

Thailand Industry Focus

Thailand Banks

Refer to important disclosures at the end of this report

DBS Group Research . Equity

26 May 2015

Loan growth driven by demand for working capital

- Big banks registered loan expansion, while small banks still seeing loan contraction
- KBANK's loan growth topped its peers'
- Maintain Neutral; KBANK remains our top pick

Sector loans grew 0.6% m-o-m, 6.8% y-o-y, and 3.3% YTD-Apr. Recall that upon the consolidation of BTMU's balance sheet into BAY's in January, Bt220bn (c.2% of total sector loans) were effectively added to the sector's loans. Excluding BAY, sector loans would have risen only 0.5% m-o-m, 3.7% y-o-y and 0.7% YTD. Deposits grew 0.7% m-o-m, 9.9% y-o-y, and 3.2% YTD, while borrowings fell 3.0% m-o-m, 5.2% y-o-y, and 7.0% YTD. LDR, including borrowings, was 88.4% vs. 87.7% at end December.

While small banks seeing loan contraction, big banks registered loan expansion. Corporate and SME working capital loans were the key loan growth driver at big banks. Meanwhile, small banks continued to see loan contraction, due to the weak auto market. Domestic car sales remained sluggish with 4M15 car sales dropping 16% y-o-y.

KBANK topped its peers in loan growth. Excluding BAY, KBANK posted the strongest loan growth m-o-m and YTD (+1.4% m-o-m, +7.3% y-o-y, +2.7% YTD), driven by working capital loan demand, mainly from the corporate segment. YTD, TISCO was the worst performer (-3.7% YTD), due to weak new hire purchase (HP) lending and loan repayments by car dealers.

Look for quality over growth. Asset quality, not growth, seems to matter most at banks, and with that, their loan growth is likely to stall. We believe HP players would continue to suffer from shrinking loan portfolios, while big banks cannot bank on lending as their key growth drivers. We maintain Neutral on Thailand banks. KBANK is our only top pick for its balanced growth and decent loan quality.

SET : 1,508.16

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STOCKS

	Price	Mkt Cap	Target Price	Performance (%)		Rating
	Bt	US\$m	Bt	3 mth	12 mth	
Bangkok Bank	180	10,261	220	(4.8)	(2.4)	BUY
KASIKORNBANK	200	14,259	280	(8.1)	5.6	BUY
Krung Thai Bank	18.30	7,638	22.50	(20.8)	1.1	HOLD
Siam Commercial	161	16,270	210	(8.8)	1.9	BUY
Thanachart Capital	33.75	1,197	36.00	(6.3)	0.8	HOLD
TISCO Financial	45.00	1,076	44.00	(3.7)	16.9	HOLD
TMB Bank PCL	2.48	3,240	3.60	(19.5)	11.7	BUY

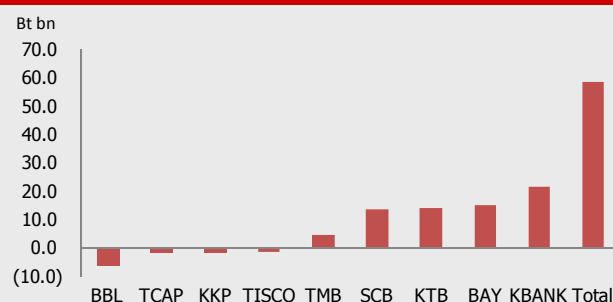
Source: Company, DBS Vickers

Excl. BAY, loans should have risen just 0.7% YTD-Apr

Loans (Bt bn)	Apr-15	Mar-15	m-o-m (%)	Apr-14	y-o-y (%)	Dec-14	YTD (%)
BAY	1,147	1,132	1.3	828	38.5	892	28.5
BBL	1,721	1,727	(0.3)	1,703	1.1	1,735	(0.8)
KBANK	1,555	1,533	1.4	1,450	7.3	1,514	2.7
KKP	182	183	(0.8)	199	(8.6)	187	(2.8)
KTB	1,925	1,911	0.7	1,770	8.8	1,908	0.9
SCB	1,819	1,805	0.8	1,723	5.6	1,773	2.6
TCAP	731	732	(0.2)	788	(7.2)	757	(3.5)
TISCO	254	255	(0.5)	284	(10.6)	263	(3.7)
TMB	545	540	0.9	505	7.8	531	2.5
9 banks	9,878	9,819	0.6	9,249	6.8	9,561	3.3

Source: Companies, DBS Vickers

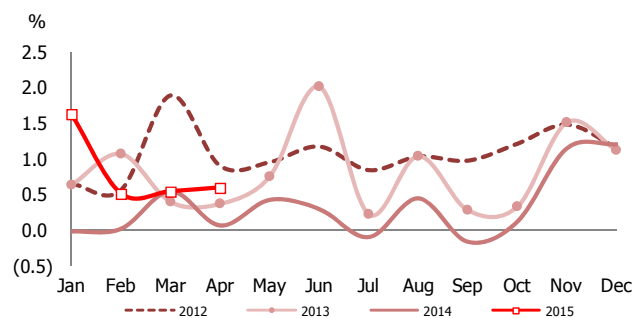
Sector loans grew by Bt59bn (net) in April



Source: Companies, DBS Vickers

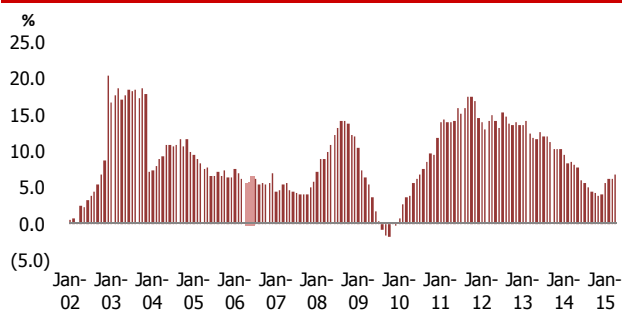
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M-o-m loan growth was 0.6% in April



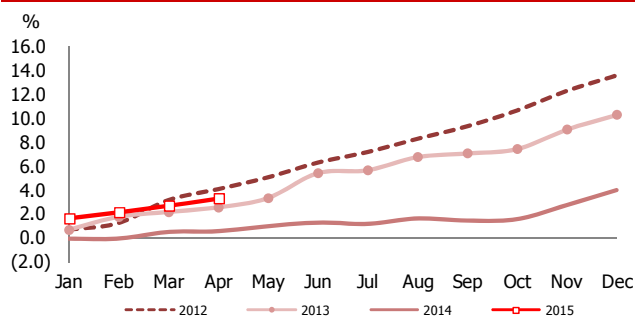
Source: Companies, DBS Vickers

Loan growth was 6.8% y-o-y



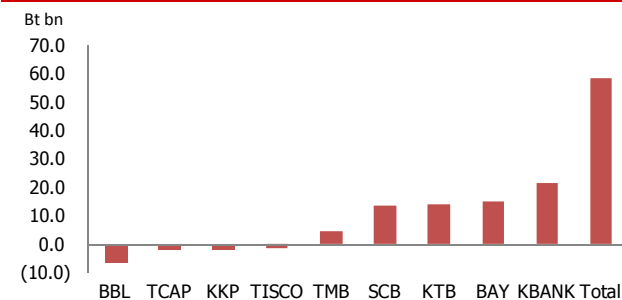
Source: Companies, DBS Vickers

4M15 loan growth was 3.3%



Source: Companies, DBS Vickers

Sector loans grew by Bt59bn (net) in April



Source: Companies, DBS Vickers

Excl. BAY, loans should have risen just 0.7% YTD-Apr

Loans (Bt bn)	Apr-15	Mar-15	m-o-m (%)	Apr-14	y-o-y (%)	Dec-14	YTD (%)
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KTB	1,925	1,911	0.7	1,770	8.8	1,908	0.9
SCB	1,819	1,805	0.8	1,723	5.6	1,773	2.6
TCAP	731	732	(0.2)	788	(7.2)	757	(3.5)
TISCO	254	255	(0.5)	284	(10.6)	263	(3.7)
TMB	545	540	0.9	505	7.8	531	2.5
9 banks	9,878	9,819	0.6	9,249	6.8	9,561	3.3

Source: Company, DBS Vickers

Excl. BAY, deposit growth should have increased 1.7% YTD

Deposits (Bt bn)	Apr-15	Mar-15	m-o-m (%)	Apr-14	y-o-y (%)	Dec-14	YTD (%)
BAY	1,017	1,016	0.1	774	31.5	844	20.6
BBL	2,099	2,059	2.0	1,855	13.2	1,993	5.3
KBANK	1,684	1,655	1.7	1,575	6.9	1,632	3.2
KKP	130	129	0.4	148	(12.3)	132	(2.1)
KTB	2,216	2,198	0.8	1,943	14.1	2,153	2.9
SCB	1,841	1,862	(1.1)	1,731	6.3	1,890	(2.6)
TCAP	670	674	(0.5)	681	(1.6)	697	(3.8)
TISCO	207	200	3.6	230	(9.7)	205	1.0
TMB	582	582	0.0	572	1.8	572	1.8
9 banks	10,446	10,375	0.7	9,507	9.9	10,118	3.2

Source: Company, DBS Vickers

Excl. BAY, borrowings should have dropped 8.8% YTD

Borrowings (Bt bn)	Apr-15	Mar-15	m-o-m (%)	Apr-14	y-o-y (%)	Dec-14	YTD (%)
BAY	103	102	1.3	99	3.9	97	6.2
BBL	140	139	0.9	138	1.5	141	(0.3)
KBANK	85	85	0.0	74	14.1	87	(2.8)
KKP	40	45	(11.9)	48	(17.5)	40	(1.2)
KTB	81	83	(2.0)	108	(24.8)	104	(21.5)
SCB	114	114	0.6	118	(3.5)	114	(0.3)
TCAP	82	92	(10.4)	99	(16.9)	98	(16.2)
TISCO	52	53	(1.8)	50	4.2	65	(20.5)
TMB	31	39	(20.5)	33	(7.1)	36	(14.5)
9 banks	729	751	(3.0)	769	(5.2)	784	(7.0)

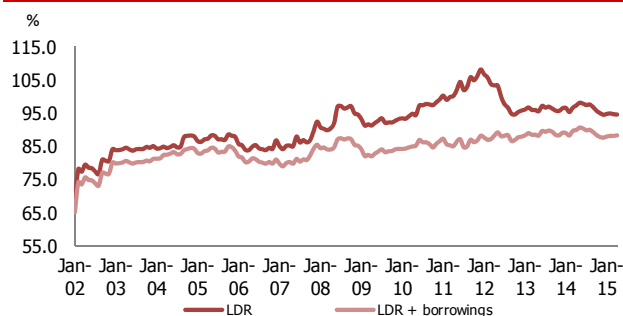
Source: Company, DBS Vickers

Liquidity remains abundant

LDR+borrowings (%)	Apr-15	Mar-15	m-o-m (ppts)	Apr-14	y-o-y (ppts)	Dec-14	YTD (ppts)
BAY	102.3	101.2	1.13	94.8	7.51	94.8	7.53
BBL	76.9	78.6	(1.73)	85.5	(8.61)	81.3	(4.46)
KBANK	87.9	88.1	(0.20)	87.9	0.00	88.0	(0.11)
KKP	107.1	105.0	2.09	101.3	5.75	108.1	(1.03)
KTB	83.8	83.8	0.01	86.3	(2.49)	84.6	(0.77)
SCB	93.1	91.4	1.67	93.2	(0.10)	88.5	4.60
TCAP	97.1	95.6	1.43	100.9	(3.84)	95.2	1.88
TISCO	97.7	100.8	(3.01)	101.4	(3.68)	97.2	0.50
TMB	88.9	87.0	1.89	83.5	5.40	87.4	1.49
9 banks	88.4	88.3	0.14	90.0	(1.61)	87.7	0.69

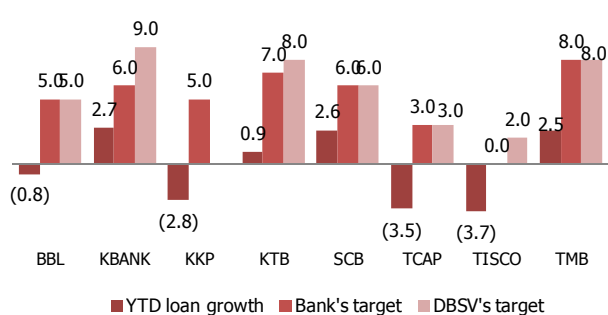
Source: Company, DBS Vickers

LDR and LDR (including borrowings) moved in parallel



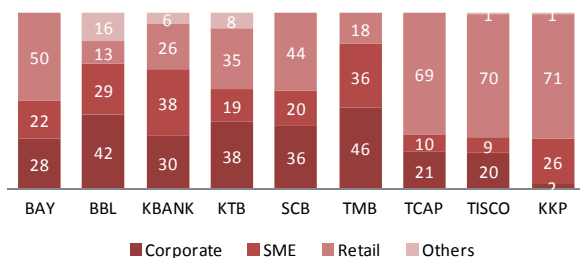
Source: Companies, DBS Vickers

4M15 loan growth vs. individual banks' targets



Source: Companies, DBS Vickers

Loan breakdown at each bank



Source: Companies, DBS Vickers

Individual banks: loan growth in April

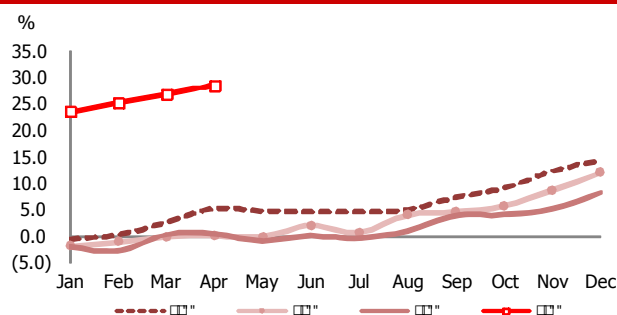
BAY (Not Rated): BAY's loans grew 1.3% m-o-m at the bank level, but consolidated loans only inched up 1.1% due to loans to a subsidiary. By segment, corporate (+2% m-o-m) and retail loans grew, while SME loans fell (-1%). For the retail segment, loans grew at every sub-segment, i.e. credit card and personal loans (+0.3%), housing loans (+0.6-0.7%), and auto loans (+0.5%).

BAY: April summary (bank only)

Bt bn	Apr-15	Mar-15	m-o-m (%)	Apr-14	y-o-y (%)	Dec-14	YTD (%)
Loans	1,147	1,132	1.3	828	38.5	892	28.5
Deposits	1,017	1,016	0.1	774	31.5	844	20.6
Borrowings	103	102	1.3	99	3.9	97	6.2
Percent	Apr-15	Mar-15	m-o-m (ppts)	Apr-14	y-o-y (ppts)	Dec-14	YTD (ppts)
LDR	112.7	111.3	1.37	107.0	5.73	105.7	6.99
LDR + borrowings	102.3	101.2	1.13	94.8	7.51	94.8	7.53

Source: Company, DBS Vickers

BAY: 4M15 loan growth was 28.5%



Source: Company, DBS Vickers

BBL: Loans dipped 0.3% m-o-m in April due to repayment of working capital loans by corporates and SMEs. Meanwhile, retail loans (housing) expanded a little. Deposits continued to grow at BBL, rising 2% m-o-m and 5.3% YTD, thanks to the bank's continued deposit campaigns.

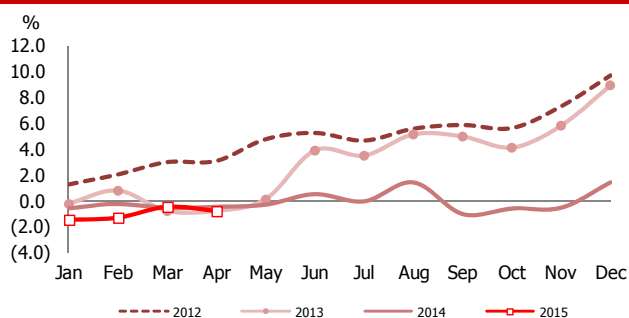
BBL: April summary

Bt bn	Apr-15	Mar-15	m-o-m (%)	Apr-14	y-o-y (%)	Dec-14	YTD (%)
Loans	1,721	1,727	(0.3)	1,703	1.1	1,735	(0.8)
Deposits	2,099	2,059	2.0	1,855	13.2	1,993	5.3
Borrowings	140	139	0.9	138	1.5	141	(0.3)
Percent	Apr-15	Mar-15	m-o-m (ppts)	Apr-14	y-o-y (ppts)	Dec-14	YTD (ppts)
LDR	82.0	83.9	(1.90)	91.8	(9.84)	87.1	(5.07)
LDR + borrowings	76.9	78.6	(1.73)	85.5	(8.61)	81.3	(4.46)

Source: Company, DBS Vickers

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BBL: 4M15 loan growth was -0.8%



Source: Company, DBS Vickers

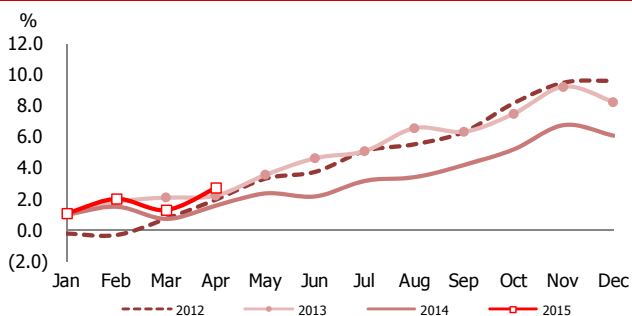
KBANK: Growth was derived from each and every segment, but specifically, it was driven mainly by demand for working capital loans and largely from the corporate segment.

KBANK: April summary

Bt bn	Apr-15	Mar-15	m-o-m (%)	Apr-14	y-o-y (%)	Dec-14	YTD (%)
Loans	1,555	1,533	1.4	1,450	7.3	1,514	2.7
Deposits	1,684	1,655	1.7	1,575	6.9	1,632	3.2
Borrowings	85	85	0.0	74	14.1	87	(2.8)
Percent	Apr-15	Mar-15	m-o-m (ppts)	Apr-14	y-o-y (ppts)	Dec-14	YTD (ppts)
LDR	92.3	92.6	(0.29)	92.1	0.28	92.7	(0.39)
LDR + borrowings	87.9	88.1	(0.20)	87.9	0.00	88.0	(0.11)

Source: Company, DBS Vickers

KBANK: 4M15 loan growth was +2.7%



Source: Company, DBS Vickers

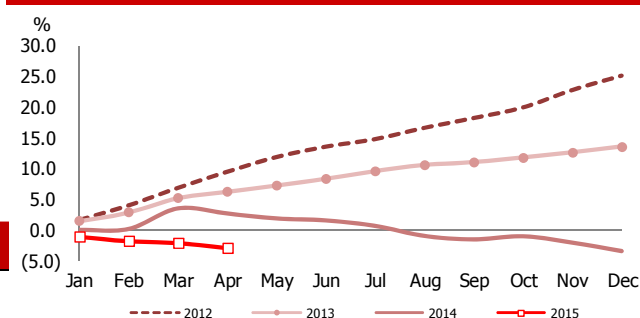
KKP (Not Rated): HP loans continued to contract, while other loans remained flat. Car sale remained weak in 4M14, hinting at poor prospect for HP loan growth. Meanwhile, asset quality of HP loans has begun to stabilise, while NPL ratio may rise further as the loan base shrinks.

KKP: April summary

Bt bn	Apr-15	Mar-15	m-o-m (%)	Apr-14	y-o-y (%)	Dec-14	YTD (%)
Loans	182	183	(0.8)	199	(8.6)	187	(2.8)
Deposits	130	129	0.4	148	(12.3)	132	(2.1)
Borrowings	40	45	(11.9)	48	(17.5)	40	(1.2)
Percent	Apr-15	Mar-15	m-o-m (ppts)	Apr-14	y-o-y (ppts)	Dec-14	YTD (ppts)
LDR	140.0	141.8	(1.77)	134.4	5.55	141.1	(1.06)
LDR + borrowings	107.1	105.0	2.09	101.3	5.75	108.1	(1.03)

Source: Company, DBS Vickers

KKP: 4M15 loan growth was -2.8%



Source: Company, DBS Vickers

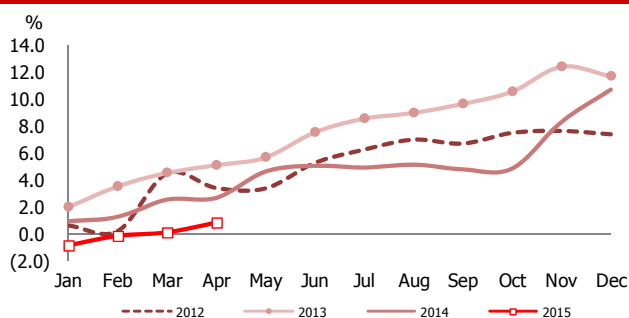
KTB: Loans expanded in each and every segment. Retail (mainly housing) and SME (small, medium, large) loans led growth in April. Corporate and government loans also increased but by a lesser extent. Deposits increased led by CASA, while fixed deposits were flat.

KTB: April summary

Bt bn	Apr-15	Mar-15	m-o-m (%)	Apr-14	y-o-y (%)	Dec-14	YTD (%)
Loans	1,925	1,911	0.7	1,770	8.8	1,908	0.9
Deposits	2,216	2,198	0.8	1,943	14.1	2,153	2.9
Borrowings	81	83	(2.0)	108	(24.8)	104	(21.5)
Percent	Apr-15	Mar-15	m-o-m (ppts)	Apr-14	y-o-y (ppts)	Dec-14	YTD (ppts)
LDR	86.9	87.0	(0.08)	91.1	(4.22)	88.6	(1.77)
LDR + borrowings	83.8	83.8	0.01	86.3	(2.49)	84.6	(0.77)

Source: Company, DBS Vickers

KTB: 4M15 loan growth was +0.9%



Source: Company, DBS Vickers

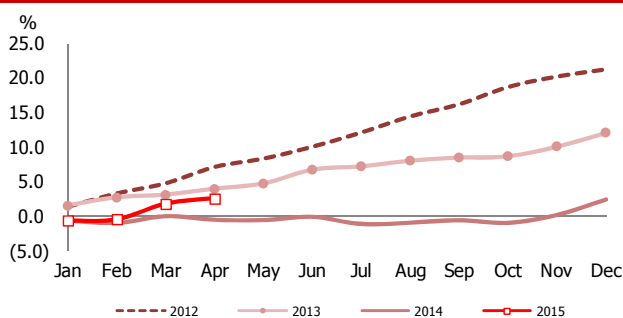
SCB: Loans grew largely due to drawdown of large corporate accounts. Retail loans also expanded, driven by housing and auto loans. In deposits, the decline was due to maturing retail fixed deposits.

SCB: April summary

Bt bn	Apr-15	Mar-15	m-o-m (%)	Apr-14	y-o-y (%)	Dec-14	YTD (%)
Loans	1,819	1,805	0.8	1,723	5.6	1,773	2.6
Deposits	1,841	1,862	(1.1)	1,731	6.3	1,890	(2.6)
Borrowings	114	114	0.6	118	(3.5)	114	(0.3)
Percent	Apr-15	Mar-15	m-o-m (ppts)	Apr-14	y-o-y (ppts)	Dec-14	YTD (ppts)
LDR	98.8	97.0	1.87	99.5	(0.69)	93.8	5.02
LDR + borrowings	93.1	91.4	1.67	93.2	(0.10)	88.5	4.60

Source: Company, DBS Vickers

SCB: 4M15 loan growth was +2.6%



Source: Company, DBS Vickers

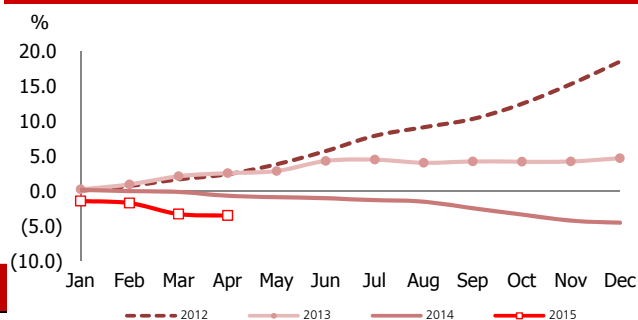
TCAP: Hire purchase (HP) loans fell by less than 1% in April, while corporate and SME loans grew about 0.5% m-o-m. On the deposit side, CASA grew while fixed deposits declined. This should hint at lower cost of fund in 2Q15.

TCAP: April summary

Bt bn	Apr-15	Mar-15	m-o-m (%)	Apr-14	y-o-y (%)	Dec-14	YTD (%)
Loans	731	732	(0.2)	788	(7.2)	757	(3.5)
Deposits	670	674	(0.5)	681	(1.6)	697	(3.8)
Borrowings	82	92	(10.4)	99	(16.9)	98	(16.2)
Percent	Apr-15	Mar-15	m-o-m (ppts)	Apr-14	y-o-y (ppts)	Dec-14	YTD (ppts)
LDR	109.0	108.7	0.30	115.6	(6.60)	108.6	0.37
LDR + borrowings	97.1	95.6	1.43	100.9	(3.84)	95.2	1.88

Source: Company, DBS Vickers

TCAP: 4M15 loan growth was -3.5%



Source: Company, DBS Vickers

TISCO: Loans contracted at all segments except corporate loans (+0.1%), thanks to demand from the property and energy sectors. SME loans fell 4.2% m-o-m following loan repayments by car dealers. Retail loans fell 0.6% m-o-m, dragged by a 0.7% decline in HP loans, although consumer finance grew by 0.5% and housing loans by 4%.

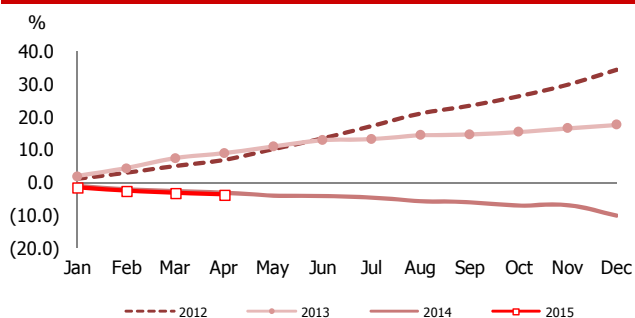
TISCO: April summary

Bt bn	Apr-15	Mar-15	m-o-m (%)	Apr-14	y-o-y (%)	Dec-14	YTD (%)
Loans	254	255	(0.5)	284	(10.6)	263	(3.7)
Deposits	207	200	3.6	230	(9.7)	205	1.0
Borrowings	52	53	(1.8)	50	4.2	65	(20.5)
Percent	Apr-15	Mar-15	m-o-m (ppts)	Apr-14	y-o-y (ppts)	Dec-14	YTD (ppts)
LDR	122.2	127.4	(5.15)	123.5	(1.21)	128.2	(5.97)
LDR + borrowings	97.7	100.8	(3.01)	101.4	(3.68)	97.2	0.50

Source: Company, DBS Vickers

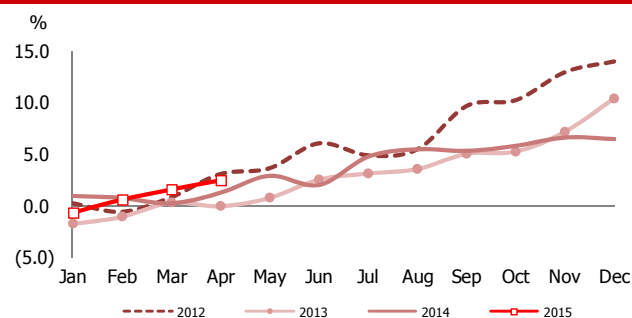
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TISCO: 4M15 loan growth was -3.7%



Source: Company, DBS Vickers

TMB: 4M15 loans grew was +2.5%



Source: Company, DBS Vickers

TMB: Retail loans, i.e. credit card and housing, were the key growth drivers in April. Meanwhile, corporate loans were flat, while SME loans expanded slightly, thanks to the bank's innovative new product for small SMEs.

TMB: April summary

Bt bn	Apr-15	Mar-15	m-o-m (%)	Apr-14	y-o-y (%)	Dec-14	YTD (%)
Loans	545	540	0.9	505	7.8	531	2.5
Deposits	582	582	0.0	572	1.8	572	1.8
Borrowings	31	39	(20.5)	33	(7.1)	36	(14.5)
Percent	Apr-15	Mar-15	m-o-m (ppts)	Apr-14	y-o-y (ppts)	Dec-14	YTD (ppts)
LDR	93.6	92.9	0.79	88.4	5.26	93.0	0.68
LDR + borrowings	88.9	87.0	1.89	83.5	5.40	87.4	1.49

Source: Company, DBS Vickers

PBV Band



Source: Company, DBS Vickers

Thai banks: Peer comparison

Bloomberg Code	Mkt Cap (US\$m)	Price 25-May (Bt)	Target Price (Bt)	% Upside	Rating	PE (x)			CAGR ^ (%) 14-16	PBV (x)			ROE (x) 15F	Div Yield (%) 15F
						14A	15F	16F		14A	15F	16F		
BBL TB	10,268	180.00	220.00	22%	BUY	9.5	9.2	8.6	1.7	1.1	1.0	0.9	11.1	3.9
KBANK TB	14,268	199.50	280.00	40%	BUY	10.3	9.5	8.4	10.1	1.9	1.6	1.4	18.1	2.3
KTB TB	7,646	18.30	22.50	23%	HOLD	7.7	8.0	7.3	-6.9	1.1	1.0	0.9	13.2	4.9
TMB TB	3,243	2.48	3.60	45%	BUY	11.3	9.9	8.8	37.6	1.6	1.4	1.2	14.7	2.4
SCB TB	16,308	160.50	210.00	31%	BUY	10.2	9.9	8.7	4.5	1.9	1.7	1.5	18.1	4.0
TISCO TB	1,077	45.00	44.00	-2%	HOLD	8.5	8.2	7.5	1.4	1.4	1.3	1.1	16.3	5.0
TCAP TB	1,183	33.75	36.00	7%	HOLD	8.0	7.8	7.4	-23.9	0.8	0.8	0.7	9.9	5.1
Simple average						9.4	8.9	8.1	3.5	1.4	1.2	1.1	14.5	3.9

Source: Company, DBS Vickers

DBSV recommendations are based on an 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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