

Banking Sector

Feb loans up sequentially m-m

Report type: Update

Sector Overview

There are 16 commercial banks registered in Thailand. We cover 11 banks with combined total assets and deposits of Bt10.53trn and Bt6.92trn, accounting for 93.7% and 95.8% of the sector's total respectively.

- Net lending at 11 Thai banks under our coverage grew sequentially by 0.6% m-m in Feb 2012. Feb bank deposits rose at a stronger pace of 1.5% m-m, offsetting a 0.9% drop in borrowings. The banking sector's loan/deposit + borrowing ratio slipped 0.8% m-m to 83.5%.
- In 2MCY12, bank loans rose 1.2% YTD. In our view, full-year loans are likely to grow in double digits.
- SETBANK rallied by 21.8% in the year to Mar 23, 2012 but the impact from floods is likely to linger in 1QCY12. We reiterate our 'NEUTRAL' stance on the banking sector. Our top picks include KK and TCAP that are still trading at low P/Bs..

What is the news?

Net lending at 11 Thai banks under our coverage grew sequentially by 0.6% m-m in Feb 2012, taking 2MCY12 bank loan growth to 1.2% YTD. Feb bank deposits rose at a stronger pace of 1.5% m-m, bringing 2MCY12 deposit growth to 3.5% YTD, but Feb borrowings shrank further by 0.9% m-m, taking 2MCY12 borrowings down 1.5% YTD. The banking sector's loan/deposit + borrowing ratio slipped 0.8% m-m to 83.5%.

How do we view this?

If we look at Jan-Feb loan figures, which grew 0.6% and 0.6% respectively despite normal seasonal repayments in 1Q, we stick to our bullish view that full-year loans are likely to grow in double digits. In our view, the main drivers of growth would come from (1) seasonal loan demand, (2) loan demand from public sector and corporate business for post-flood repairs and flood protection and (3) loan demand from retail business for post-flood home repairs and replacement of assets damaged by floods as well as consumption growth driven by the government's populist projects.

Investment Actions?

SETBANK rallied by 21.8% in the year to Mar 23, 2012 driven by foreign fund flows into Thai equities, sending big caps, popular among foreign investors, sharply higher. We reiterate our 'NEUTRAL' stance on the banking sector. Based on remaining huge potential upside, our top picks are KK and TCAP that are still trading at relatively low P/Bs.

Banking Sector

Company	Rating	Price (Bt)	TP (Bt)	Upside (%)	M.Cap. (Btm n)
BAY	Neutral	27.00	27.20	0.7%	164,002
BBL	Accumulate	189.00	201.00	6.3%	360,771
CIMBT	Reduce	2.90	2.70	-6.9%	47,316
KBANK	Accumulate	152.00	164.00	7.9%	363,776
KK	Buy	36.50	45.00	23.3%	23,165
KTB	Neutral	18.00	18.40	2.2%	201,235
LHBANK	Reduce	1.46	1.38	-5.5%	16,767
SCB	Accumulate	145.50	154.70	6.3%	493,732
TCAP	Buy	32.75	39.80	21.5%	43,660
TISCO	Buy	39.75	49.90	25.5%	28,933
TMB	Neutral	1.81	1.90	5.0%	78,787

Source: Bloomberg, PSR

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Feb loans up 0.6% m-m and 13.6% y-y

Net lending at 11 Thai banks under our coverage grew sequentially by 0.6% m-m in Feb 2012, taking 2MCY12 bank loan growth to 1.2% YTD. Much of the growth came from corporate and retail businesses especially auto hire-purchase and personal loan businesses. In y-y terms, Feb loans jumped 13.6%.

On a m-m basis, LHBANK posted the biggest rise in net lending among small lenders at 2.6% in Feb 2012, followed by KK at 2.4% and TISCO at 1.8%, while SCB was the top performer among big banks in terms of loan growth. In 2MCY12, KK was the top gainer in terms of YTD loan growth at 4.3%, followed by SCB at 3.5%, TISCO at 3.2%, LHBANK at 2.7% and BBL at 2.3%.

Feb deposits up 1.5% m-m and 5.9% y-y

Bank deposits in Feb 2012 rose 1.5% m-m and 5.9% y-y, bringing 2MCY12 deposit growth to 3.5% YTD but Feb borrowings shrank further by 0.9% m-m, taking 2MCY12 borrowings down 1.5% YTD. In this period, all banks except KK saw deposits growing. TISCO was the top gainer in terms of deposit growth, followed by LHBANK, CIMBT and TCAP. On the other hand, KBANK led the pack in terms of borrowing growth, followed by LHBANK, BBL, BAY and KK, while CIMBT, KTB and SCB saw their borrowings shrinking.

Due to strong m-m growth in overall deposit base, the banking sector's loan/deposit + borrowing ratio slipped 0.8% from 84.1% to 83.5% at end-Feb 2012.

Positive loan growth outlook

If we look at Jan-Feb loan figures, which grew 0.6% and 0.6% respectively despite normal seasonal repayments in 1Q, we stick to our bullish view that full-year loans are likely to grow in double digits. In our view, the main drivers of growth would come from (1) seasonal loan demand, (2) loan demand from public sector and corporate business for post-flood repairs and flood protection and (3) loan demand from retail business for post-flood home repairs and replacement of assets damaged by floods as well as consumption growth driven by the government's populist projects.

Deposit growth is also likely to accelerate to support strong loan growth outlook and replace B/E issues, which are less attractive following tougher controls by the Bank of Thailand.

'NEUTRAL' position in banking space

SETBANK rallied by 21.8% in the year to Mar 23, 2012 driven by foreign fund flows into Thai equities, sending big caps, popular among foreign investors, sharply higher. The run-up has narrowed upside potential on several bank stocks. We also expect the impact of the flooding on banking sector earnings will linger in 1QCY11 before things return back to normal in the following quarters. NPLs are also likely to creep up in 1QCY12. We reiterate our 'NEUTRAL' stance on the banking sector.

Based on still relatively low P/Bs, our top picks are:

- (1) KK with a target price of Bt45/share based on a P/B of 1.18x: In 2MCY12, hire-purchase loans grew at a healthy pace of 4.3% YTD. Full-year loan growth target of 21% still seems achievable and KK appears to have felt no negative impact from an increase of 7 bps in levy on commercial bank's deposits.
- (2) TCAP with a target price of Bt39.80/share based on a P/B of 1.23x: Even though 2MCY12 loans grew a meager 0.8% YTD, we believe full-year growth target of 10% is still likely to be met following complete consolidation of SCIB, which would pave the way for TCAP to continue with its aggressive expansion drive and the cost to income ratio is likely to drift lower.

Table: 1 Loans

BANK	Net loans (Btbn)						
	Feb 12	Jan 12	Dec-11	Feb-11	%y-y	%m-m	%ytd
BAY	623.58	618.56	621.99	570.87	9.23%	0.81%	0.25%
BBL	1,375.90	1,365.23	1,345.54	1,182.44	16.36%	0.78%	2.26%
CIMBT	112.56	111.62	113.84	91.16	23.47%	0.84%	-1.13%
KBANK	1,158.51	1,159.61	1,162.02	1,040.74	11.32%	-0.09%	-0.30%
KK	135.77	132.55	130.19	106.97	26.92%	2.43%	4.28%
KTB	1,387.20	1,393.44	1,383.35	1,227.27	13.03%	-0.45%	0.28%
LHBANK	55.74	54.33	54.29	41.09	35.66%	2.60%	2.67%
SCB	1,270.88	1,246.63	1,228.48	1,051.63	20.85%	1.95%	3.45%
TCAP	614.58	610.12	609.82	590.53	4.07%	0.73%	0.78%
TISCO	186.27	182.91	180.59	152.06	22.50%	1.84%	3.15%
TMB	372.51	375.80	374.81	366.54	1.63%	-0.87%	-0.61%
Total	7,293.47	7,250.79	7,204.92	6,421.31	13.58%	0.59%	1.23%

Source: PSR

Table: 2 Deposits

BANK	Deposits (Btbn)						
	Feb 12	Jan 12	Dec-11	Feb-11	%y-y	%m-m	%ytd
BAY	568.64	558.82	564.18	579.26	-1.83%	1.76%	0.79%
BBL	1,567.64	1,539.40	1,524.80	1,441.90	8.72%	1.83%	2.81%
CIMBT	105.75	101.92	101.29	94.77	11.59%	3.75%	4.40%
KBANK	1,283.09	1,281.92	1,243.86	1,156.08	10.99%	0.09%	3.15%
KK	66.65	67.02	69.53	76.39	-12.75%	-0.56%	-4.14%
KTB	1,337.01	1,315.67	1,285.76	1,290.55	3.60%	1.62%	3.99%
LHBANK	23.33	22.18	22.25	26.14	-10.76%	5.20%	4.84%
SCB	1,259.67	1,242.80	1,179.46	1,112.10	13.27%	1.36%	6.80%
TCAP	445.95	432.41	435.87	519.04	-14.08%	3.13%	2.31%
TISCO	40.43	37.32	37.98	42.11	-3.99%	8.34%	6.46%
TMB	462.02	454.01	452.45	420.80	9.80%	1.76%	2.12%
Total	7,160.18	7,053.47	6,917.42	6,759.14	5.93%	1.51%	3.51%

Source: PSR

Table: 3 Borrowings

BANK	Borrowings (Btbn)						
	Feb 12	Jan 12	Dec-11	Feb-11	%y-y	%m-m	%ytd
BAY	193.99	177.86	172.05	97.08	99.82%	9.07%	12.76%
BBL	140.92	127.77	117.41	114.43	23.15%	10.29%	20.03%
CIMBT	31.60	35.67	40.21	16.48	91.72%	-11.41%	-21.42%
KBANK	104.73	80.85	70.93	97.96	6.91%	29.52%	47.65%
KK	90.26	83.85	89.61	50.60	78.39%	7.64%	0.72%
KTB	257.94	288.25	308.95	197.20	30.80%	-10.52%	-16.51%
LHBANK	41.23	35.87	35.87	17.57	134.65%	14.97%	14.97%
SCB	243.86	267.20	256.30	79.64	206.19%	-8.73%	-4.85%
TCAP	253.36	252.88	262.65	178.80	41.70%	0.19%	-3.54%
TISCO	141.60	137.37	145.40	115.16	22.96%	3.08%	-2.61%
TMB	78.10	76.52	102.27	95.82	-18.49%	2.06%	-23.63%
Total	1,577.57	1,564.09	1,601.63	1,060.74	48.72%	0.86%	-1.50%

Source: PSR

Table: 4 Loans/(Deposits +Borrowings)

BANK	Loan/(Deposit+Borrowing)						
	Feb-12	Jan-12	Dec-11	Jan-11	%y-y	%m-m	%ytd
BAY	81.77%	83.97%	84.48%	84.41%	-3.13%	-2.62%	-3.22%
BBL	80.53%	81.89%	81.94%	75.98%	5.99%	-1.66%	-1.72%
CIMBT	81.95%	81.13%	80.45%	81.95%	0.01%	1.02%	1.86%
KBANK	83.48%	85.09%	88.38%	82.99%	0.58%	-1.90%	-5.55%
KK	86.53%	87.85%	81.81%	84.24%	2.72%	-1.51%	5.77%
KTB	86.97%	86.88%	86.75%	82.49%	5.43%	0.11%	0.26%
LHBANK	86.34%	93.60%	93.42%	94.00%	-8.15%	-7.76%	-7.58%
SCB	84.53%	82.56%	85.56%	88.24%	-4.21%	2.38%	-1.21%
TCAP	87.88%	89.03%	87.30%	84.62%	3.85%	-1.29%	0.67%
TISCO	102.33%	104.70%	98.48%	96.68%	5.84%	-2.27%	3.91%
TMB	68.97%	70.83%	67.57%	70.95%	-2.79%	-2.63%	2.07%
Total	931.27%	947.53%	84.57%	82.12%	1.65%	-0.80%	-1.30%

Source: PSR

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