

Fitch Affirms Siam City Bank's Ratings

Fitch Ratings (Thailand) has today affirmed Siam City Bank Public Company Limited's (SCIB) Long-term Issuer Default Rating at 'BB' with a Stable Outlook, Short-term Issuer Default Rating at 'B', Individual Rating at 'D', Support Rating at '4', Support Rating Floor at 'B+', National Long-term at 'A-(tha)' with a Stable Outlook, National Short-term at 'F1(tha)', and National Subordinated debt at 'BBB+(tha)'. The ratings reflect the bank's still weak franchise and weak asset quality, though Fitch notes the latter is stabilising.

In 2009, SCIB's net profit was THB4.2bn and ROA was 1.0%, despite weak economic conditions and negligible loan growth. SCIB posted a net profit of THB4.1bn in 2008 - after a loss of THB2bn in 2007 - due mainly to lower provisioning for bad debts. Net interest margin (NIM) declined slightly to 3.3% in 2009 (2008: 3.4%), on the back of low loan growth.

While there has been some improvement in the bank's operating environment, economic conditions remain weak and are likely to continue to constrain its performance. Fitch notes that the expected change in ownership of the bank and the integration process could further limit loan growth and the bank's overall performance in 2010. Also, there is still a risk of a jump in provisioning over the next six to 12 months as asset quality generally lags improvements in the real economy.

SCIB's asset quality has deteriorated in the past few years, due to the bank's earlier aggressive lending and weak economic conditions, although this appears to be stabilising in 2009 with a slight increase in impaired loans to THB24.8bn (up 6% yoy on unconsolidated basis) at end-2009. SCIB expects lower impaired loans in 2010 due to loan restructuring, although downside risks remain due to the bank's high level of special mention loans (8.9% of loans at end-September 2009).

SCIB's capital level appears relatively strong with Tier 1 ratio of 10.6% at end-September 2009. Its total capital was strengthened to 14.6%, following the issuance of THB10bn subordinated debts in H109, which is now more in-line with its peers.

The Outlook is Stable as the bank's ratings are already at a relatively lower level. Depending on the strength of the acquirer or any higher systemic importance from the possible merger; this could result in higher support for SCIB and positive impact on its long- and short-term ratings. Weak asset quality continues to constrain the bank's Individual rating. The Bank of Thailand's Financial Institutions Development Fund (FIDF) is expected to divest its 47.6% stake in 2010 and this could trigger a rating review.

SCIB was nationalised following the 1997 financial crisis, and in 2002, merged with another nationalised bank, Bangkok Metropolitan Bank. SCIB is the seventh-largest bank in Thailand, with a 4% share of loans and 5% share of deposits. SCIB has subsidiaries in insurance, securities, asset management and leasing businesses.

Application criteria available on Fitch's website at www.fitchratings.com: "Global Financial Institution Criteria" dated December 29, 2009; and "National Ratings-Methodology Update" dated December 18, 2006.

Note to Editors: Fitch's National ratings provide a relative measure of creditworthiness for rated entities in countries with relatively low international sovereign ratings and where there is demand for such ratings. The best risk within a country is rated 'AAA' and other credits are rated only relative to this risk. National ratings are designed for use mainly by local investors in local markets and are signified by the addition of an identifier for the country concerned, such as 'AAA(tha)' for National ratings in Thailand. Specific letter grades are not therefore internationally comparable.

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