

Bank Sector – Neutral

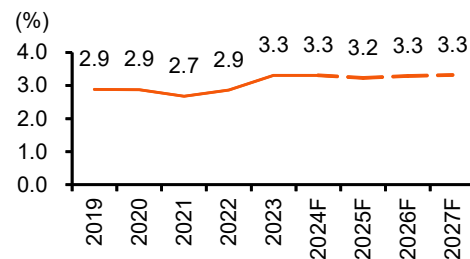
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News update

Policy rate cut of 25bps, a surprise move

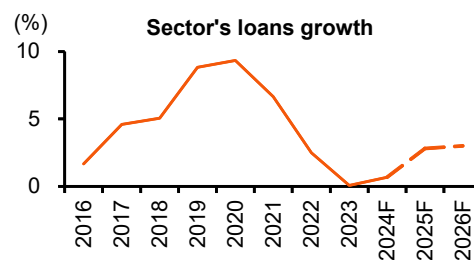
- **BoT's MPC voted 5 to 2 to reduce policy rate to 2.25%.**
 - **This is faster than our house view's.**
 - **We factor in an 8bps NIM decline of big banks.**
 - **Stay NEUTRAL with KTB and TTB our top picks.**
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- BoT's MPC voted 5 to 2 to cut the policy rate by 0.25% to 2.25%, earlier than our December 2024 forecast.
 - This rate cut negatively impacts large banks due to their high share of floating-rate assets. Typically, banks lower lending rates by half of the policy cut while adjusting deposit rates similarly.
 - We anticipate a 0.3% reduction in lending rates due to the 50bps policy rate cut, leading to an 8bps decline in big banks' NIM in 2025. TTB, TISCO, and KKP, with higher fixed-rate loans and a shift towards high-yield lending, are expected to maintain flat NIM in 2025 due to a lag in fixed deposit rate adjustments.
 - NIM compression is just one factor in the banking sector's slowing earnings growth from an average of 21% pa three years ago to 9% pa for 2024-26F.
 - Our NEUTRAL stance is based on weak asset growth as banks focus on de-risking. We favor KTB and TTB for their stronger earnings growth and KTB's attractive valuation.
 - Our pegging orders for big banks are KTB, SCB and BBL. We prefer TISCO to KKP. Meanwhile, KKP and KBANK are rated as HOLD given their unattractive valuations.

Ex 1: Declining NIM



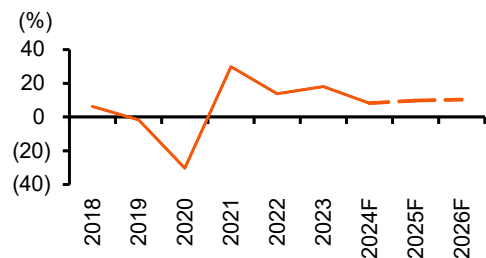
Sources: Company data, Thanachart estimates

Ex 2: Weak Risk-taking Capacity



Sources: Company data, Thanachart estimates

Ex 3: Declining Sector EPS Growth



Sources: Company data, Thanachart estimates