

## Big relief on finalized FIDF charge, deposit competition

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- **Finalized new FIDF charge at 0.47% is lower than expected, good news for small and mid-sized banks and KTB.**
- **Eased disparity in the playing field between commercial banks and SFIs as SFIs will be charged the same rate as commercial banks.**
- **Raise NIM, earnings forecast and TP slightly, largely for small and mid-sized banks and KTB.**
- **Maintain BBL and KBANK as top picks; Upgrade TISCO to Buy on undervalued position.**

**FIDF charge ends up lower than feared.** The MoF has finalized banks' new contribution to the FIDF and the Deposit Protection Agency (DPA) at 0.47% on deposits and bills of exchange (vs. the current figure of 0.4% for deposits and 0% for bills of exchange), below the market fears of 0.5-0.55% and our assumption of 0.55% from 2H12 onward, allowing small and mid-sized banks to breathe more easily. This new fee arises out of the transfer of the responsibility of paying off the FIDF debt plus interest to the BoT from the MoF. Of the 0.47%, 0.46% will go the FIDF and 0.01% will go to the DPA. Of the large banks, KTB benefits most.

**Eased disparity in the playing field.** To ease disparity in the playing field between commercial banks and state-owned Specialized Financial Institutions (SFIs), the MoF will also collect 0.47% of deposits from the SFIs, putting this money into a fund set up to develop the country. The Finance Minister also assigned the BoT to study the possibility of the raising deposit guarantee. Under the current scheme, the guarantee covers deposits of Bt50mn per account per bank and this is slashed to Bt1mn per account per bank from August 2012. Having the same charge levied on deposits as commercial banks will ease deposit competition from the SFIs.

**Raise NIM, earnings forecasts and TP slightly.** We raised the sector's NIM forecast by 3 bps for 2012F and 6 bps for 2013F, translating to YoY contraction of 13 bps for 2012F and 5 bps for 2013F. We lifted the sector's earnings forecast by 2% for 2012F and 4% for 2013F, applicable primarily to the small and mid-sized banks and KTB. We raised target prices (TP) by 1% on average, again mainly the small and mid-sized banks and KTB. Details are in Figures 1-3.

**Upgrade TISCO to Buy.** We upgrade TISCO to Buy from Neutral as we believe that its share price shows an overreaction to the potential new FIDF charge and other negative news flow. Trading at 1.5x 2012F PBV, TISCO is undervalued relative to its high sustainable ROE of ~19%.

**BBL and KBANK remain top picks.** **BBL:** 1) The least impacted by the floods, with the highest LLR coverage and the largest corporate loan portfolio; 2) To benefit the most from after-flood reconstruction and the continued capex expansion; 3) less impact from the FIDF charge than peers. **KBANK:** 1) Its SME-focused loan portfolio should benefit from after-flood reconstruction and continued capex expansion; 2) Slowing OPEX growth as IT upgrade approaches completion, outperforming ROE improvement and earnings growth and 3) less impact from the FIDF charge than peers.

### Valuation summary

	Rating	Price (Bt/Sh)	Target (Bt/Sh)	ETR (%)	P/E (x)			EPS growth (%)			P/BV (x)			ROE (%)			Div. Yield (%)		
					11A	12F	13F	11A	12F	13F	11A	12F	13F	11A	12F	13F	11A	12F	13F
BAY	Neutral	23.60	25.00	9.6	15.5	10.8	9.0	5.4	43.1	19.7	1.40	1.28	1.17	9.2	12.4	13.5	2.6	3.7	4.4
BBL	Buy	163.00	194.00	23.1	11.4	9.9	8.4	11.2	14.9	17.5	1.28	1.18	1.08	11.5	12.4	13.4	3.5	4.0	4.7
KBANK	Buy	135.00	157.00	19.2	13.3	10.4	8.5	20.8	28.6	22.3	2.09	1.81	1.56	16.7	18.7	19.7	2.2	2.9	3.5
KK	Neutral	32.25	36.00	16.8	7.2	9.7	6.0	(10.2)	(26.0)	60.9	0.88	0.95	0.70	13.0	10.7	12.1	7.0	5.2	8.3
KTB	Neutral	17.00	18.00	10.2	11.2	9.3	8.1	14.1	19.7	14.9	1.46	1.33	1.20	13.3	14.9	15.5	3.6	4.3	4.9
LHBANK	Sell	1.38	1.30	(4.4)	31.9	28.8	23.4	(41.6)	10.8	23.2	1.19	1.16	1.12	5.1	4.1	4.9	1.3	1.4	1.7
TCAP	Neutral	27.50	29.00	10.5	7.3	8.8	7.8	(11.3)	(16.4)	12.9	0.96	0.90	0.84	13.5	10.6	11.2	4.7	5.1	5.5
TISCO	Buy	36.25	43.00	24.9	8.1	8.0	7.1	13.1	0.6	12.9	1.63	1.48	1.32	21.1	19.3	19.6	6.2	6.2	7.0
TMB	Sell	1.72	1.40	(16.9)	18.7	17.1	17.2	25.2	9.2	(0.6)	1.43	1.35	1.28	7.9	8.1	7.7	1.6	1.8	1.7
<b>Average</b>					<b>13.6</b>	<b>12.4</b>	<b>10.5</b>	<b>7.7</b>	<b>9.2</b>	<b>20.3</b>	<b>1.46</b>	<b>1.35</b>	<b>1.21</b>	<b>13.3</b>	<b>13.1</b>	<b>13.8</b>	<b>3.6</b>	<b>3.8</b>	<b>4.6</b>

Source: SCBS Investment Research

**Important note: SCBS is a wholly-owned subsidiary of SCB. Any information related to SCB is for sector comparison purposes.**

**Figure 1: NIM**

	Old forecast				New forecast				Change from old forecast	
	NIM		YoY change		NIM		YoY change			
	2012F	2013F	2012F	2013F	2012F	2013F	2012F	2013F	2012F	2013F
BBL	2.54%	2.48%	-0.14%	-0.06%	2.57%	2.54%	-0.10%	-0.03%	0.03%	0.06%
KTB	2.67%	2.57%	-0.19%	-0.10%	2.71%	2.64%	-0.15%	-0.07%	0.04%	0.07%
SCB	3.09%	3.00%	-0.16%	-0.09%	3.13%	3.07%	-0.12%	-0.06%	0.04%	0.07%
KBANK	3.60%	3.51%	-0.15%	-0.09%	3.63%	3.58%	-0.12%	-0.06%	0.03%	0.07%
TMB	2.19%	2.09%	-0.15%	-0.10%	2.22%	2.17%	-0.12%	-0.05%	0.03%	0.08%
BAY	4.31%	4.20%	-0.13%	-0.10%	4.34%	4.27%	-0.09%	-0.07%	0.03%	0.07%
TCAP	2.70%	2.64%	-0.17%	-0.06%	2.73%	2.70%	-0.14%	-0.03%	0.03%	0.06%
TISCO	3.12%	2.94%	-0.43%	-0.18%	3.15%	3.00%	-0.40%	-0.15%	0.03%	0.06%
KK	3.54%	3.36%	-0.53%	-0.17%	3.57%	3.42%	-0.50%	-0.14%	0.03%	0.06%
LHBANK	2.22%	2.07%	-0.18%	-0.15%	2.25%	2.13%	-0.15%	-0.12%	0.03%	0.06%
Total	3.00%	2.92%	-0.16%	-0.08%	3.03%	2.98%	-0.13%	-0.05%	0.03%	0.06%

Source: Banks and SCBS Investment Research

**Figure 2: Net profit**

	Net profit (Btmn)			YoY change			Change from old forecast	
	2011	2012F	2013F	2011	2012F	2013F	2012F	2013F
BBL	27,338	31,407	36,916	11%	15%	18%	1%	2%
KTB	17,012	20,361	23,400	14%	20%	15%	2%	5%
SCB	36,273	39,160	46,584	50%	8%	19%	1%	2%
KBANK	24,226	31,158	38,117	21%	29%	22%	1%	2%
TMB	4,009	4,378	4,354	25%	9%	-1%	5%	9%
BAY	9,265	13,254	15,871	5%	43%	20%	2%	4%
TCAP	5,003	4,180	4,718	-11%	-16%	13%	3%	7%
TISCO	3,267	3,288	3,711	13%	1%	13%	3%	6%
KK	2,859	2,757	3,507	1%	-4%	27%	3%	6%
LHBANK	496	549	677	21%	11%	23%	6%	12%
Total	129,746	150,492	177,854	21%	16%	18%	2%	4%

Source: Banks and SCBS Investment Research

**Figure 3: Target price and recommendation**

	Rating		Target price (Bt)			Target PBV (x)		L-T ROE	Cost of equity	L-T growth
	New	Old	New	Old	Ch	New	Old			
BBL	Buy	Buy	194	193	0%	1.40	1.40	13.2%	10.7%	4%
KTB	Neutral	Neutral	18	17	4%	1.40	1.35	15.0%	12.3%	4%
KBANK	Buy	Buy	157	156	0%	2.10	2.10	19.6%	12.2%	5%
TMB	Sell	Sell	1.4	1.3	10%	1.10	1.00	8.7%	11.0%	4%
BAY	Neutral	Neutral	25	24	4%	1.35	1.30	13.1%	11.8%	5%
TCAP	Neutral	Neutral	29	27	6%	0.95	0.90	10.9%	12.3%	2%
TISCO	Buy	Neutral	43	40	6%	1.75	1.65	19.5%	12.0%	2%
KK	Neutral	Neutral	36	34	5%	1.05	1.00	11.5%	11.7%	2%
LHBANK	Sell	Sell	1.3	1.2	10%	1.10	1.00	5.1%	9.7%	7%
Avg.			64	63	1%	1.44	1.39	14.6%	11.8%	4%