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KEY HIGHLIGHTS

Update

Bangkok Bank (BBL TB/BUY/Bt121.00/Target: Bt152.00)

4Q20 results preview: Back to growth mode.

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KEY INDICES

Symbol	Close	Chg	%Chg
SET	1,492.36	(14.29)	(0.95)
SET50	940.41	(13.58)	(1.42)
Value (Btm) - SET	130,138		
Top 5 Sector			
BANK	349.07	7.72	2.26
PETRO	1,040.60	(11.88)	(1.13)
PROP	210.60	(1.91)	(0.90)
ENERG	24,016.17	51.99	0.22
ICT	138.62	0.22	0.16

Source: Bloomberg

TOP VOLUME

Symbol	Price (Bt)	Chg (%)	Volume ('000)
EA	62.00	(3.13)	155,969.4
KCE	46.75	5.06	200,527.7
IRPC	4.04	5.21	1,599,324.2
GPSC	79.75	(5.90)	63,632.3
IVL	37.50	(4.46)	131,229.3

TOP GAINERS

Symbol	Price (Bt)	Chg (%)	Volume ('000)
AQ	0.02	100.00	7,567.9
JUTHA	1.32	29.41	1,055.0
AEC	0.24	26.32	95,174.5
BTNC	14.50	16.94	0.3
APEX	0.07	16.67	2,177.2

TOP LOSERS

Symbol	Price (Bt)	Chg (%)	Volume ('000)
UWC	0.04	(20.00)	390.5
NEW	50.00	(16.67)	0.9
MPIC	1.58	(14.59)	0.2
DELTA	568.00	(13.41)	3,460.6
MATCH	1.59	(11.17)	119.5

KEY STATISTICS

Commodity	Current Price	%Chg		
		1m	3M	YTD
Brent crude*	54.3	10.4	23.8	4.8
Dubai crude*	52.6	8.2	32.5	4.8
Baltic Dry Index	1,418.0	18.5	(32.4)	3.8
Gold Spot***	1,923.5	3.3	1.9	1.3

*(US\$/bbl), *** (US\$/toz)

FOREIGN PORTFOLIO INVESTMENT IN EQUITIES (THAILAND)

Day (Mil US\$)	MTD Net (Mil US\$)	YTD Net (Mil US\$)	YTD Net YoY%
(52.6)	19.4	19.4	(7,278.6)

Source: Bloomberg

Foreign Exchange Rate - THB/US\$ (onshore) = 29.92

Interest Rate (%) - TH 1-day RP = 1.50

Thai Lending Rate (%)* - MLR = 5.25

COMPANY UPDATE

Bangkok Bank (BBL TB)

4Q20 Results Preview: Back To Growth Mode

With its concentration in large corporate and international lending, BBL's fundamentals are resilient to withstand uncertainties from higher SME and consumer NPLs. The bank has conservatively set aside higher loan loss reserves, which will enable it to reduce provisions and support earnings growth ahead. Net profit is expected to rebound by 20.9% yoy in 2021, following an expected 42.3% decline in 2020. Maintain BUY. Target price: Bt152.00.

WHAT'S NEW

- **Earnings to decline yoy but strong qoq rebound in 4Q20.** We expect Bangkok Bank (BBL) to post a net profit of Bt5.9b in 4Q20, down 26% yoy but up 47% qoq. The yoy decline would be due to lower fee income as a result of the economic downturn and higher operating expenses due to Permata acquisition that was completed in 3Q20. Despite high provisions against elevated NPLs, the qoq rise in earnings would have been due to higher fee income related to capital businesses and lower overhead expenses after the bank recorded extra expenses related to Permata acquisition and provision related to Indonesia branches' integration.
- **Sufficient reserves to withstand higher NPL.** BBL's loans are expected to be flat qoq in 4Q20, given some corporate loan repayment. Despite muted loan demand, loan growth would likely be strong at 15% yoy in 2020 due to higher loan demand in 1H20 and Permata acquisition. Based on our channel checks with BBL, although NPL remains under control, we expect asset quality to likely deteriorate after the Bank of Thailand did not extend the debt moratorium programmes that ended in Oct 20. For 4Q20, its NPL ratio is expected to increase slightly to 4.3%, while loan-loss coverage ratio will remain high at 170% to withstand economic risks, compared with peers' average of 148%.
- **On the path to economic recovery.** The Thailand economy should improve in the next few quarters following a sharp decline of 12.2% yoy in 2Q20, and is likely to turn in a positive growth in 2Q21. Economic data showed signs of improvement in Nov 20, given expansion in the private sector (consumption and investments) and continued rise in public investments. Thailand's manufacturing production index increased 0.4% yoy (+1.8% mom) in Nov 20, the first yoy rise in 19 months. In addition, capacity utilisation was higher at 64.8% in Nov 20 (Oct 20: 63.5%), given more economic activities. With BBL's concentration in corporate lending, we expect BBL to benefit from higher corporate loan demand, which will sustain its loan growth in 2021.

KEY FINANCIALS

Year to 31 Dec (Btm)	2018	2019	2020F	2021F	2022F
Net interest income	71,376	71,071	77,807	86,559	88,617
Non-interest income	49,947	62,582	42,310	41,949	44,225
Net profit (rep./act.)	35,330	35,816	20,677	25,005	28,787
Net profit (adj.)	35,330	35,816	20,677	25,005	28,787
EPS (Bt)	18.5	18.8	10.8	13.1	15.1
PE (x)	6.4	6.3	10.9	9.0	7.9
P/B (x)	0.5	0.5	0.5	0.5	0.5
Dividend yield (%)	5.5	5.7	3.7	3.9	4.5
Net int margin (%)	2.3	2.3	2.3	2.3	2.2
Cost/income (%)	45.5	41.1	53.7	53.6	53.3
Loan loss cover (%)	190.9	220.2	169.6	172.5	179.8
Consensus net profit	-	-	21,314	26,808	31,427
UOBKH/Consensus (x)	-	-	0.97	0.93	0.92

Source: BBL, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	Bt121.00
Target Price	Bt152.00
Upside	+25.6%
(Previous TP)	Bt125.00)

COMPANY DESCRIPTION

BBL is the largest commercial bank in Thailand with roughly 15% of the credit market. The bank focuses on corporate lending, which accounts for 41% of its loan book.

STOCK DATA

GICS sector	Financials
Bloomberg ticker:	BBL TB
Shares issued (m):	1,908.8
Market cap (Btm):	226,197.9
Market cap (US\$m):	7,552.5
3-mth avg daily t'over (US\$m):	41.4

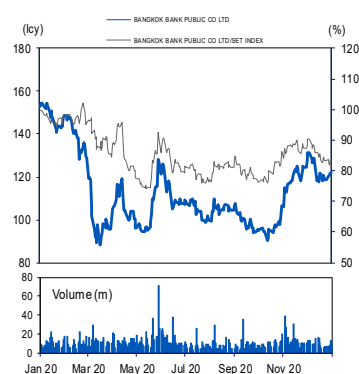
Price Performance (%)

52-week high/low	Bt160.50/Bt88.00			
1mth	3mth	6mth	1yr	YTD
(2.1)	23.1	9.7	(25.9)	0.0

Major Shareholders

NVDR	25.8
SET for Depository	4.4
State Street Bank	3.4
FY21 NAV/Share (Bt)	240.20
FY21 CAR Tier-1 (%)	14.57

PRICE CHART



Source: Bloomberg

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4Q20 RESULTS PREVIEW

Profit & Loss (Btm)	4Q19	3Q20	4Q20F	qoq % chg	yoy % chg
Net interest income	17,193	19,852	20,025	1%	16%
<i>Net interest margin</i>	<i>2.2%</i>	<i>2.2%</i>	<i>2.2%</i>		
Non-interest income	26,518	9,569	12,094	26%	(54%)
Operating income	43,712	29,421	32,119	9%	(27%)
Overhead expenses	(15,975)	(19,427)	(18,681)	(4%)	17%
<i>Cost-Income Ratio</i>	<i>36.5%</i>	<i>66.0%</i>	<i>58.2%</i>		
Pre-provision profit	27,737	9,994	13,438	34%	(52%)
Loan loss provision	(16,342)	(5,668)	(5,922)	4%	(64%)
<i>Credit cost - annualised (bp)</i>	<i>322</i>	<i>96</i>	<i>100</i>		
Pre-tax profit	11,395	4,327	7,516	74%	(34%)
Net profit	8,004	4,017	5,894	47%	(26%)
EPS (Bt)	4.2	2.1	3.1	47%	(26%)
BVS (Bt)	224.3	230.9	232.2	1%	4%
Financial Ratios (%)					
Loan growth yoy	(1.0%)	18.3%	15.0%		
Deposit growth yoy	1.9%	19.4%	19.3%		
Loan/deposit Ratio	86.9%	83.9%	83.8%		
NPL ratio	3.4%	4.1%	4.3%		
Loan loss coverage	220.2%	178.0%	169.6%		
Tier-1 CAR	17.7%	15.1%	15.1%		
Total CAR	20.7%	17.6%	17.6%		

Sources: BBL, UOB Kay Hian

NET PROFIT FORECAST

(Btm)	2020F	2021F	2022F
Old	20,546	24,040	27,249
New	20,677	25,005	28,787
% chg	0.6	4.0	5.6

Source: UOB Kay Hian

- Upgrade earnings projections.** We increase our net profit projections for 2020-22 by 0.6%, 4.0% and 5.6% respectively to reflect a stronger-than-expected economic recovery in 2020. Bank of Thailand revised its Thailand GDP growth projection for 2020 from -7.8% to -6.6% yoy. This would enable the bank to ease its provisions going forward. We reduce our credit cost assumptions by 5-10bp for 2020-22. In addition, we raise our fee income assumptions for 2021-22 to reflect brighter prospects in the capital market-related businesses (brokerage and mutual funds). Based on these new assumptions, we forecast net profits to decrease 42.3% yoy for 2020 but rebound by 20.9% for 2021 and 15.1% for 2022. Growth will be driven by higher net interest income from loans and higher fee income in tandem with the economic recovery. Provisions are expected to decrease 6-9% for 2021-22.

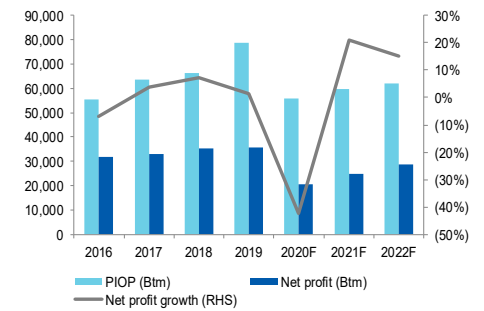
VALUATION/RECOMMENDATION

- Maintain BUY with a higher target price of Bt152.00** (from Bt125.00), pegged at 0.6x 2021F P/B, or -1.0SD to the stock's mean in 2016-20. Our new valuation reflects earnings upgrade. We like BBL for its strong balance sheet (high loan loss reserves and solid capital adequacy ratio) and strong earnings rebound in 2021-22.

SHARE PRICE CATALYST

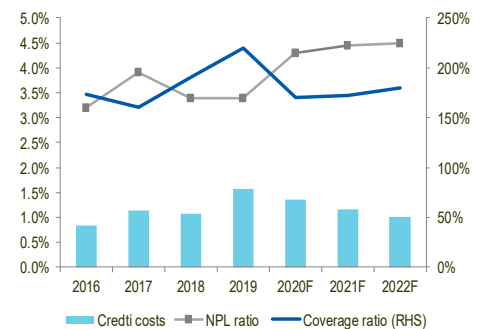
- Improving economic outlook to shore up loan demand and reduce provisions.

EARNINGS OUTLOOK



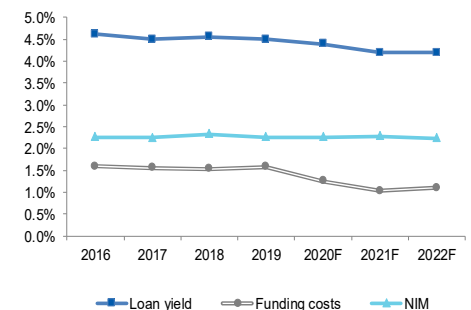
Source: BBL, UOB Kay Hian

NPL RATIO AND LLC RATIO



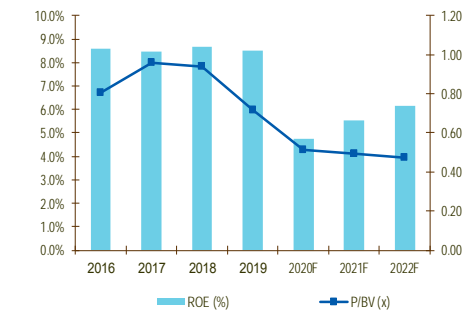
Source: BBL, UOB Kay Hian

NIM OUTLOOK



Source: BBL, UOB Kay Hian

ROE AND P/B



Source: BBL, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (Btm)	2019	2020F	2021F	2022F
Interest income	112,565	114,253	119,658	125,288
Interest expense	(41,494)	(36,446)	(33,099)	(36,671)
Net interest income	71,071	77,807	86,559	88,617
Fees & commissions	28,505	25,406	27,252	29,432
Other income	34,077	16,904	14,697	14,793
Non-interest income	62,582	42,310	41,949	44,225
Income from islamic banking	0	0	0	0
Total income	133,653	120,117	128,509	132,842
Staff costs	(26,726)	(31,537)	(34,690)	(35,731)
Other operating expense	(28,237)	(32,974)	(34,156)	(35,106)
Pre-provision profit	78,690	55,607	59,662	62,005
Loan loss provision	(32,351)	(29,915)	(28,079)	(25,630)
Other provisions	0	0	0	0
Associated companies	93	102	112	115
Other non-operating income	0	0	0	0
Pre-tax profit	46,432	25,794	31,696	36,490
Tax	(10,219)	(4,694)	(6,181)	(7,116)
Minorities	(397)	(422)	(510)	(587)
Net profit	35,816	20,677	25,005	28,787
Net profit (adj.)	35,816	20,677	25,005	28,787

BALANCE SHEET

Year to 31 Dec (Btm)	2019	2020F	2021F	2022F
Cash with central bank	58,090	72,731	71,659	73,809
Govt treasury bills & securities	509,025	665,109	685,456	689,907
Interbank loans	472,349	535,909	577,251	615,071
Customer loans	1,891,046	2,175,825	2,294,977	2,374,856
Investment securities	138,672	165,551	170,468	171,192
Derivative receivables	49,807	59,270	61,641	63,490
Associates & JVs	1,737	1,737	1,737	1,737
Fixed assets (incl. prop.)	50,117	76,217	63,341	65,241
Other assets	45,899	75,575	54,511	45,169
Total assets	3,216,743	3,827,924	3,981,041	4,100,472
Interbank deposits	134,346	164,601	159,242	164,019
Customer deposits	2,370,792	2,828,765	2,973,652	3,074,406
Derivative payables	37,837	59,270	61,641	63,490
Debt equivalents	144,681	139,681	139,681	139,681
Other liabilities	100,970	192,448	186,988	179,894
Total liabilities	2,788,627	3,384,765	3,521,203	3,621,490
Shareholders' funds	427,751	441,881	458,496	477,573
Minority interest - accumulated	365	1,278	1,342	1,409
Total equity & liabilities	3,216,743	3,827,924	3,981,041	4,100,472

OPERATING RATIOS

Year to 31 Dec (%)	2019	2020F	2021F	2022F
Capital Adequacy				
Tier-1 CAR	17.7	15.1	14.6	14.8
Total CAR	20.7	17.6	17.0	17.1
Total assets/equity (x)	7.5	8.7	8.7	8.6
Tangible assets/tangible common equity (x)	7.5	8.7	8.7	8.6
Asset Quality				
NPL ratio	3.4	4.3	4.4	4.5
Loan loss coverage	220.2	169.6	172.5	179.8
Loan loss reserve/gross loans	8.5	8.2	8.7	9.1
Increase in NPLs	(1.2)	45.0	10.0	5.0
Credit cost (bp)	156.1	135.0	115.0	100.0
Liquidity				
Loan/deposit ratio	86.9	83.8	84.5	85.0
Liquid assets/short-term liabilities	41.5	42.6	42.6	42.6
Liquid assets/total assets	32.3	33.3	33.5	33.6

KEY METRICS

Year to 31 Dec (%)	2019	2020F	2021F	2022F
Growth				
Net interest income, yoy chg	(0.4)	9.5	11.2	2.4
Fees & commissions, yoy chg	3.3	(10.9)	7.3	8.0
Pre-provision profit, yoy chg	18.9	(29.3)	7.3	3.9
Net profit, yoy chg	1.4	(42.3)	20.9	15.1
Net profit (adj.), yoy chg	1.4	(42.3)	20.9	15.1
Customer loans, yoy chg	(2.3)	15.1	5.5	3.5
Customer deposits, yoy chg	1.9	19.3	5.1	3.4
Profitability				
Net interest margin	2.3	2.3	2.3	2.2
Cost/income ratio	41.1	53.7	53.6	53.3
Adjusted ROA	1.1	0.6	0.6	0.7
Reported ROE	8.5	4.8	5.6	6.2
Adjusted ROE	8.5	4.8	5.6	6.2
Valuation				
P/BV (x)	0.5	0.5	0.5	0.5
P/NTA (x)	0.5	0.5	0.5	0.5
Adjusted P/E (x)	6.3	10.9	9.0	7.9
Dividend Yield	5.7	3.7	3.9	4.5
Payout ratio	36.0	40.0	35.0	35.0

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