

Bangkok Bank (BBL TB)

FUNDAMENTAL VIEW¹

As of 22 Dec 2023

- Bangkok Bank (BBL: Baa1(stable)/BBB+(stable)/BBB(stable)) is a family run conservative financial institution, with high capital and liquidity levels.
- It acquired Indonesia's Permata Bank in 2020 which resulted in a meaningful decline in its CET1 ratio to 14%. It is back to ~15% range and management aims to maintain the CET1 ratio at the 15-16% level.
- Its profitability (ROA and ROE) has historically below the industry average, due in part to higher exposure to the lower-yielding corporates segment that has resulted in a lower NIM. However, returns are catching up well as this has supported its asset quality outperformance versus peers, and allowed the NIM to benefit better from the rising rate environment as debt servicing capabilities of households and SMEs remain fragile.

RISKS & CATALYSTS

As of 22 Dec 2023

- Below industry average profitability has been the main issue with BBL due to lower margins as a result of its large corporates segment focus. However, returns have caught up well with peers in 9M23 as the more resilient large corporate book has supported lower credit costs and better BOT rate hike pass through to the NIM than the other Thai banks we cover, given the backdrop of high household debt, challenged SMEs and still sluggish growth momentum. Its lower CASA ratio though is a weakness if deposit competition intensifies meaningfully.
- Loan growth has been middling across the Thai banks due to a combination of easing pent-up retail demand and a focus on quality amid the current backdrop.
- The acquisition of Bank Permata of Indonesia in May 2020 provides BBL with exposure to the high growth opportunities of the Indonesian market, which is the bank's identified main base for overseas expansion, but this also presents higher risks.

CREDIT QUALITY SCORE (CQS)²

As of 15 Nov 2021

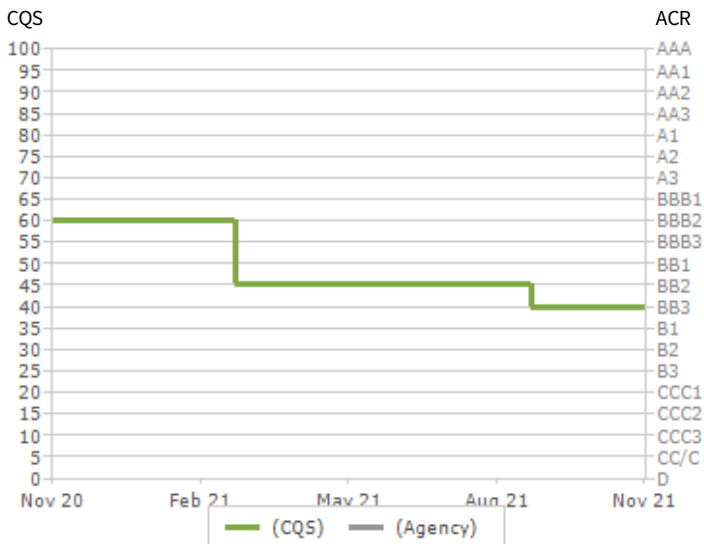
CURRENT CQS

40

CQS OUTLOOK³

NEGATIVE STABLE POSITIVE

HISTORICAL RATINGS: AVERAGE AGENCY RATING (ACR)⁴ VS CQS



KEY METRICS

As of 22 Dec 2023

THB MN	FY19	FY20	FY21	FY22	9M23
PPP ROA	2.49%	1.50%	1.65%	1.60%	2.00%
ROA	1.13%	0.49%	0.65%	0.67%	0.97%
ROE	8.5%	3.9%	5.6%	5.9%	8.4%
Equity / Assets	13.3%	11.8%	11.4%	11.5%	11.6%
CET1 Ratio	17.0%	14.9%	15.2%	14.9%	15.4%
Calculated NPL ratio	3.40%	3.90%	3.20%	3.10%	3.00%
Provisions / Loans	1.56%	1.41%	1.38%	1.24%	1.31%
Gross LDR	88%	84%	82%	84%	86%

BUSINESS DESCRIPTION

As of 22 Dec 2023

- Bangkok Bank was set up in 1944 and was listed on the Stock Exchange of Thailand in 1975. It is a family-run bank and the current President of the bank, Chartsiri Sophonpanich, is the grandson of the founder of the bank.
- It is the largest bank by assets in Thailand. It was briefly surpassed by Kasikornbank in 2018, but the Bank Permata acquisition has taken BBL back to No.1.
- The bank is corporate-loan focused, and the loan book was split 44% corporate (~60% including international loans), 19% SME, 12% retail, and 25% international as at end-September 2023. It is by far the most international amongst the Thai banks, with branches in 14 countries.
- BBL's overseas presence has been enhanced by the acquisition of Bank Permata, the 12th largest bank in Indonesia. Bank Permata's asset size is ~10% of that of BBL.

GLOSSARY

¹ The **Fundamental View** is our current assessment of credit quality and our expectation of how credit quality will trend over the next year or longer.

² The **Credit Quality Score (CQS)** is a number between 5 and 100. It is a medium-term credit score for corporates and financial institutions that utilizes a combination of sector fundamental scores and equity market signals. Values of CQS above 50 generally indicate investment grade credit quality.

³ The **Credit Quality Score (CQS) Outlook** is the near-term (3 month) outlook for the CQS, based on its trend, volatility and distance from the adjacent CQS risk bucket.

⁴ The **Agency Composite Rating (ACR)** is the average senior unsecured rating from one or more major rating agencies.

Quantitative scores provided by CreditSights Analytics, LLC. Scores are shown are for the lesser of (1) 2 years and (2) date of CreditSights inception of quantitative coverage.

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