

Bangkok Bank (BBL TB)

FUNDAMENTAL VIEW ¹

As of 18 Jun 2024

- Bangkok Bank (BBL: Baa1(stb)/BBB+(stb)/BBB(stb)) 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 bring the CET1 ratio to 16% in preparation for Basel III final reforms.
- 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, the returns gap has narrowed 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 18 Jun 2024

- Returns have caught up well with peers in FY23 as the more resilient large corporate book has supported lower credit costs and better BOT rate hike pass through to the NIM, given the backdrop of high household debt, challenged SMEs and still sluggish growth momentum. However, we see greater NIM pressure on BBL than most peers in FY24 due to its lower CASA ratio as deposit rates catch up, as well as larger domestic and international corporate loan book (which tend to be floating rate) as rate cuts come through possibly from 2H24 onwards.
- Loan growth has been middling across the Thai banks due to 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

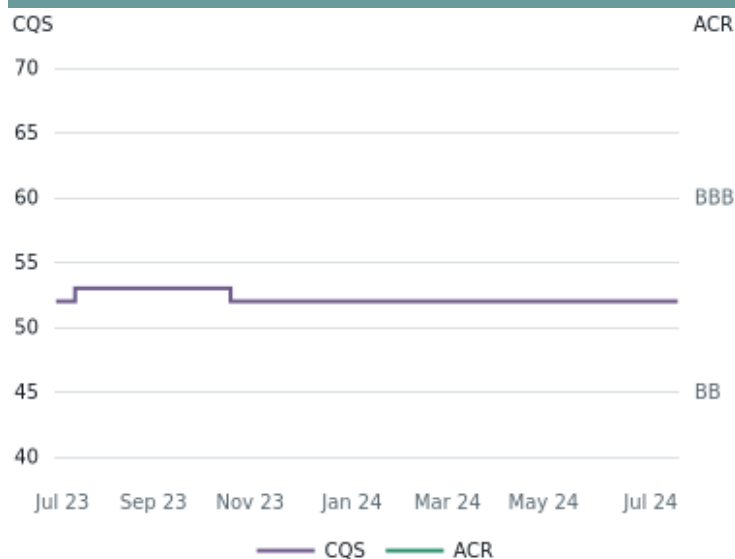
As of 08 Jul 2024

CURRENT CQS

52

CQS OUTLOOK ³

NEGATIVE STABLE POSITIVE

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

KEY METRICS

As of 18 Jun 2024

THB MN	FY20	FY21	FY22	FY23	1Q24
PPP ROA	1.50%	1.65%	1.60%	1.92%	1.95%
ROA	0.49%	0.65%	0.67%	0.93%	0.93%
ROE	3.9%	5.6%	5.9%	8.1%	7.8%
Equity / Assets	11.8%	11.4%	11.5%	11.8%	12.2%
CET1 Ratio	14.9%	15.2%	14.9%	15.4%	15.6%
Calculated NPL ratio	3.90%	3.20%	3.10%	2.70%	3.00%
Provisions / Loans	1.41%	1.38%	1.24%	1.26%	1.27%
Gross LDR	84%	82%	84%	84%	86%
Liquidity Coverage Ratio	291%	270%	271%	n/m	n/m

BUSINESS DESCRIPTION

As of 18 Jun 2024

- 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 (most including international loans), 19% SME, 12% retail, and 25% international as at end-March 2024. It is by far the most international amongst the Thai banks, with branches in 14 economies.
- 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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