Bangkok Bank Pcl (BBL TB) - BUY, Price Bt143, TP Bt170

Results Comment

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Good profits, in line

- BBL's PPOP of Bt19.7bn, up 7% y-y and 18% q-q was higher than expected on higher investment gains and lower operating expenses.
- However, the bank put aside higher provisions of 18% q-q with credit costs rising to 1.4% from 1.26% in 2Q22. As a result, 3Q22 profits were up 11% y-y and 10% and 9M22 profits accounted for 72% of our full-year forecast. Re-iterate BUY.
- Driven by corporate and international business, loans grew nicely 5% q-q, pushing up YTD growth to 8%. NPLs rose 2% q-q to 3.5% of loans. With high provision set, LLR was rising to 232% from 225% in 2Q22.
- Along with rising interest rate, lending yield expanded to 4.4% from 4.1% in 2Q22. As funding costs increased at slower pace, NIM improved nicely 25bps q-q.
- Fees rose 2% q-q as increasing fees from investment banking and trade finance services offsetting a decline in securities business fees. With lower investment gains and capital market fees, non-NII was down 25% y-y and 4% q-q.
- Opex was rising 7% y-y mainly on higher expenses to develop and improve working systems. It came down q-q on seasonality impact. In light of higher income, cost to income ratio was down from 51% in 2Q22 to 46%.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	**3Q21**	**4Q21**	**1Q22**	**2Q22**	**3Q22**
Interest & dividend income	28,855	30,022	29,922	31,937	35,821
Interest expense	8,150	8,305	8,175	8,411	9,325
Net interest income	**20,705**	**21,716**	**21,747**	**23,526**	**26,496**
Non-interest income	13,608	13,663	9,313	10,625	10,163
Total income	34,313	35,379	31,060	34,151	36,659
Operating expense	15,879	19,336	15,507	17,435	17,006
Pre-provisioning profit	**18,434**	**16,043**	**15,553**	**16,716**	**19,653**
Provision for bad&doubtful debt	9,870	8,127	6,490	8,354	9,889
Profit before tax	8,564	7,916	9,064	8,362	9,763
Tax	1,663	1,517	1,875	1,319	2,032
Profit after tax	6,902	6,399	7,189	7,043	7,731
Equity income	117	35	50	41	48
Minority interests	(110)	(116)	(121)	(123)	(123)
Extra items	-	-	-	-	-
Net profit	**6,909**	**6,318**	**7,118**	**6,961**	**7,657**
Normalized profit	**6,909**	**6,318**	**7,118**	**6,961**	**7,657**
PPP/share (Bt)	9.7	8.4	8.1	8.8	10.3
EPS (Bt)	3.6	3.3	3.7	3.6	4.0
Norm EPS (Bt)	3.6	3.3	3.7	3.6	4.0
BV/share (Bt)	255.1	258.1	260.7	259.1	267.2

Income Statement			9M as		
(Bt m)	**q-q%**	**y-y%**	**% 2022F**	**2022F**	**2023F**
Interest & dividend income	12	24	74	131,293	151,208
Interest expense	11	14	74	35,119	50,615
Net interest income	**13**	**28**	**75**	**96,173**	**100,593**
Non-interest income	(4)	(25)	78	38,425	41,499
Total income	7	7	76	134,599	142,092
Operating expense	(2)	7	74	67,203	69,923
Pre-provisioning profit	**18**	**7**	**77**	**67,396**	**72,169**
Provision for bad&doubtful debt	18	0	82	30,000	29,000
Profit before tax	17	14	73	37,396	43,169
Tax	54	22	74	7,105	8,634
Profit after tax	10	12	73	30,291	34,535
Equity income	16	(59)	70	200	200
Minority interests	neg	neg	74	(495)	(545)
Extra items	neg	neg		-	-
Net profit	**10**	**11**	**72**	**29,995**	**34,190**
Normalized profit	**10**	**11**	**72**	**29,995**	**34,190**
PPP/share (Bt)	18	7	77	35.3	37.8
EPS (Bt)	10	11	72	15.7	17.9
Norm EPS (Bt)	10	11	72	15.7	17.9
BV/share (Bt)	3	5	267	269.7	282.6

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	**3Q21**	**4Q21**	**1Q22**	**2Q22**	**3Q22**
Cash and Interbank	840,473	863,764	819,944	778,455	650,361
Other liquid items	140,993	126,701	133,193	153,970	199,734
Total liquid items	981,466	990,465	953,137	778,455	650,361
Gross loans and accrued interest	2,531,306	2,595,828	2,595,007	2,661,232	2,808,102
Provisions	213,084	219,801	226,352	235,956	248,310
Net loans	2,318,222	2,376,027	2,368,655	2,425,276	2,559,791
Fixed assets	75,260	74,476	73,501	74,802	74,779
Other assets	93,587	87,348	71,881	230,039	294,247
Total assets	**4,275,691**	**4,333,281**	**4,343,930**	**4,356,018**	**4,437,759**
Deposits	3,124,277	3,156,940	3,194,460	3,147,149	3,165,479
Interbank	245,955	288,709	265,243	250,539	231,826
Other liquid items	10,492	8,113	7,121	8,275	7,506
Total liquid items	3,380,724	3,453,761	3,466,824	3,405,963	3,404,811
Borrowings	187,887	183,239	182,843	220,396	206,118
Other liabilities	218,418	201,688	194,662	233,232	314,896
Minority interest	1,757	1,865	1,968	1,892	1,862
Shareholders' equity	**486,905**	**492,727**	**497,634**	**494,535**	**510,072**
Total Liabilities & Equity	**4,275,691**	**4,333,281**	**4,343,930**	**4,356,018**	**4,437,759**

Financial Ratios					
(%)	**3Q21**	**4Q21**	**1Q22**	**2Q22**	**3Q22**
Gross loan growth (YTD)	6.6	9.3	(0.0)	2.5	8.1
Gross loan growth (q-q)	4.3	2.6	(0.0)	2.5	5.4
Deposit growth (YTD)	11.2	12.3	1.2	(0.3)	0.3
Deposit growth (q-q)	2.5	1.0	1.2	(1.5)	0.6
Non-interest income (y-y)	41.2	20.3	(16.4)	(22.8)	(25.3)
Non-interest income (q-q)	(1.2)	0.4	(31.8)	14.1	(4.4)
Fee income / Operating income	21.5	21.5	22.4	19.7	18.7
Cost-to-income	46.3	54.7	49.9	51.1	46.4
Net interest margin	1.97	2.02	2.00	2.16	2.41
Credit cost	1.56	1.26	1.00	1.26	1.41
ROE	5.8	5.2	5.7	5.6	6.1
Loan-to-deposit	80.8	82.0	81.0	84.3	88.4
Loan-to-deposit + S-T borrowing	80.8	82.0	81.0	84.3	88.3
NPLs (Bt m)	112,433	101,103	102,342	105,046	107,023
NPL increase	1,398	(11,330)	1,239	2,704	1,977
NPL ratio	3.70	3.20	3.30	3.40	3.50
Loan-loss-coverage ratio	189.5	217.4	221.2	224.6	232.0
CAR - total	19.7	19.6	19.5	18.9	18.5

Sources: Company data, Thanachart estimates

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