

# Thailand Industry Focus

## Thailand Banks

Refer to important disclosures at the end of this report

DBS Group Research . Equity

26 Mar 2015

### Big banks saw loans grow in February

- Small banks continued to register loan contraction
- TMB booked strongest loan growth m-o-m; KBANK topped YTD
- Top picks: KBANK and TMB

**Sector loans grew 0.5% m-o-m, 6.2% y-o-y, and 2.1% YTD-Feb.** Recall that Bt220bn loans (c.2% of total sector loans) were added to the sector upon the consolidation of BTMU's balance sheet into BAY's in January. Excluding BAY, sector loans would have risen 0.4% m-o-m and 3.1% y-o-y and been flat YTD (+0.2%). Deposits grew 0.4% m-o-m, 6.7% y-o-y, and 1.7% YTD, while borrowings fell 0.1% m-o-m, rose 2.4% y-o-y, and fell 0.7% YTD. LDR, including borrowings, was 88.2% vs. 87.7% at end December.

**Big banks reported loan expansion, while small banks still saw loan contraction.** Corporate working capital loans were the key driver for loan growth at big banks in general, as well as TMB. However, banks have yet to see signs of investments resuming. Meanwhile, small banks continued to see loan contractions in February, due to the still-weak auto hire purchase (HP) market. Domestic car sales remained sluggish at c.60K cars/month in 2M15, compared with an average of 73K cars/month in 2014.

**TMB posted strongest loan growth m-o-m; KBANK topped YTD.** Excluding BAY, TMB saw the strongest loan growth m-o-m (+1.3% m-o-m, +6.4% y-o-y, +0.7% YTD), driven by working capital loans to the corporate segment, while SME and retail loans remained flat. KBANK topped in loan growth YTD (+0.9% m-o-m, +6.6% y-o-y, +2.0% YTD), attributed to working capital loans to the corporate and SME segments, while retail loans contracted on seasonal repayments.

**Hope for improvement in 2H15.** We maintain our 9% sector loan growth assumption for FY15, banking on an improving economy and the potential resumption of investments in 2H15. Meanwhile, HP players may continue to suffer from shrinking portfolios as HP repayments are likely to still exceed new loans. KBANK and TMB remain our top picks.

SET : 1,512.80

#### Analyst

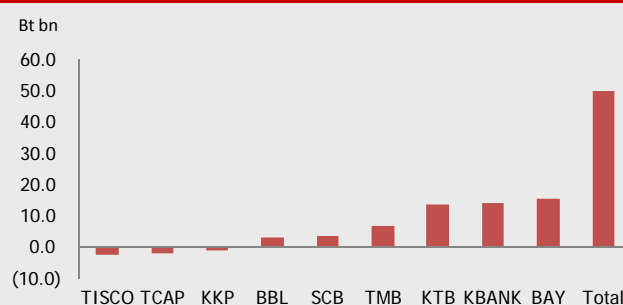
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#### STOCKS

	Price	Mkt Cap	Target Price	Performance (%)		Rating
	Bt	US\$m	Bt	3 mth	12 mth	
Bangkok Bank	179.00	10,660	254	(7.6)	2.8	BUY
KASIKORNBANK	226.00	16,569	280	(3.9)	31.2	BUY
Krung Thai Bank	23.10	9,848	30.00	(0.4)	23.1	BUY
Siam Commercial	174.50	18,173	235	(6.0)	12.6	BUY
Thanachart Capital	35.00	1,290	36.00	7.8	(4.8)	HOLD
TISCO Financial	46.25	1,139	44.00	5.7	13.5	HOLD
TMB Bank Plc	3.00	4,005	3.60	(0.7)	22.1	BUY

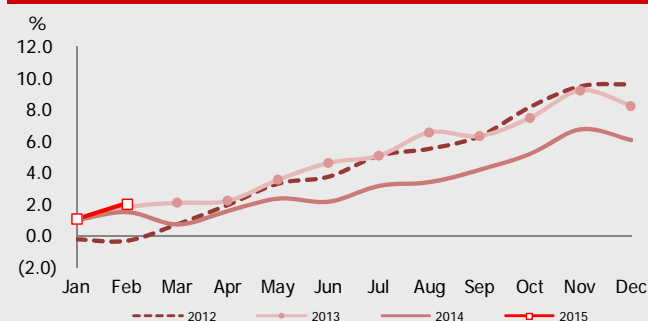
Source: Companies, DBS Vickers

#### HP players posted net decreases in loans



Source: Companies, DBS Vickers

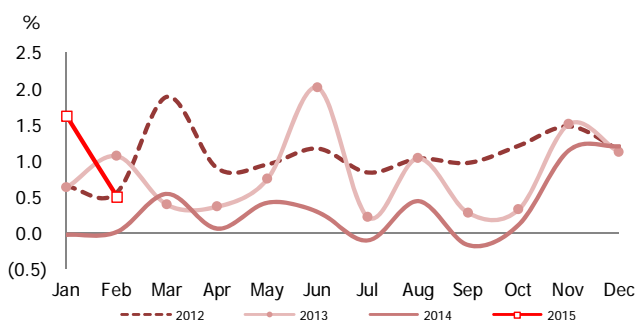
#### KBANK: 2M15 loan growth was 2.0%



Source: Company, DBS Vickers

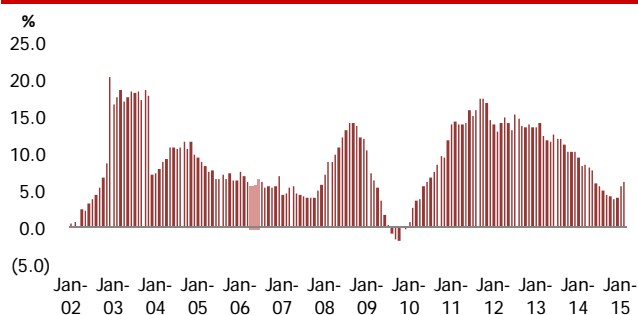
**Thailand Banks**

**M-o-m loan growth was 0.5% in February**



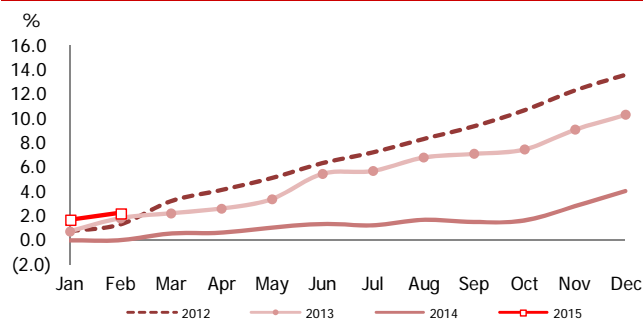
Source: Companies, DBS Vickers

**Loan growth was 6.2% y-o-y**



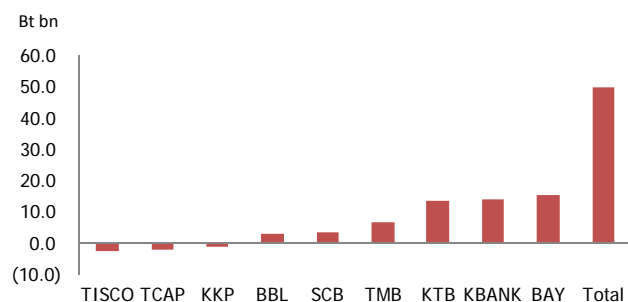
Source: Companies, DBS Vickers

**2M15 loan growth at 2.1%**



Source: Companies, DBS Vickers

**Sector loans grew by Bt49.8bn (net) in February**



Source: Companies, DBS Vickers

**Excluding BAY, loans should have fallen 0.2% YTD-Feb**

Loans (Bt bn)	Feb-15	Jan-15	m-o-m (%)	Feb-14	y-o-y (%)	Dec-14	YTD (%)
BAY	1,117	1,102	1.4	801	39.4	892	25.2
BBL	1,713	1,710	0.2	1,707	0.3	1,735	(1.3)
KBANK	1,544	1,530	0.9	1,449	6.6	1,514	2.0
KKP	184	185	(0.7)	194	(5.2)	187	(1.7)
KTB	1,906	1,893	0.7	1,746	9.2	1,908	(0.1)
SCB	1,767	1,763	0.2	1,715	3.0	1,773	(0.4)
TCAP	744	746	(0.3)	793	(6.1)	757	(1.7)
TISCO	257	259	(1.1)	287	(10.4)	263	(2.5)
TMB	535	528	1.3	503	6.4	531	0.7
9 banks	9,766	9,717	0.5	9,194	6.2	9,561	2.1

Source: Company, DBS Vickers

**Excluding BAY, deposit growth should have been flat YTD**

Deposits (Bt bn)	Feb-15	Jan-15	m-o-m (%)	Feb-14	y-o-y (%)	Dec-14	YTD (%)
BAY	1,010	991	2.0	798	26.5	844	19.7
BBL	2,083	2,011	3.6	1,903	9.5	1,993	4.5
KBANK	1,637	1,629	0.5	1,592	2.9	1,632	0.3
KKP	130	131	(0.6)	147	(11.8)	132	(2.0)
KTB	2,154	2,183	(1.3)	1,925	11.9	2,153	0.1
SCB	1,838	1,887	(2.6)	1,774	3.6	1,890	(2.8)
TCAP	679	679	0.0	706	(3.9)	697	(2.6)
TISCO	194	192	1.2	247	(21.5)	205	(5.6)
TMB	566	554	2.2	552	2.6	572	(1.0)
9 banks	10,291	10,255	0.4	9,645	6.7	10,111	1.7

Source: Company, DBS Vickers

**Excluding BAY, borrowings should have dropped 3.1% YTD**

Borrowings (Bt bn)	Feb-15	Jan-15	m-o-m (%)	Feb-14	y-o-y (%)	Dec-14	YTD (%)
BAY	113	116	(2.5)	92	23.1	97	16.1
BBL	138	140	(1.0)	140	(1.0)	141	(1.7)
KBANK	86	86	0.3	67	29.1	87	(1.0)
KKP	42	41	2.6	50	(15.3)	40	5.0
KTB	99	101	(2.1)	110	(10.6)	104	(4.8)
SCB	113	114	(0.7)	95	19.5	114	(1.2)
TCAP	95	87	9.8	115	(17.1)	98	(3.0)
TISCO	55	58	(5.5)	53	2.9	65	(16.1)
TMB	36	36	(0.3)	38	(5.4)	36	(1.0)
9 banks	778	779	(0.1)	760	2.4	784	(0.7)

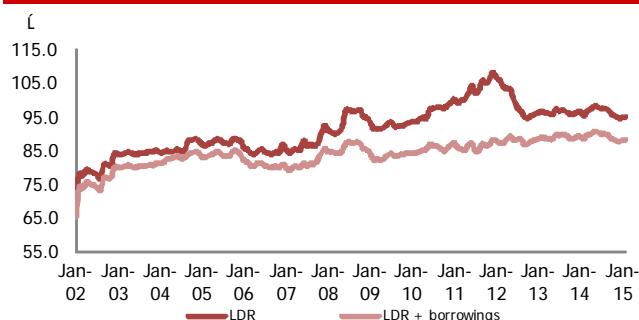
Source: Company, DBS Vickers

**Abundant liquidity**

LDR+borrowings (%)	Feb-15	Jan-15	m-o-m (ppts)	Feb-14	y-o-y (ppts)	Dec-14	YTD (ppts)
BAY	99.5	99.6	(0.10)	90.0	9.44	94.8	4.69
BBL	77.1	79.5	(2.41)	83.6	(6.46)	81.3	(4.22)
KBANK	89.6	89.2	0.38	87.4	2.24	88.0	1.57
KKP	106.7	107.6	(0.97)	98.3	8.36	108.1	(1.43)
KTB	84.6	82.9	1.72	85.8	(1.15)	84.6	0.03
SCB	90.5	88.1	2.40	91.7	(1.21)	88.5	2.08
TCAP	96.1	97.5	(1.37)	96.5	(0.40)	95.2	0.93
TISCO	103.2	103.9	(0.72)	95.4	7.77	97.2	5.92
TMB	88.9	89.5	(0.68)	85.2	3.63	87.4	1.44
9 banks	88.2	88.1	0.16	88.4	(0.13)	87.7	0.53

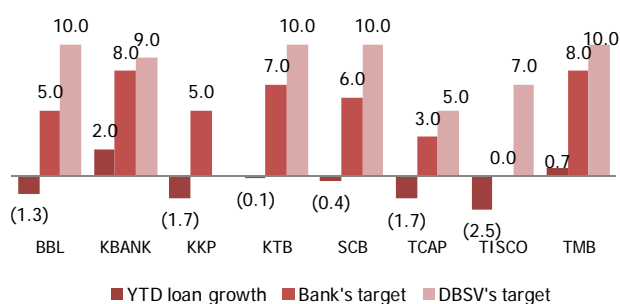
Source: Company, DBS Vickers

**LDR and LDR (including borrowings) moved in parallel**



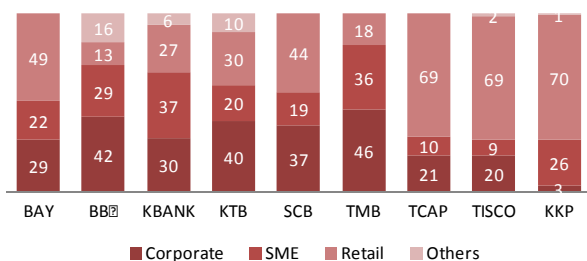
Source: Companies, DBS Vickers

**2M15 loan growth vs. individual banks' targets**



Source: Companies, DBS Vickers

**Loan breakdown at each bank**



Source: Companies, DBS Vickers

**Individual banks: loan growth in February**

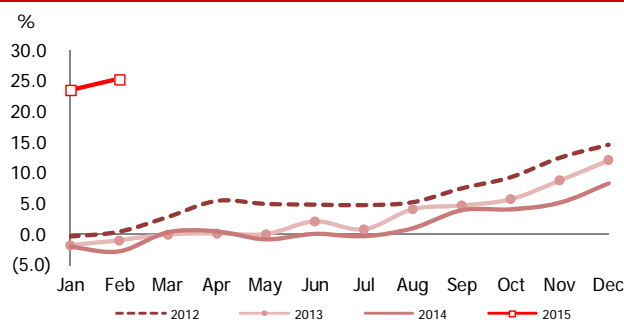
**BAY (Not Rated):** BAY's loans grew 1.4% m-o-m at the bank level, but consolidated loans only inched up 1%, due to loan repayment from a subsidiary. Segment-wise, corporate and retail loans grew, while SME loans declined. For the retail segment, credit card and personal loans continued to dip due to seasonality. Meanwhile housing loans expanded by 0.6-0.7% m-o-m and auto loans by 0.6-0.7%, mainly driven by used-car HP and car-for-cash loans.

**BAY: February summary (bank only)**

Bt bn	Feb-15	Jan-15	m-o-m (%)	Feb-14	y-o-y (%)	Dec-14	YTD (%)
Loans	1,117	1,102	1.4	801	39.4	892	25.2
Deposits	1,010	991	2.0	798	26.5	844	19.7
Borrowings	113	116	(2.5)	92	23.1	97	16.1
Percent	Feb-15	Jan-15	m-o-m (ppts)	Feb-14	y-o-y (ppts)	Dec-14	YTD (ppts)
LDR	110.6	111.2	(0.62)	100.4	10.22	105.7	4.88
LDR + borrowings	99.5	99.6	(0.10)	90.0	9.44	94.8	4.69

Source: Company, DBS Vickers

**BAY: 2M15 loan growth was 25.2%**



Source: Company, DBS Vickers

**BBL:** Loans expanded at each and every segment in February. For corporate and SME segments, the disbursement was in both forms of working capital and term loans. Interestingly, deposits grew 3.6% m-o-m and 4.5% YTD, thanks to continued deposit campaigns. This hints at the bank's expectation of better loan demand ahead.

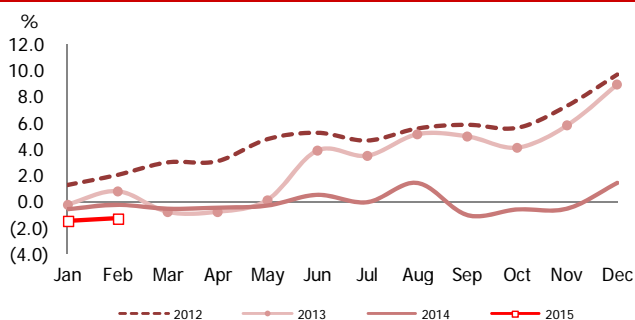
**BBL: February summary**

Bt bn	Feb-15	Jan-15	m-o-m (%)	Feb-14	y-o-y (%)	Dec-14	YTD (%)
Loans	1,713	1,710	0.2	1,707	0.3	1,735	(1.3)
Deposits	2,083	2,011	3.6	1,903	9.5	1,993	4.5
Borrowings	138	140	(1.0)	140	(1.0)	141	(1.7)
Percent	Feb-15	Jan-15	m-o-m (ppts)	Feb-14	y-o-y (ppts)	Dec-14	YTD (ppts)
LDR	82.2	85.0	(2.81)	89.7	(7.48)	87.1	(4.85)
LDR + borrowings	77.1	79.5	(2.41)	83.6	(6.46)	81.3	(4.22)

Source: Company, DBS Vickers

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**BBL: 2M15 loan growth was -1.3%**



Source: Company, DBS Vickers

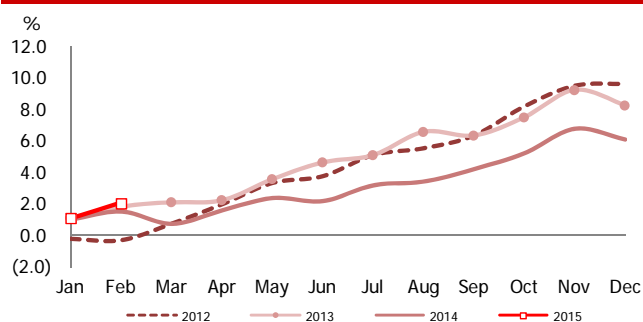
**KBANK:** Loan growth was driven mainly by demand for working capital loans from both the corporate (#1) and SME (#2) segments. Meanwhile, retail loans fell due to seasonal repayment of credit card loans.

**KBANK: February summary**

Bt bn	Feb-15	Jan-15	m-o-m (%)	Feb-14	y-o-y (%)	Dec-14	YTD (%)
Loans	1,544	1,530	0.9	1,449	6.6	1,514	2.0
Deposits	1,637	1,629	0.5	1,592	2.9	1,632	0.3
Borrowings	86	86	0.3	67	29.1	87	(1.0)
Percent	Feb-15	Jan-15	m-o-m (ppts)	Feb-14	y-o-y (ppts)	Dec-14	YTD (ppts)
LDR	94.3	93.9	0.39	91.0	3.30	92.7	1.60
LDR + borrowings	89.6	89.2	0.38	87.4	2.24	88.0	1.57

Source: Company, DBS Vickers

**KBANK: 2M15 loan growth was 2.0%**



Source: Company, DBS Vickers

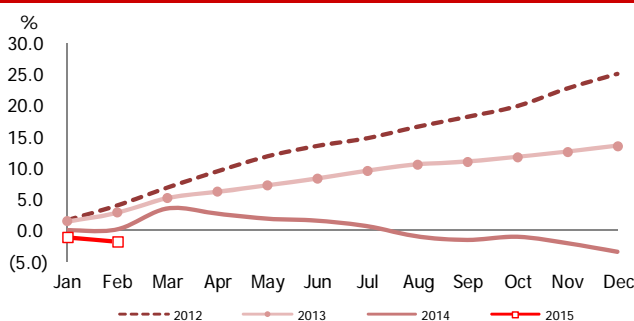
**KKP (Not Rated):** HP loans continued to shrink, while other loans remained flat. While new corporate loans remain on track to come in by 1Q15, the management believes those may be offset by a large corporate loan repayment expected in March.

**KKP: February summary**

Bt bn	Feb-15	Jan-15	m-o-m (%)	Feb-14	y-o-y (%)	Dec-14	YTD (%)
Loans	184	185	(0.7)	194	(5.2)	187	(1.7)
Deposits	130	131	(0.6)	147	(11.8)	132	(2.0)
Borrowings	42	41	2.6	50	(15.3)	40	5.0
Percent	Feb-15	Jan-15	m-o-m (ppts)	Feb-14	y-o-y (ppts)	Dec-14	YTD (ppts)
LDR	141.5	141.7	(0.22)	131.8	9.75	141.1	0.45
LDR + borrowings	106.7	107.6	(0.97)	98.3	8.36	108.1	(1.43)

Source: Company, DBS Vickers

**KKP: 2M15 loan growth was -1.7%**



Source: Company, DBS Vickers

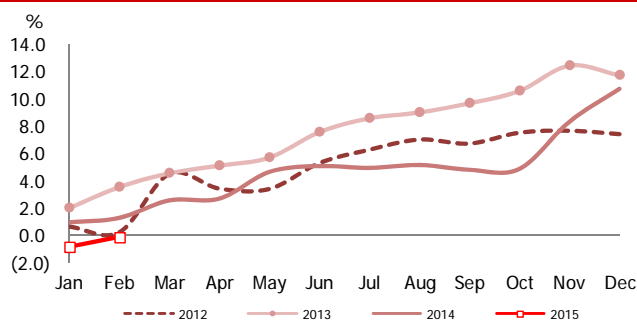
**KTB:** Retail loans (i.e. housing and personal loans) led the growth in February. SME and government loans also increased, while corporate loans fell slightly due to loan repayments. Deposits fell m-o-m due to government CASA withdrawals, as well as the maturing of some retail fixed-deposit products.

**KTB: February summary**

Bt bn	Feb-15	Jan-15	m-o-m (%)	Feb-14	y-o-y (%)	Dec-14	YTD (%)
Loans	1,906	1,893	0.7	1,746	9.2	1,908	(0.1)
Deposits	2,154	2,183	(1.3)	1,925	11.9	2,153	0.1
Borrowings	99	101	(2.1)	110	(10.6)	104	(4.8)
Percent	Feb-15	Jan-15	m-o-m (ppts)	Feb-14	y-o-y (ppts)	Dec-14	YTD (ppts)
LDR	88.5	86.7	1.77	90.7	(2.19)	88.6	(0.16)
LDR + borrowings	84.6	82.9	1.72	85.8	(1.15)	84.6	0.03

Source: Company, DBS Vickers

**KTB: 2M15 loan growth was -0.1%**



Source: Company, DBS Vickers

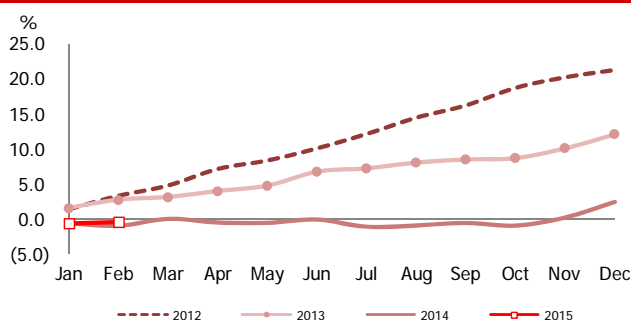
**SCB:** Corporate loans continued to drop due to repayment of working capital loans, while retail and SME loans increased in February. For the retail segment, housing loans continued to grow, while HP loans showed no dip in February. On the deposit side, the decline was due to the withdrawal of corporate deposits and the maturing of retail fixed deposits. Note that SCB has yet to introduce any deposit campaign this year.

**SCB: February summary**

Bt bn	Feb-15	Jan-15	m-o-m (%)	Feb-14	y-o-y (%)	Dec-14	YTD (%)
Loans	1,767	1,763	0.2	1,715	3.0	1,773	(0.4)
Deposits	1,838	1,887	(2.6)	1,774	3.6	1,890	(2.8)
Borrowings	113	114	(0.7)	95	19.5	114	(1.2)
Percent	Feb-15	Jan-15	m-o-m (ppts)	Feb-14	y-o-y (ppts)	Dec-14	YTD (ppts)
LDR	96.1	93.5	2.65	96.6	(0.53)	93.8	2.30
LDR + borrowings	90.5	88.1	2.40	91.7	(1.21)	88.5	2.08

Source: Company, DBS Vickers

**SCB: 2M15 loan growth was -0.4%**



Source: Company, DBS Vickers

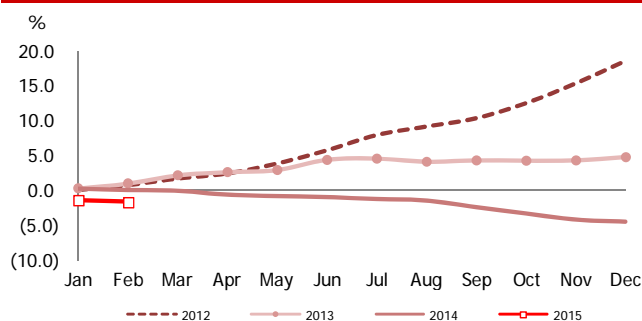
**TCAP:** Hire purchase (HP) loans fell another 1% m-o-m; mortgage and credit card loans were flat, while corporate and SME loans grew 0.5% m-o-m. Car sales remained weak in February, while the next motor show in March looks unexciting. This hints at weak loan growth ahead for HP players, including TCAP.

**TCAP: February summary**

Bt bn	Feb-15	Jan-15	m-o-m (%)	Feb-14	y-o-y (%)	Dec-14	YTD (%)
Loans	744	746	(0.3)	793	(6.1)	757	(1.7)
Deposits	679	679	0.0	706	(3.9)	697	(2.6)
Borrowings	95	87	9.8	115	(17.1)	98	(3.0)
Percent	Feb-15	Jan-15	m-o-m (ppts)	Feb-14	y-o-y (ppts)	Dec-14	YTD (ppts)
LDR	109.6	110.0	(0.34)	112.3	(2.61)	108.6	1.01
LDR + borrowings	96.1	97.5	(1.37)	96.5	(0.40)	95.2	0.93

Source: Company, DBS Vickers

**TCAP: 2M15 loan growth was -1.7%**



Source: Company, DBS Vickers

**TISCO:** Loans contracted at all segments except SME. Corporate loans fell 0.6% m-o-m due to loan repayments. Retail loans fell 0.8% m-o-m, dragged by a 1% decline in HP loans, although consumer finance grew 0.5%. Nonetheless, SME (mostly car dealers) loans have started to recover, gaining 0.1% m-o-m.

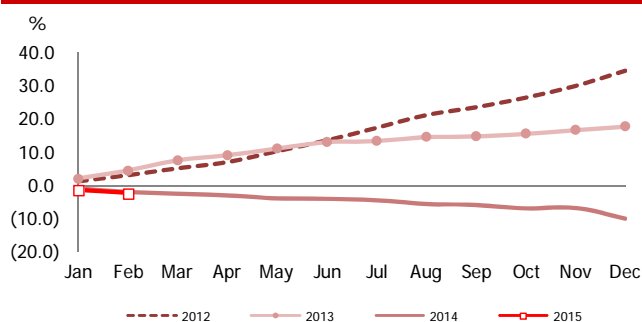
**TISCO: February summary**

Bt bn	Feb-15	Jan-15	m-o-m (%)	Feb-14	y-o-y (%)	Dec-14	YTD (%)
Loans	257	259	(1.1)	287	(10.4)	263	(2.5)
Deposits	194	192	1.2	247	(21.5)	205	(5.6)
Borrowings	55	58	(5.5)	53	2.9	65	(16.1)
Percent	Feb-15	Jan-15	m-o-m (ppts)	Feb-14	y-o-y (ppts)	Dec-14	YTD (ppts)
LDR	132.4	135.4	(3.02)	116.0	16.38	128.2	4.15
LDR + borrowings	103.2	103.9	(0.72)	95.4	7.77	97.2	5.92

Source: Company, DBS Vickers

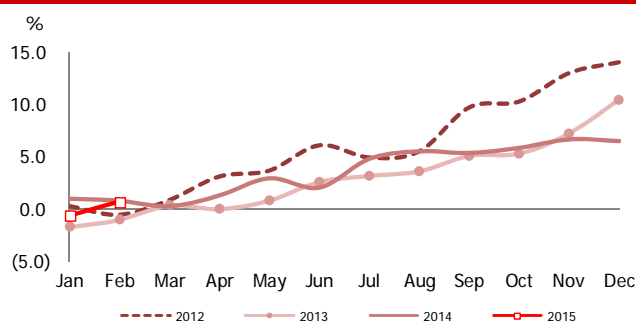
**Thailand Banks**

**TISCO: 2M15 loan growth was -2.5%**



Source: Company, DBS Vickers

**TMB: 2M15 loan growth was 0.7%**



Source: Company, DBS Vickers

**TMB:** Working capital loans to the corporate segment was the key growth driver in February. Meanwhile, SME and retail loans remained flat. The management said they have so far not seen concrete signs of investments resuming.

**TMB: February summary**

Bt bn	Feb-15	Jan-15	m-o-m (%)	Feb-14	y-o-y (%)	Dec-14	YTD (%)
Loans	535	528	1.3	503	6.4	531	0.7
Deposits	566	554	2.2	552	2.6	572	(1.0)
Borrowings	36	36	(0.3)	38	(5.4)	36	(1.0)
Percent	Feb-15	Jan-15	m-o-m (ppts)	Feb-14	y-o-y (ppts)	Dec-14	YTD (ppts)
LDR	94.5	95.4	(0.87)	91.1	3.40	93.0	1.53
LDR + borrowings	88.9	89.5	(0.68)	85.2	3.63	87.4	1.44

Source: Company, DBS Vickers

**PBV Band**



Source: Company, DBS Vickers

**Thai banks: Peer comparison**

Bloomberg Code	Mkt Cap	Price	Target	% Upside			PE			CAGR	PBV			ROE	Div Yield
	Cap	25-Mar	Price	Upside	Rating	(x)			^ (%)	(x)			(x)	(%)	
	(US\$m)	(Bt)	(Bt)			14F	15F	16F	14-16	14F	15F	16F	15F	15F	
BBL TB	10,518	179.00	254.00	42%	Buy	9.4	8.8	8.1	4.2	1.1	1.0	0.9	11.6	3.9	
KBANK TB	16,651	226.00	280.00	24%	BUY	11.7	10.8	9.5	10.1	2.1	1.8	1.6	18.1	2.0	
KTB TB	9,943	23.10	30.00	30%	Buy	9.7	9.0	8.3	-1.3	1.4	1.3	1.1	14.7	4.1	
TMB TB	4,034	3.00	3.60	20%	BUY	13.7	12.0	10.6	37.6	1.9	1.7	1.5	14.7	2.0	
SCB TB	18,265	174.50	235.00	35%	BUY	11.1	9.8	8.9	9.5	2.1	1.8	1.6	19.7	3.3	
TISCO TB	1,140	46.25	44.00	-5%	HOLD	8.7	8.4	7.7	1.4	1.4	1.3	1.2	16.3	4.9	
TCAP TB	1,300	35.00	36.00	3%	HOLD	8.3	8.2	7.7	-24.4	0.9	0.8	0.8	9.8	4.9	
<b>Simple average</b>						<b>10.4</b>	<b>9.6</b>	<b>8.7</b>	<b>5.3</b>	<b>1.5</b>	<b>1.4</b>	<b>1.2</b>	<b>15.0</b>	<b>3.6</b>	

Source: Company, DBS Vickers

DBSV recommendations are based on Absolute Total Return\* Rating system, defined as follows:

**STRONG BUY** (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)

**BUY** (>15% total return over the next 12 months for small caps, >10% for large caps)

**HOLD** (-10 to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)

**FULLY VALUED** (negative total return i.e. > -10% over the next 12 months)

**SELL** (negative total return of > -20% over the next 3 months, with identifiable catalysts within this time frame)

*Share price appreciation + dividends*

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