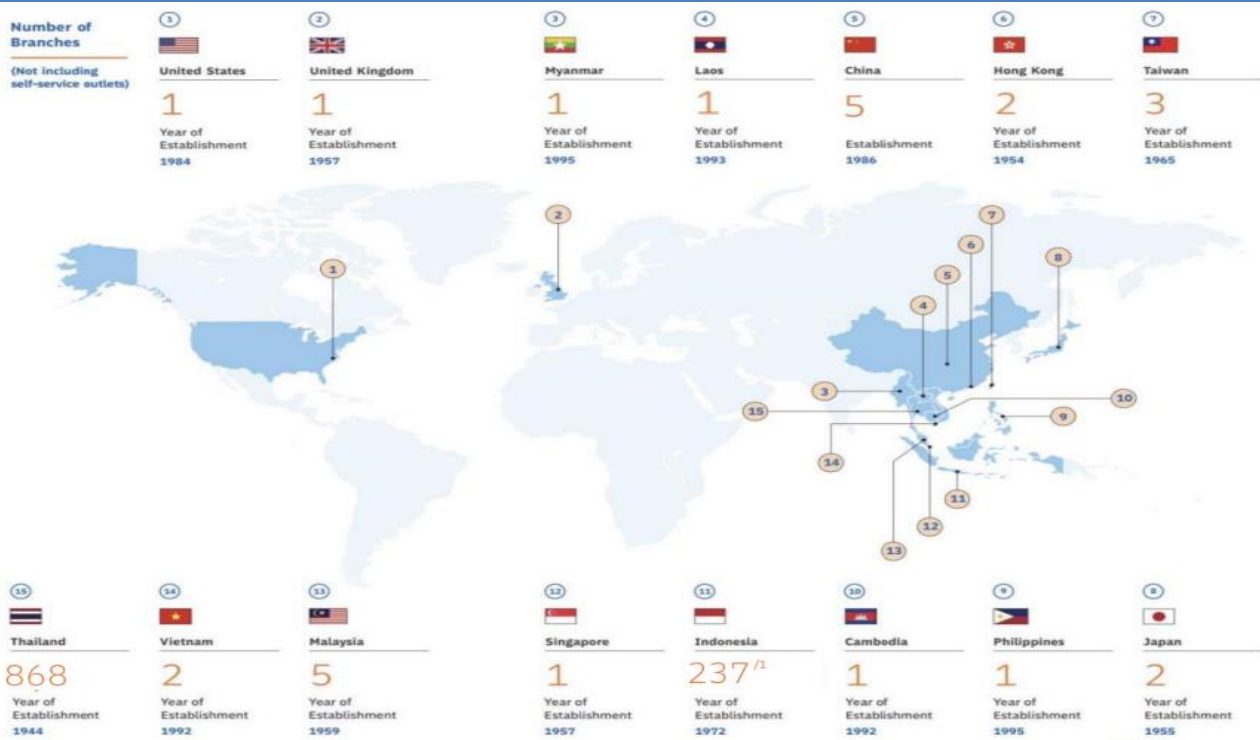
Figure 14: BNL's retail loan composition (3Q23)



Source: Company data, RHB

Source: Company data, RHB

Figure 15: BBL's long-standing presence in 14 economies



Note: As of September 2023 /1 As of June 2023



Source: Company data

### Resilient earnings with high reserve as an earnings cushion

We believe BBL will be the primary beneficiary of the current macroeconomic environment supported by a modest recovery in 2024 – with RHB’s projected GDP growth for 2024 of 4% vs 2.5% for 2023F (Figure 1) – and potential for higher credit demand for banks. We see the potential shift of corporate funding in the bond market to bank borrowings during the peak rate cycle – the potential tightening in the debenture market/funding will boost banks’ credit growth. Note: The Securities and Exchange Commission and related parties are mulling the imposition of stricter measures to improve the quality of bond issuances and reduce the risk to investors.

We expect BBL to continue showing resilient net profit growth of 7% in 2024F following the high base growth of 47% in 2023F. Main earnings drivers for 2024 should be supported by: i) Modest loan growth of 4% in line with improving economic growth (corporate and international loans to remain the key loan growth driver), ii) expected lower credit cost to 117bps in 2024F vs 128bps in 2023F, and iii) continuous boost from its overseas operations, especially from BNLI. NIM, meanwhile, the main bright spot of 2023, could be under pressure in 2024 due to the impact of deposit re-pricing.

BBL’s ample reserve cushion (LLC ratio of 283% in 3Q23 vs c.170% for the sector) would leave more room for the bank to lower its credit cost to manage bottomline growth in case of any unexpected headwinds. We see room for BBL to lower its credit cost to the bank’s normalised and comfortable levels at c.60-70bps and 100bps. This is based on management’s indication that its 9M23 normalised credit cost was only c.60-70bps vs the 130bps set aside in 9M23. Additionally, as per BBL’s guidance, management’s overlay reserve would be as high as c.30% of its total reserve vs c.15-20% for other banks.

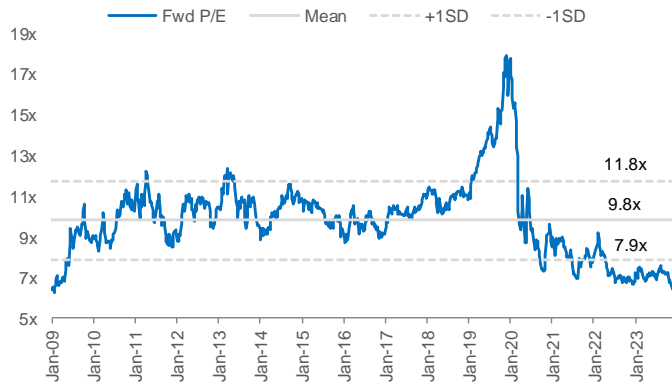
Based on our sensitivity study, every 10bps cut/increase in credit cost will impact BBL’s 2024F bottomline by +/-5%.



**Appealing valuation provides a good entry point**

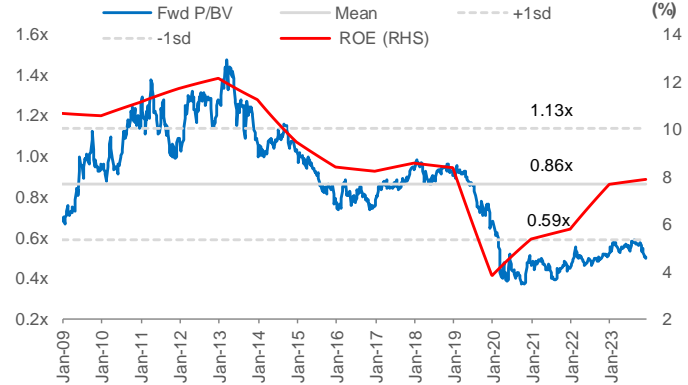
We believe BBL’s current inexpensive valuation – 2024F P/BV of 0.5x and P/E of just 6.3x, or below -1SD – is a good buying opportunity for the long term. The current price provides a dividend yield of 4% and an appealing upside of 26% vs our GGM-based TP of THB192, with an implied target P/BV of 0.66x.

**Figure 16: BBL’s 12-month forward consensus P/E**



Source: Bloomberg, RHB

**Figure 17: BBL’s 12-month forward consensus P/BV**



Source: Bloomberg, RHB

**Initiating coverage with a BUY, valuation and TP**

We initiate coverage with a BUY and TP of THB192 is based on an intrinsic value of THB195.94 and GGM-implied P/BV of 0.66x. The GGM-derived P/BV of 0.66x is based on 8.1% ROE and COE of 10.8%, slightly above -1SD from its historical mean. Our TP also includes a 2% ESG discount based on our in-house ESG methodology.

**Figure 18: BBL – GGM valuation with ESG overlay**

<b>Cost of equity (COE) computation</b>		Sustainable ROE (%)	8.10
Risk free rate (%)	3.00	COE (%)	10.79
Equity premium (%)	9.00	Long-term growth (g)	3.00
Beta (x)	0.87	Implied P/BV (x)	0.66
Cost of equity - CAPM (%)	10.79	BVPS (THB) - FY22F	THB 299.10
		Intrinsic value	THB 195.94
<b>ESG premium/(discount) (%)</b>	(2.00)	ESG premium/(discount)	(THB 3.92)
		<b>TP (rounded)</b>	THB 192.00

Source: Company data, RHB

## Emissions And ESG

### Trend analysis

Against FY19, BBL's FY22 emissions are up 3%. This was largely due to the increase in diesel engine automobiles used by bank.

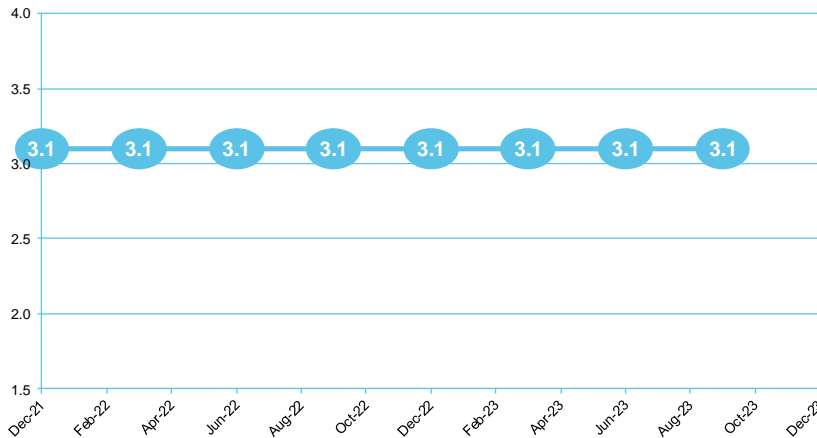
Emissions (tCO2e)	Dec-20	Dec-21	Dec-22
Scope 1	14,039	11,619	21,771
Scope 2	61,193	57,674	60,633
Scope 3	410	259	582
Total emissions	75,642	69,552	82,986

Source: Company data, RHB

## Latest ESG-Related Developments

- Signed the Thai Bankers' Association's ESG Declaration:** This strengthens BBL's commitment in six areas, as the declaration aligning with Bank of Thailand's direction for the banking industry to facilitate the kingdom's transition towards more sustainable growth.
- Member of the Sustainability Disclosure Community (SDC):** In 2022, BBL became a member of the SDC (founded by Thaipat Institute) and aims to encourage listed companies to realise the importance of disclosure of ESG undertakings.

## ESG Rating History



Source: RHB

## Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2022-02-03	Neutral	148	137
2022-01-23	Neutral	131	130
2021-11-03	Neutral	131	125
2021-10-24	Neutral	131	122
2021-07-30	Buy	129	103
2021-02-07	Buy	153	123
2021-01-24	Buy	138	122
2020-12-17	Buy	160	129
2020-10-28	Buy	119	96
2020-08-05	Buy	132	102
2020-04-22	Buy	138	105
2019-12-19	Buy	205	159
2019-12-16	Buy	205	152
2019-10-24	Buy	205	164
2019-07-31	Buy	227	182

Source: RHB, Bloomberg

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<b>Trading Buy:</b>	Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain
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# Corporate Governance Report Rating 2022 (CG Score) as of 27 Oct 2022



## Companies with Excellent CG Scoring by alphabetical order

AAV	AWC	BWG	CSS	FSMART	ILINK	LALIN	MST	PDG	Q-CON	SCN	SPRC	THANA	TQM	UV
ADVANC	AYUD	CENTEL	DDD	FVC	ILM	LHFG	MTC	PDJ	QH	SDC	SPVI	THANI	TRC	VCOM
AF	BAFS	CFRESH	DELTA	GC	IND	LIT	MVP	PG	QTC	SEAFCO	SSC	THCOM	TRUE	VGI
AH	BAM	CGH	DEMCO	GEL	INTUCH	LOXLEY	NCL	PHOL	RATCH	SEAOIL	SSSC	THG	TSC	VIIH
AIRA	BANPU	CHEWA	DOHOME	GFPT	IP	LPN	NEP	PLANB	RBF	SE-ED	SST	THIP	TSR	WACOAL
AJ	BAY	CHO	DRT	GGC	IRC	LRH	NER	PLANET	RS	SELIC	STA	THRE	TSTE	WAVE
AKP	BBIK	CIMBT	DTAC	GLAND	IRPC	LST	NKI	PLAT	S	SENA	STEC	THRE	TSTH	WHA
ALLA	BBL	CK	DUSIT	GLOBAL	ITEL	MACO	NOBLE	PORT	S&J	SENAJ	STGT	TIPCO	TTA	WHAUP
ALT	BCP	CKP	EA	GPI	IVL	MAJOR	NSI	PPS	SAAM	SGF	STI	TISCO	TTB	WICE
AMA	BDMS	CM	EASTW	GPSC	JTS	MAKRO	NOBLE	PR9	SABINA	SHR	SUN	TK	TTCL	WINNER
AMARIN	BEM	CNT	EAF	GRAMMY	JWD	MALEE	NSI	PREB	SAMART	SICT	SUSCO	TKN	TTW	XPG
AMATA	BEYOND	COLOR	ECL	GULF	K	MBK	NVD	PRG	SAMTEL	SIRI	SUTHAI	TKS	TU	ZEN
ANAN	BGC	COM7	EE	GUNKUL	KBANK	MC	NYT	PRM	SAT	SIS	SVI	TKT	TVDH	
AOT	BGRIM	COMAN	EGCO	HANA	KCE	MCOT	OISHI	PSH	SC	SITHAI	SYMC	TMILL	TVI	
AP	BIZ	COTTO	EPG	HARN	KEX	METCO	OR	PSL	SCB	SMPC	SYNTEC	TMT	TVO	
APURE	BKI	CPALL	ETC	HENG	KGI	MFEC	ORI	PTG	SCC	SNC	TACC	TNDT	TWPC	
ARIP	BOL	CPF	ETE	HMPRO	KKP	MINT	OSP	PTT	SCCG	SONIC	TACCO	TNITY	U	
ASP	BPP	CPI	FN	ICC	KSL	MONO	OTO	PTTEP	SCG	SORKON	TCAP	TOA	UAC	
ASW	BRR	CPN	FNS	ICHI	KTB	MOONG	PAP	PTTGC	SCGP	SPALI	TEAMG	TOP	UBIS	
AUCT	BTS	CRC	FPI	III	KTC	MSC	PCSGH	PYLON	SCM	SPI	TFMAMA	TPBI	UPOIC	



## Companies with Very Good CG Scoring by alphabetical order

2S	BCH	CV	IMH	MBAX	PICO	SABUY	SRICHA	TPAC	XO
7UP	BE8	CWT	INET	MEGA	PIMO	SAK	SSF	TPCS	YUASA
ABICO	BEC	DCC	INGRS	META	PIN	SALEE	SSP	TPIPL	ZIGA
ABM	SCAP	DHOME	INSET	MFC	PJW	SAMCO	STANLY	TPIPP	
ACE	BH	DITTO	INSURE	MGT	PL	SANKO	STC	TPLAS	
ACG	BIG	DMT	IRCP	MICRO	PLE	SAPPE	STPI	TPS	
ADB	BJC	DOD	IT	MILL	PM	SAWAD	SUC	TQR	
ADD	BJCHI	DPAINT	ITD	MITSIB	PMTA	SCI	SVOA	TRITN	
AEONTS	BLA	DV8	J	MK	PPP	SCP	SVT	TRT	
AGE	BR	EASON	JAS	MODREN	PPPM	SE	SWC	TRU	
AHC	BRI	EFORL	JCK	MTI	PRAPAT	SECURE	SYNEX	TRV	
AIE	BROOK	ERW	JCKH	NBC	PRECHA	SFLEX	TAE	TSE	
AIT	BSM	ESSO	JMT	NCAP	PRIME	SFP	TAKUNI	TVT	
ALUCON	BYD	ESTAR	JR	NCH	PRIN	SFT	TCC	TWP	
AMANAHA	CBG	FE	KBS	NDR	PRINC	SGP	TCMC	UBE	
AMR	CEN	FLOYD	KCAR	NETBAY	PROEN	SIAM	TFG	UEC	
APCO	CHARAN	FSS	KIAT	NEX	PROS	SINGER	TFI	UKEM	
APCS	CHAYO	FTE	KISS	NINE	PROUD	SKE	TFM	UMI	
AQUA	CHG	GBX	KK	NATION	PSG	SKN	TGH	UOBKH	
ARIN	CHOTI	GCAP	KOOL	NNCL	PSTC	SKR	TIDLOR	UP	
ARROW	CHOW	GENCO	KTIS	NOVA	PT	SLP	TIGER	UPF	
AS	CI	GJS	KUMWEL	NPK	PTC	SMART	TIPH	UTP	
ASAP	CIG	GTB	KUN	NRF	QLT	SMART	SMD	TITLE	VIBHA
ASIA	CITY	GYT	KWC	NTV	RCL	SMIT	TM	VL	
ASIAN	CIVIL	HEMP	KWM	NUSA	RICHY	SMT	TMC	VPO	
ASIMAR	CMC	HPT	L&E	NWR	RJH	SNNP	TMD	VRANDA	
ASK	CPL	HTC	LDC	OCC	ROJNA	SNP	TMI	WGE	
ASN	CPW	HUMAN	LEO	OGC	RPC	SO	TNL	WIJK	
ATP30	CRANE	HYDRO	LH	ONEE	RT	SPA	TNP	WIN	
B	CRD	ICN	LHK	PACO	RWI	SPC	TNR	WINMED	
BA	CSC	IFS	M	PATO	S11	SPCG	TOG	WORK	
BC	CSP	IIG	MATCH	PB	SA	SR	TPA	WP	



## Companies with Good CG Scoring by alphabetical order

A	BM	CTW	GSC	LEE	NFC	RPH	PTECH	TRUBB
A5	BROOK	D	HL	LPH	NSL	RSP	TC	TTI
AI	BSSM	DCON	HTECH	MATI	NV	SIMAT	TCCC	TYCN
ALL	BTNC	EKH	IHL	M-CHAI	PAF	SISB	TCJ	UMS
ALPHAX	CAZ	EMC	INOX	MCS	PEACE	SK	TEAM	UNIQ
AMC	CCP	EP	JAK	MDX	PF	SOLAR	THE	UPA
APP	CGD	EVER	JMART	MENA	PK	SPACK	THMUI	UREKA
AQ	CMAN	F&D	JSP	MJD	PPM	SPG	TKC	VARO
AU	CMO	FMT	JUBILE	MORE	PRAKIT	SQ	TNH	W
B52	CMR	GIFT	KASET	MPIC	PTL	STARK	TNPC	WFX
BEAUTY	CPANEL	GLOCON	KCM	MUD	RAM	STECH	TOPP	WPH
BGT	CPT	GLORY	KWI	NC	ROCK	SUPER	TPCH	YGG
BLAND	CSR	GREEN	KYE	NEWS	RP	SVH	TPOLY	

Score Range	Number of Logo	Description
Less than 50	No logo given	-
50-59		Pass
60-69		Satisfactory
70-79		Good
80-89		Very Good
90-100		Excellent

Source : <http://www.thai-iod.com/th/projects-2.asp>

**IOD (IOD Disclaimer) Disclaimer:** The disclosure of the survey result of the Thai Institute of Directors Association ("IOD") regarding corporate governance is made pursuant to the policy of the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of a company listed on the Stock Exchange of Thailand and the Market for Alternative Investment disclosed to the public and able to be accessed by a general public investor. The result, therefore, is from the perspective of a third party. It is not an assessment of operation and is not based on inside information. The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date or when there is any change to the relevant information. Nevertheless, RHB Securities (Thailand) Public Company Limited does not confirm, verify, or certify the accuracy and completeness of such survey result.

การเปิดเผยผลการสำรวจของสมาคมส่งเสริมสถาบันกรรมการบริษัทไทย (IOD) ในเรื่องการกำกับดูแลกิจการ (Corporate Governance) นี้เป็นการดำเนินการตามนโยบายของสำนักงานคณะกรรมการกำกับหลักทรัพย์และตลาดหลักทรัพย์ โดยการสำรวจของ IOD เป็นการสำรวจและประเมินจากข้อมูลของบริษัทจดทะเบียนในตลาดหลักทรัพย์แห่งประเทศไทยและตลาดหลักทรัพย์เอ็มเอโอ ที่มีการเปิดเผยต่อสาธารณะและเป็นข้อมูลที่ผู้ลงทุนทั่วไปสามารถเข้าถึงได้ ดังนั้นผลการสำรวจดังกล่าวจึงเป็นการนำเสนอในมุมมองของบุคคลภายนอกโดยไม่ได้เป็นการประเมินการปฏิบัติตามและไม่ได้มีการใช้ข้อมูลภายในในการประเมิน

อนึ่ง ผลการสำรวจดังกล่าว เป็นผลการสำรวจ ณ วันที่ปรากฏในรายงานการกำกับดูแลกิจการบริษัทจดทะเบียนไทยเท่านั้น ดังนั้นผลการสำรวจจึงอาจเปลี่ยนแปลงได้ภายหลังวันดังกล่าว ทั้งนี้บริษัทหลักทรัพย์ อาร์เอชบี จำกัด (มหาชน) มิได้ยืนยันหรือรับรองถึงความถูกต้องของผลการสำรวจดังกล่าวแต่อย่างใด

# Anti-Corruption Progress Indicator (as of 1 Nov 22)

## ได้รับการรับรอง CAC

2S	BAM	CGH	DUSIT	GPI	JKN	MAKRO	NOK	PR9	SAAM	SMPC	TASCO	TOG	UKEM
7UP	BANPU	CHEWA	EA	GPSC	JR	MALEE	NSI	PREB	SABINA	SNC	TCAP	TOP	UOBKH
ADVANC	BAY	CHOTI	EASTW	GSTEEL	K	MATCH	NWR	PRG	SAPPE	SNP	TCMC	TOPP	UPF
AF	BBL	CHOW	EGCO	GULF	KASET	MBAX	OCC	PRINC	SAT	SORKON	TFG	TPA	UV
AI	BCH	CIG	EP	GUNKUL	KBANK	MBK	OGC	PRM	SC	SPACK	TFI	TPCS	VGI
AIE	BCP	CIMBT	EPG	HANA	KBS	MC	ORI	PROS	SCB	SPALI	TFMAMA	TPP	VIH
AIRA	BCPG	CM	ERW	HARN	KCAR	MCOT	PAP	PSH	SCC	SPC	TGH	TRU	WACOAL
AJ	BE8	CMC	ESTAR	HEMP	KCE	META	PATO	PSL	SCCC	SPI	THANI	TRUE	WHA
AKP	BEC	COM7	ETE	HENG	KGI	MFC	PB	PSTC	SCG	SPRC	THCOM	TSC	WHAUP
AMA	BEYOND	COTTO	FE	HMPRO	KKP	MFEC	PCSGH	PT	SCGP	SRICHA	THIP	TSTE	WICE
AMANAH	BGC	CPALL	FNS	HTC	KSL	MILL	PDG	PTG	SCM	SSF	THRE	TSTH	WIJK
AMATA	BGRIM	CPF	FPI	ICC	KTB	MINT	PDJ	PTT	SCN	SSP	THREL	TTA	XO
AMATAV	BKI	CPI	FPT	ICHI	KTC	MONO	PG	PTTEP	SEAOIL	SSSC	TIDLOR	TTB	YUASA
AP	BLA	CPL	FSMART	IFS	KWI	MOONG	PHOL	PTTGC	SE-ED	SST	TIPCO	TTCL	ZEN
APCS	BPP	CPN	FSS	III	L&E	MSC	PK	PYLON	SELIC	STA	TISCO	TU	ZIGA
AS	BROOK	CRC	FTE	ILINK	LANNA	MST	PL	Q-CON	SENA	STGT	TKS	TVDH	
ASIAN	BRR	CSC	GBX	INET	LH	MTC	PLANB	QH	SGP	STOWER	TKT	TVI	
ASK	BSBM	DCC	GC	INSURE	LHFG	MTI	PLANET	QLT	SINGER	SUSCO	TMILL	TVO	
ASP	BTS	DELTA	GCAP	INTUCH	LHK	NBC	PLAT	QTC	SIRI	SVI	TMT	TWPC	
AWC	BWG	DEMCO	GEL	IRC	LPN	NEP	PM	RATCH	SITHAI	SYMC	TNITY	U	
AYUD	CEN	DIMET	GFPT	IRPC	LRH	NINE	PPP	RML	SKR	SYNTEC	TNL	UBE	
B	CENDEL	DRT	GGC	ITEL	M	NKI	PPPM	RWI	SMIT	TAE	TNP	UBIS	
BAFS	CFRESH	DTAC	GJS	IVL	MAJOR	NOBLE	PPS	S&J	SMK	TAKUNI	TNR	UEC	

## ประกาศเจตนาสมัครเข้าร่วม CAC

AH	CHG	DHOUSE	EVER	J	KUMWEL	NRF	RS	SUPER	TQM	VIBHA
ALT	CI	DOHOME	FLOYD	JMART	LDC	NUSA	SAK	SVT	TRT	W
APCO	CPR	ECF	GLOBAL	JMT	MEGA	OR	SIS	TKN	TSI	WIN
ASW	CPW	EKH	ILM	JTS	NCAP	PIMO	SSS	TMD	VARO	
B52	DDD	ETC	INOX	KEX	NOVA	PLE	STECH	TMI	VCOM	

**คำชี้แจง:** ข้อมูลบริษัทที่เข้าร่วมโครงการแนวร่วมปฏิบัติของภาคเอกชนไทยในการต่อต้านทุจริต (Thai CAC) ของสมาคมส่งเสริมสถาบันกรรมการบริษัทไทย มี 2 กลุ่ม

-ได้ประกาศเจตนาสมัครเข้าร่วม CAC

-ได้รับการรับรอง CAC

Source: [www.cqthailand.org](http://www.cqthailand.org)

**Disclaimer:** The disclosure of the Anti-Corruption Progress Indicators of a listed company on the Stock Exchange of Thailand, which is assessed by the relevant institution as disclosed by the Office of the Securities and Exchange Commission, is made in order to comply with the policy and sustainable development plan for the listed companies. The relevant institution made this assessment based on the information received from the listed company, as stipulated in the form for the assessment of Anti-corruption which refers to the Annual Registration Statement (Form 56-1), Annual Report (Form 56-2), or other relevant documents or reports of such listed company. The assessment result is therefore made from the perspective of a third party. It is not an assessment of operation and is not based on any inside information. Since this assessment is only the assessment result as of the date appearing in the assessment result, it may be changed after that date or when there is any change to the relevant information. Nevertheless, RHB Securities (Thailand) Public Company Limited does not confirm, verify, or certify the accuracy and completeness of the assessment result.

การเปิดเผยการประเมินดัชนีชี้วัดความคืบหน้าการป้องกันความเสี่ยงที่เกี่ยวข้องกับการทุจริตคอร์รัปชัน (Anti-corruption Progress Indicators) ของบริษัทจดทะเบียนในตลาดหลักทรัพย์แห่งประเทศไทยที่จัดทำโดยสถาบันที่เกี่ยวข้องซึ่งมีการเปิดเผยโดยสำนักงาน คณะกรรมการกำกับหลักทรัพย์ และตลาดหลักทรัพย์ เป็นการดำเนินการตามนโยบาย และตามแผนพัฒนาความยั่งยืนสำหรับบริษัทจดทะเบียนโดยผลการประเมินดังกล่าว สถาบันที่เกี่ยวข้องอาศัยข้อมูลที่ได้รับจากบริษัทจดทะเบียนตามที่บริษัทจดทะเบียนได้ระบุในแบบแสดง ข้อมูลเพื่อการประเมิน Anti-Corruption ซึ่งอ้างอิงข้อมูลจากแบบแสดงรายการข้อมูลประจำปี แบบ (56-1) รายงานประจำปี แบบ (56-2) หรือในเอกสารหรือรายงานอื่นที่เกี่ยวข้องของบริษัทจดทะเบียนนั้น แล้วแต่กรณี ดังนั้น ผลการประเมินดังกล่าวจึงเป็นการนำเสนอในมุมมอง ของสถาบันที่เกี่ยวข้องซึ่งเป็นบุคคลภายนอก โดยมีได้เป็นการประเมินการปฏิบัติของบริษัทจดทะเบียนในตลาดหลักทรัพย์แห่งประเทศไทย และมีได้ใช้ข้อมูลภายในเพื่อการประเมิน เนื่องจากผลการประเมินดังกล่าวเป็นเพียงผลการประเมิน ณ วันที่ปรากฏในผลการประเมินเท่านั้น ดังนั้นผลการประเมินจึงอาจเปลี่ยนแปลงได้ภายหลังวันดังกล่าว หรือรับรองความถูกต้องครบถ้วนของผลประเมินดังกล่าวแต่อย่างใด ทั้งนี้บริษัทหลักทรัพย์ อาร์เอชบี จำกัด (มหาชน) มิได้ยืนยันตรวจสอบหรือรับรองความถูกต้องของผลการสำรวจ