

Bank Sector – Overweight

News update

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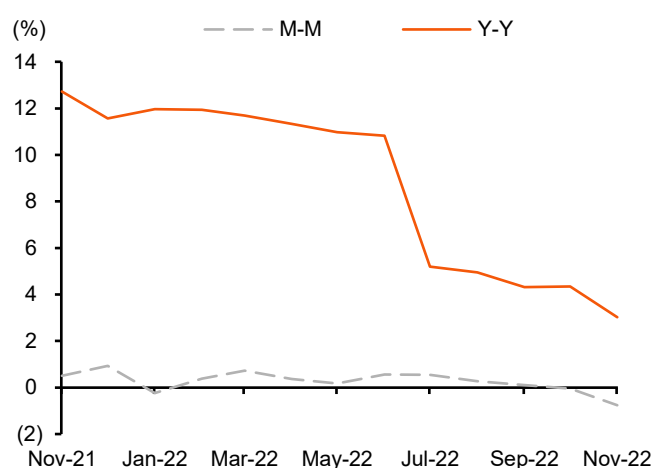
Weak loans growth in November

- A contraction of 0.8% m-m with weak 11MTD growth of 2%.
- KKP led the pack, followed by TISCO.
- BBL's sharp contraction was due to repayments.
- In light of rate hike, we expect decent NIM expansion in 4Q22.

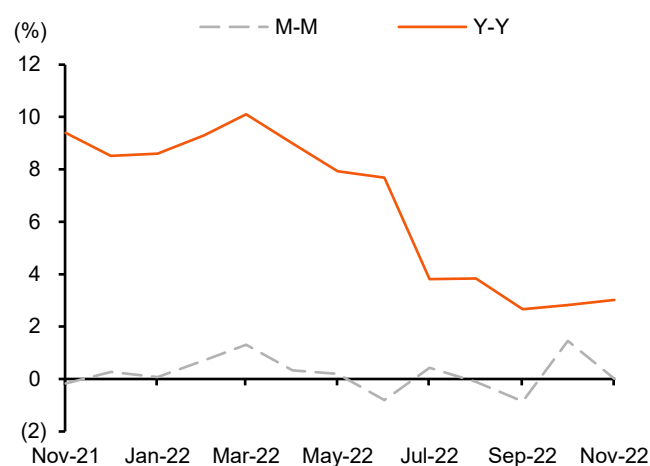
Ex 1: C.B. 1.1 Thai Bank Sector Summary

Nov-22	BAY	BBL	KBANK	KKP	KTB	SCB	TTB	TISCO	Sum
Total loan	1,680,405	2,129,700	2,254,153	362,220	2,345,552	2,209,281	1,331,623	207,186	12,520,121
ytd	2.4%	5.1%	1.6%	20.4%	-2.3%	2.3%	0.5%	7.4%	2.1%
m-m	-1.0%	-3.5%	-0.7%	1.1%	0.8%	-0.3%	-0.1%	0.9%	-0.8%
y-y	3.3%	7.2%	0.4%	23.5%	-0.5%	3.2%	1.6%	7.0%	3.0%
Total deposit	1,744,389	2,710,363	2,700,109	329,774	2,668,078	2,579,167	1,369,767	182,770	14,284,418
ytd	-0.9%	1.7%	0.2%	14.1%	1.9%	4.5%	1.9%	9.7%	2.7%
m-m	-0.8%	0.1%	0.2%	-5.5%	-1.8%	3.0%	0.2%	-1.3%	0.0%
y-y	-2.0%	2.2%	6.0%	19.6%	1.4%	3.8%	2.8%	12.2%	3.0%
Total borrowing	67,425	191,552	50,197	58,181	107,093	74,400	55,053	15,757	619,658
ytd	-25.2%	5.0%	-4.9%	33.0%	17.2%	7.7%	-12.8%	5.3%	-4.0%
m-m	-5.1%	-6.7%	-4.9%	14.9%	-15.4%	-5.5%	-20.8%	2.7%	-7.5%
y-y	-25.3%	4.2%	-47.0%	41.2%	16.5%	5.7%	-12.1%	5.3%	-4.6%
LDR (%)	96.3%	78.6%	83.5%	109.8%	87.9%	85.7%	97.2%	113.4%	87.6%
LDR incl. borrowing (%)	92.7%	73.4%	82.0%	93.4%	84.5%	83.3%	93.5%	104.4%	84.0%

Source: Company data

Ex 2: Loan Growth

Source: Company data

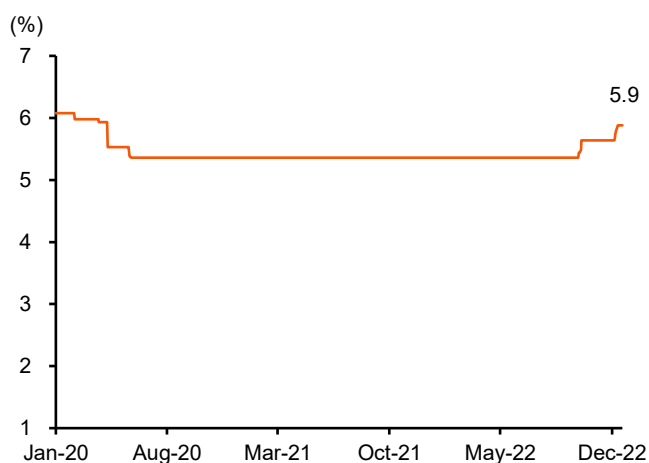
Ex 3: Deposit Growth

Source: Company data

- Eight banks under our coverage having loans contracted of 0.8% m-m in November 2022.
- The largest contraction was from BBL which we believed it was due to repayments.
- Small banks led by KKP and then TISCO saw very strong loans growth due to higher demands of retail loans. We expect their strong growth momentum continuing into December due to the successful car sales at Motor Expo event.

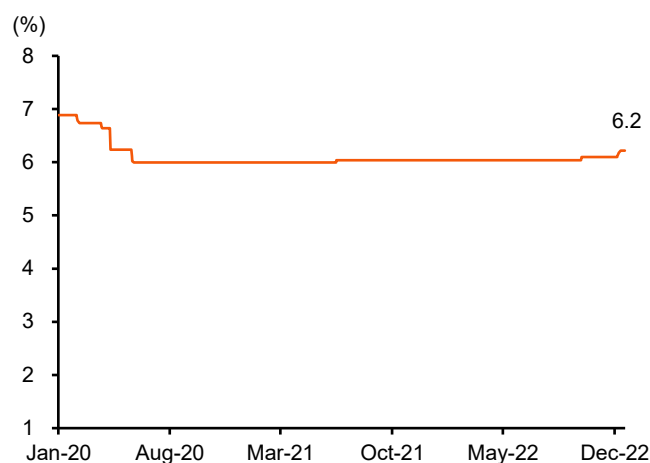
- With 11MTD growth of just 2%, we see some downsides to our loan growth forecast for the sector of 5% this year.
- However, we expect limited downsides to our earnings forecast given 9M22 profits made up 78% of our full-year forecast. Despite 4Q being seasonal expense season, we see upsides to NIM due to faster increase of lending rates than what we had assumed.
- In respond to rising policy rate, MLR raised twice i.e. in October and December from an average of 5.36% to 5.64% and 5.88% respectively. With more fragile condition of SME and retail, MRR was hiked at a smaller pace i.e. from 6% to 6.1% and 6.2% over the same period.
- 4Q22 will see full impact of the hike in October. This is while NIM is likely to soften in 1Q23 from a full resumption of FIDF fees from 1 January 2023. Given we expect further rise of policy rate to 1.75%, we believe banks could handle impact of rising FIDF fees greater from 2Q23.
- We re-iterate OW with BBL and KBANK remain our top sector picks.

Ex 4: MLR



Source: Bank of Thailand

Ex 5: MRR



Source: Bank of Thailand

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