

Bangkok Bank Public Company Limited

Update

Ratings

Foreign Currency

Long-Term IDR	BBB+
Short-Term IDR	F2
Senior unsecured notes	BBB+
Subordinated	BBB

National

Long-Term Rating	AA(thai)
Short-Term Rating	F1+(thai)

Viability Rating	bbb+
Support Rating	2
Support Rating Floor	BBB-

Sovereign Risk

Long-Term Foreign-Currency IDR	BBB
Long-Term Local-Currency IDR	A-

Outlooks

Long-Term Foreign-Currency IDR	Stable
National Long-Term Rating	Stable
Sovereign Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Local-Currency IDR	Stable

Financial Data

Bangkok Bank Public Company Limited

	31 Mar 12	31 Dec 11
Total assets (USDm)	71,511.5	66,482.6
Total assets (THBbn)	2,205.6	2,106.9
Total equity (THBbn)	253.1	244.7
Net income (THBbn)	8.1 ^a	27.7
ROA (%)	1.51 ^b	1.37
Tier 1 ratio (%)	11.85	12.21

^a 3-month results; ^b Annualised

Key Rating Drivers

Steady Credit Profile: Bangkok Bank Public Company Limited's (BBL) ratings are based on a solid domestic franchise; conservative funding strategy; and reasonably strong capital, profitability and reserves, which have helped preserve its standalone profile through credit cycles. Any near-term weakening of asset quality arising from the floods in 2011 should be temporary and manageable.

Sound Funding Approach: BBL's funding strategy – which focuses on low-cost retail deposits – together with its franchise in Thailand, provides comfort against low liquidity and funding risk in the event of a renewed volatile environment. Wholesale and foreign-currency funding has increased in order to support the offshore business of corporate customers, but is likely to remain modest relative to the bank's funding base.

Solid Reserve Coverage: BBL's prudent provisioning policy should provide a cushion against potentially higher credit losses in a difficult environment. Loan-loss reserves (LLR) are the highest among its local peers, at 193% of NPLs at end-March 2012, and are likely to remain solid.

Well Capitalised: Fitch Ratings expects the capital position to remain strong over the longer term; the Tier 1 capital ratio, at 11.85% at end-March 2012, is the highest among the major Thai banks. BBL intends to maintain this ratio at above 10%, which – together with solid reserves – should help it cope with asset-quality shocks and to maintain its financial profile.

Corporate Focus Constrains Margin: The low-cost funding structure enables BBL to maintain a leading share of low-yielding corporate loans. However, it is increasingly crucial and potentially difficult to maintain an effective funding strategy, as intense competition for deposits could put gradual pressure on margins and profitability. Moreover, there is a limited potential of margin uplift from its high-yielding retail exposure – which is modest compared with those of other major Thai banks.

Short-Term NPL Rise: Fitch expects asset-quality deterioration in 2012 to be temporary and moderate, due to the impact from the floods and volatile economic environment in Q411 and Q112. Beyond that, BBL's conservative business strategy and the ensuing recovery in the domestic economy should result in an improving trend in asset quality, although the weak external environment remains a risk.

What Could Trigger a Rating Action

Change in Credit Profile: A significant and sustained improvement in profitability, asset quality and maintenance of strong capital could lead to an upgrade of the National Long-Term Rating. Conversely, a downgrade of the Viability Rating (VR) and Long-Term Foreign-Currency (LT FC) IDR could result from a sustained increase in loan concentration and rapid growth that weakens its asset quality, liquidity and/or capitalisation to a substantial extent.

Downgrade of Country Ceiling: A downgrade of Thailand's Country Ceiling ('BBB+') could result in a concurrent downgrade of BBL's LT FC IDR and VR. As permitted by the Country Ceilings criteria, BBL's ratings are higher than the sovereign ratings due to its strong intrinsic financial strength, moderate holding of government securities, and immaterial state ownership. An upgrade of the Country Ceiling, however, may not affect its LT FC IDR and VR.

Related Research

2012 Outlook: Thai Major Banks
(December 2011)

Thailand Floods (October 2011)

Analysts

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Related Criteria

[Global Financial Institutions Rating Criteria \(August 2011\)](#)

[Rating Bank Regulatory Capital and Similar Securities \(December 2011\)](#)

[National Ratings Criteria \(January 2011\)](#)

[Country Ceilings \(August 2011\)](#)