

Bank Sector – Overweight

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News update

Moderate profits growth in 1Q24

- Six banks reported 5% growth y-y and 25% rebound q-q
 - TTB showed the strongest growth, followed by KTB.
 - A faster NIM drop was offset by lower provisions.
 - We still like TTB and prefer KTB in the big bank space.
- Total net profits of six banks under our coverage (as shown in exhibit 1 below) experienced a moderate growth of 5% y-y and rebounded by 25% q-q. Profits constitute 25% of the full-year forecast, with an estimated 7% profit growth for the year. The price-to-book ratio is 0.6x with ROE rising to 9% and over 6% dividend yield. Overall, the bank's performance is satisfactory. We like TTB and KTB the most.

Ex 1: 1Q24 Review

| | 1Q23 | 2Q23 | 3Q23 | 4Q23 | 1Q24 | Change | | % of 2024F |
|--------------|---------------|---------------|---------------|---------------|---------------|--------------|-------------|--------------|
| | | | | | | q-q% | y-y% | |
| BBL | 10,129 | 11,294 | 11,350 | 8,863 | 10,524 | 18.74 | 3.89 | 23.7% |
| KTB | 10,067 | 10,156 | 10,282 | 6,111 | 11,078 | 81.29 | 10.05 | 27.4% |
| KKP | 2,085 | 1,408 | 1,281 | 670 | 1,506 | 124.87 | (27.76) | 26.6% |
| SCB | 10,995 | 11,868 | 9,663 | 10,995 | 11,281 | 2.60 | 2.60 | 24.8% |
| TISCO | 1,793 | 1,854 | 1,874 | 1,780 | 1,733 | (2.65) | (3.32) | 23.9% |
| TTB | 4,295 | 4,566 | 4,735 | 4,866 | 5,334 | 9.60 | 24.20 | 25.5% |
| Total | 39,363 | 41,146 | 39,185 | 33,285 | 41,456 | 24.55 | 5.32 | 25.2% |

Sources: Company data, Thanachart estimates

Performance Comparison:

- Outperformed: TTB due to tax benefits and KTB showed continued growth in fee income.
- Better than Expected: KKP due to too low provisions. But we don't expect this to sustain due to too low provisions. Loan loss coverage ratio was below 120%.
- In-line: SCB and TISCO.
- Underperformed: BBL due to a set-up of front-loaded extra provisions.

Key Operations:

- Loan growth remained under 2%, indicating a cautious approach towards retail loans, especially hire purchase (HP) and low-end housing loans. This caution resulted in a decline in yield from 4Q23, despite no rate cuts.
- Funding costs accelerated for banks with a relatively high portion of fixed deposits like TISCO, TTB, KKP and BBL, but deposit repricing is anticipated to conclude no later than 3Q24.
- NIM decreased from 4Q23 by 15bps but remains higher than the average level in 2023. The pace of NIM decline was faster than anticipated but was mitigated by lower provisions for most banks.
- NPL increased by 2% from 4Q23, with an NPL ratio of 3.6%. Coverage ratio stands at 189%. ITD was been classified and has fully provided provisions for exposures of all four major banks.

Financial Outlook:

- Profits constitute 25% of the full-year forecast, with an estimated 7% profit growth for the year. The PBV is 0.6x with ROE rising to 9% and over 6% dividend yield. Overall, the bank's performance is satisfactory. We like TTB and KTB the most.

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