

21 August 2012

# Bangkok Bank

Bank  
Overweight

## July loans dipped 0.5% MoM

**What's new?** BBL posted July net lending of Bt1.41trn, down 0.5% MoM, due to big-ticket loan repayments among corporate and SME clients. Its deposits inched up 1% MoM, but its borrowing declined by 7.5% MoM. Thus, the end-July loans/deposits ratio was 91% down from 93% the previous month.

**Lending growth has scope for upside:** Net loan growth in July was 5.1% YTD and 14.7% YoY—far in excess of the trend necessary for BBL to achieve its FY12 target range of 6-8%. We conservatively assume loan portfolio growth of 12% for this year. In the interim, we anticipate that BBL's August net lending will resume good MoM growth, driven by sustained demand among corporate and SME clients. Note that the bank normally posts its strongest lending expansion in the fourth-quarter.

**3Q12 earnings will be good:** Given sustained loan growth in 3Q12, a NIM of 2.7% (flat QoQ) and greater fee income, we forecast that earnings will rise by 21% YoY and 3% QoQ to Bt9.1bn for the third-quarter. Note that the *Bloomberg* consensus expectation is only Bt8.7bn. We also anticipate that the investment up-cycle and the acceleration of government stimulus spending will facilitate stronger lending and bottom-line performances in 2H12.

**Action:** BBL is positioned to achieve hefty profit growth through this year and next, driven by increased lending, a sustained NIM, greater fee income and well-managed OPEX. We forecast bottom-line expansion of 28% for FY12 to Bt35bn and 21% for FY13 to Bt42.5bn. Furthermore, the bank would be resilient in the event of an economic downturn because it has the highest loan loss coverage ratio in the sector of 187% (the mean ratio is 115%) and a low NPLs/loans ratio of 2.7%.

Currently, BBL trades at an attractive YE12 PBV of 1.4x, which is below both the regional bank mean of 1.9x and the Thai Bank sector average of 1.5x. Because of its strong earnings profile and scope for lending growth upside next year, we maintain our BUY rating.

## BUALUANG RESEARCH

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**BUY** (maintained)

Target Price: Bt225.00  
Price (20/08/12): Bt197.00  
BBL TB / BBL.BK

### Financial summary

FY Ended 31 Dec	2011	2012E	2013E	2014E
Revenues (Btm)	81,827	95,434	111,057	125,625
Net profit (Btm)	27,338	35,000	42,500	49,500
EPS (Bt)	14.32	18.34	22.26	25.93
BLS/Consensus (x)	0.98	1.11	1.18	1.31
EPS Consensus (Bt)	14.66	16.54	18.83	19.85
EPS growth (%)	+11.2%	+28.0%	+21.4%	+16.5%
Care profit (Btm)	32,191	35,103	44,350	50,900
Care EPS (Bt)	16.86	18.39	23.23	26.67
Care EPS growth (%)	+33.2%	+9.0%	+26.3%	+14.8%
PER(x)	13.8	10.7	8.8	7.6
Care PER(x)	11.7	10.7	8.5	7.4
P/PPOP (x)	8.7	7.6	6.5	5.7
PABV (x)	1.5	1.4	1.3	1.1
Dividend (Bt)	6.00	7.00	8.00	9.00
Dividend yield (%)	3.0	3.6	4.1	4.6
ROE (%)	11.2	13.2	14.5	14.5

CG Rating - 2011

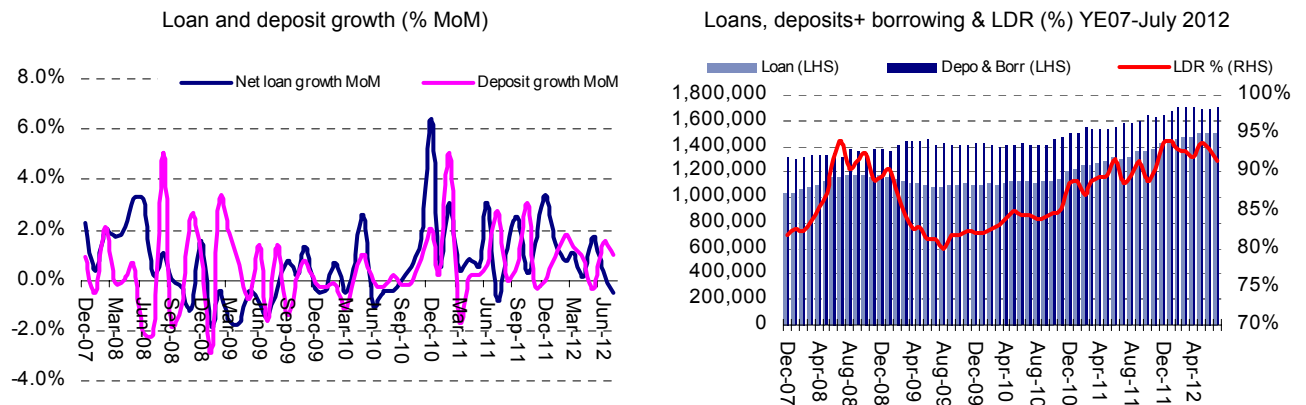


**Figure 1: Net loans & liabilities breakdown, July 2011-July 2012**

BBL	Jul-11	Dec-11	Jun-12	Jul-12	%MoM	% YTD	%YoY
Net loans	1,232,090	1,345,544	1,421,124	1,413,675	(0.5%)	+5.1%	+14.7%
Investment in securities	340,281	324,225	316,618	325,350	+2.8%	+2.8%	(4.4%)
REPO Markets	255,954	214,409	256,582	283,287	+10.4%	+10.4%	+10.7%
Deposit	1,473,372	1,524,796	1,620,165	1,636,575	+1.0%	+1.0%	+11.1%
Borrowings	101,035	117,406	77,403	71,586	(7.5%)	(7.5%)	(29.1%)
LDR (plus borrowing)	89%	94%	93%	91%	nm	nm	nm

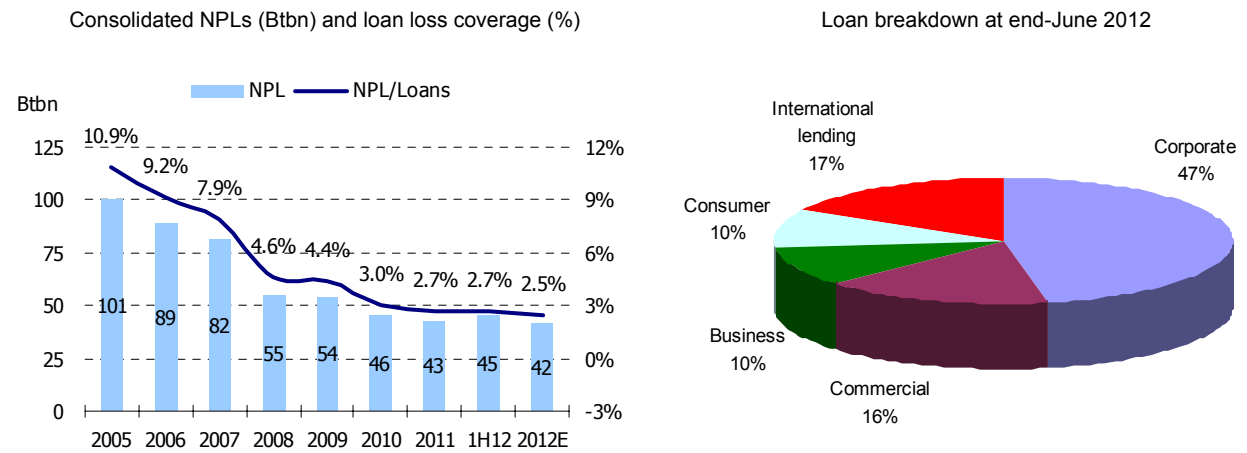
Sources: The Bank of Thailand, and Bualuang Research

**Figure 2: Loan and deposit growth (% MoM) and loans, deposits and LDR, YE07-July 2012**



Sources: Company data and Bualuang Research

**Figure 3: BBL's NPLs and loan loss coverage ratio, FY08-FY12E and loan breakdown at end-June 2012**



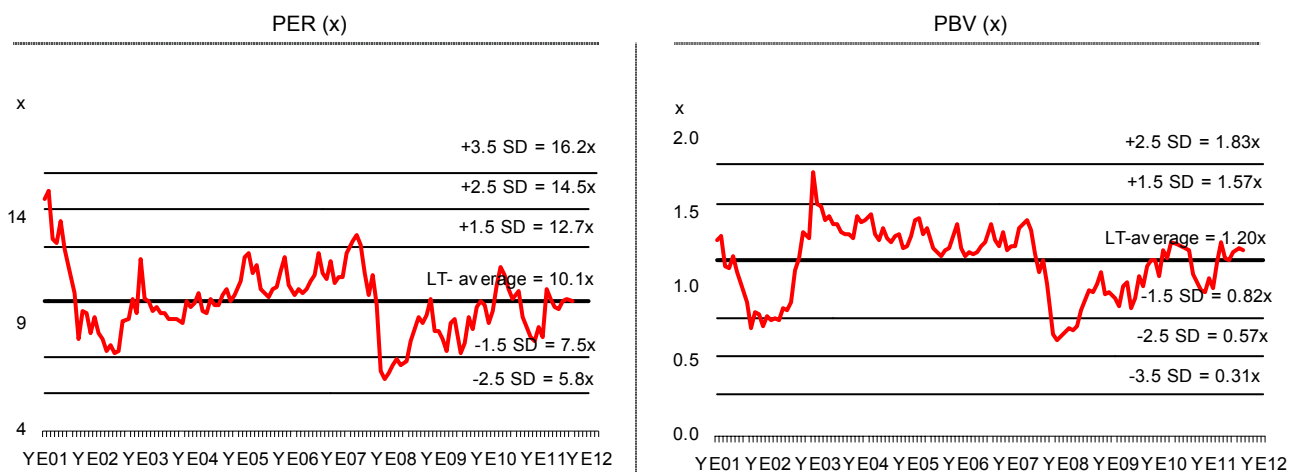
Sources: Company data and Bualuang Research

**Figure 4: Valuation comparisons with regional peers**

Company	Ticker	PER			2-Yr EPS	PBV		Div Yld (%)		ROE (%)	
		FY11	FY12E	FY13E	Growth (%)	FY12E	FY13E	FY12E	FY13E	FY12E	FY13E
Hang Seng Bank	11 HK	13.4	12.5	11.4	8.8%	2.5	2.3	4.7%	4.8%	20.6	21.7
BOC Hong Kong	2388 HK	13.4	14.0	12.6	3.3%	1.9	1.8	4.5%	5.0%	13.9	15.0
Wing Hang Bank	302 HK	13.4	12.2	11.1	10.6%	1.2	1.2	2.5%	2.8%	10.4	11.0
DBS group Holding	DBS SP	11.8	11.9	11.0	3.8%	1.2	1.1	4.1%	4.3%	10.0	10.2
UOB	UOB SP	13.5	13.2	11.9	7.0%	1.4	1.3	3.5%	3.8%	10.8	10.9
Malayan Bank	MAY MK	12.5	13.6	12.6	-0.4%	1.9	1.8	5.9%	6.1%	14.6	14.7
CIMB Group Holding Bhd	CIMB MK	14.8	14.2	12.2	10.8%	2.1	2.0	3.7%	4.3%	15.5	16.6
China Citic Bank	601998 CH	6.0	5.2	4.6	15.8%	0.9	0.8	5.1%	6.1%	19.4	18.7
China Construction Bank	601939 CH	6.0	5.1	4.4	18.1%	1.1	0.9	7.3%	8.3%	22.9	23.4
Bank Rakrat	BBRI IJ	13.2	11.4	9.7	18.2%	3.0	2.4	1.9%	2.2%	28.9	27.8
Bank of Philippines	BPI PM	22.0	19.4	16.5	16.9%	2.9	2.7	2.6%	2.6%	15.2	16.6
ICICI Bank LTD	ICICIBC IN	19.3	16.3	14.4	17.2%	1.8	1.7	1.7%	2.0%	12.6	12.7
AXIS Bank Ltd	AXSB IN	13.4	11.3	9.4	21.9%	2.0	1.7	1.5%	1.7%	19.9	20.4
Bank Mandiri Tbk PT	BMRI IJ	15.8	14.1	11.8	17.0%	2.8	2.4	2.3%	2.7%	21.3	21.9
Bank Central Asia Tbk PT	BBCA IJ	19.6	17.1	14.5	17.5%	4.1	3.4	1.9%	2.2%	25.4	25.0
Bangkok Bank	BBL TB	13.8	10.7	8.8	27.7%	1.4	1.3	3.6%	4.1%	13.2	14.5
KASIKORNBANK	KBANK TB	16.8	12.4	9.5	38.1%	2.1	1.7	1.6%	1.8%	18.2	18.8
Siam Commercial Bank	SCB TB	14.4	12.0	10.1	21.7%	2.4	2.0	2.3%	2.4%	20.0	20.2
Krung Thai Bank	KTB TB	11.1	9.8	8.6	14.8%	1.3	1.2	4.1%	4.7%	13.6	14.2
Bank of Ayudhya	BAY TB	21.1	13.4	10.8	47.4%	1.7	1.5	2.6%	3.2%	13.5	15.1
Thanachart Capital	TCAP TB	9.2	7.7	6.9	17.0%	1.0	0.9	4.3%	5.8%	13.6	14.2
TMB Bank	TMB TB	17.2	13.4	10.6	30.9%	1.2	1.1	2.5%	3.5%	9.3	10.9
TISCO Financial Group	TISCO TB	8.9	7.9	6.6	17.9%	1.6	1.4	5.6%	5.6%	20.2	21.0
Kiatnakin Bank	KK TB	8.9	11.0	9.0	-1.0%	1.1	1.0	5.0%	6.0%	11.0	11.4
<b>Avg 24 regional banks</b>		<b>13.7</b>	<b>12.1</b>	<b>10.4</b>	<b>16.7%</b>	<b>1.9</b>	<b>1.6</b>	<b>3.5%</b>	<b>4.0%</b>	<b>16.4</b>	<b>17.0</b>
<b>Avg only 9 Thai banks</b>		<b>13.5</b>	<b>10.9</b>	<b>9.0</b>	<b>23.8%</b>	<b>1.5</b>	<b>1.4</b>	<b>3.5%</b>	<b>4.1%</b>	<b>14.7</b>	<b>15.6</b>

Sources: Bualuang Research estimates

**Figure 5: Cheap valuation multiples**



Sources: SETSMART, Company data, Bualuang Research

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Score Range	Number of Logo	Description
90 – 100	▲▲▲▲▲	Excellent
80 – 89	▲▲▲▲	Very Good
70 – 79	▲▲▲	Good
60 – 69	▲▲	Satisfactory
50 – 59	▲	Pass
Below 50	No logo given	N/A

## BUALUANG RESEARCH – RECOMMENDATION FRAMEWORK

### STOCK RECOMMENDATIONS

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

**HOLD:** Expected total returns of between -15% and +15% over the next 12 months.

**SELL:** Expected negative total returns of 15% or more over the next 12 months.

**TRADING BUY:** Expected positive total returns of 15% or more over the next 3 months.

### SECTOR RECOMMENDATIONS

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