Bank Sector – Neutral

Results Comment

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Decent profits in 3Q24, in line

- **Non-NII and lower provisions were drivers.**
- **Disappointing loans growth even with our cautious stance.**
- **Asset quality was stable, thanks to prudent underwriting.**
- **Re-iterate NEUTRAL, KTB and TTB are top picks.**

Ex 1: 3Q24 results summary

(Bt m)	BBL	KBANK	KKP	KTB	SCB	TISCO	TTB	Industry
Net interest income	**33,367**	**37,036**	**4,937**	**29,885**	**32,635**	**3,385**	**14,062**	**155,307**
Change (q-q%)	*0.7*	*(1.2)*	*(1.4)*	*(0.6)*	*0.2*	*(0.1)*	*(0.9)*	*(0.3)*
Change (y-y%)	*(2.2)*	*(2.6)*	*(17.5)*	*0.7*	*3.5*	*(3.0)*	*(4.1)*	*(1.4)*
Net fee income	**6,935**	**8,432**	**1,483**	**5,619**	**7,738**	**1,261**	**2,242**	**33,710**
Change (q-q%)	*1.2*	*4.4*	*26.6*	*6.5*	*2.8*	*2.4*	*1.5*	*4.2*
Change (y-y%)	*2.4*	*8.1*	*10.9*	*2.1*	*(4.9)*	*5.3*	*(10.5)*	*1.4*
OPEX	**21,839**	**21,501**	**4,326**	**17,193**	**17,606**	**2,292**	**7,295**	**92,052**
Change (q-q%)	*13.7*	*(1.8)*	*13.6*	*4.6*	*(5.2)*	*(2.7)*	*1.2*	*2.8*
Change (y-y%)	*13.7*	*8.5*	*1.1*	*2.8*	*(4.8)*	*(1.6)*	*(6.2)*	*4.1*
Pre-provision profit	**23,919**	**26,891**	**2,279**	**23,008**	**24,553**	**2,488**	**9,865**	**113,003**
Change (q-q%)	*(1.5)*	*(5.0)*	*(16.9)*	*2.1*	*(0.0)*	*(3.4)*	*(2.3)*	*(1.9)*
Change (y-y%)	*2.6*	*(1.1)*	*(27.9)*	*6.5*	*(0.8)*	*3.6*	*(2.7)*	*0.4*
Provision	**8,197**	**11,652**	**681**	**8,312**	**10,967**	**359**	**4,764**	**44,933**
Change (q-q%)	*(21.4)*	*(0.2)*	*(61.5)*	*3.9*	*(5.7)*	*(10.5)*	*(9.8)*	*(8.6)*
Change (y-y%)	*(8.6)*	*(8.9)*	*(59.4)*	*1.9*	*(10.4)*	*338.4*	*9.4*	*(6.9)*
Normalized profits	**12,476**	**11,965**	**1,305**	**11,107**	**10,941**	**1,713**	**5,230**	**54,738**
Change (q-q%)	*5.7*	*(5.4)*	*69.7*	*(0.8)*	*9.3*	*(2.3)*	*(2.3)*	*2.2*
Change (y-y%)	*9.9*	*6.1*	*1.9*	*8.0*	*13.2*	*(8.6)*	*10.5*	*8.5*
% of 2024F profits	***77.4***	***77.5***	***84.4***	***76.5***	***78.1***	***75.0***	***75.6***	***77.3***
Growth								
Loan growth (q-q%)	(2.99)	(2.17)	(4.70)	0.15	(0.15)	(1.50)	(3.38)	(1.66)
Loan growth (ytd)	(1.24)	(2.28)	(6.37)	(0.46)	0.33	(2.07)	(5.65)	(1.64)
Deposit growth (q-q%)	(2.35)	3.97	(6.82)	(0.24)	(1.01)	(1.00)	(5.05)	(0.75)
Deposit growth (ytd)	(2.33)	2.61	(4.09)	(0.09)	(0.43)	(1.86)	(6.50)	(0.97)
Loan to deposit ratio (%)	84.85	87.85	108.25	96.99	100.09	112.30	96.64	93.16
NIM (q-q%)	0.05	(0.06)	0.01	0.01	0.01	0.04	0.03	0.00
Non interest income growth (y-y%)	47.55	26.30	14.52	19.11	(18.65)	12.60	(4.79)	13.82
Non interest income growth (q-q%)	19.52	(10.83)	8.06	15.56	(9.77)	(9.59)	(0.94)	1.95
Cost-to-income ratio (%)	47.73	44.43	65.49	42.77	41.76	47.95	42.51	44.89
NPL in absolute (q-q%)	4.90	0.53	(0.20)	(0.41)	(0.54)	(1.39)	0.30	0.99
Credit costs (%)	1.24	1.92	0.73	1.30	1.80	0.62	1.52	1.51
Loan loss coverage ratio (%)	254.15	139.41	120.14	178.71	158.23	159.11	149.34	178.59
Loan loss coverage ratio (q-q%)	(15.14)	(1.13)	(0.71)	3.14	1.78	(3.60)	(2.30)	(1.99)

Source: Company data

The banking sector's profits for 3Q24 were largely in line with expectations, reflecting a 9% y-y increase and a 2% q-q rise. The main drivers of this growth were higher fees and non-interest income, along with reduced credit costs. KKP and SCBx reported profits that exceeded our expectations, while the remaining banks met our forecasts. We reiterate our NEUTRAL stance, with KTB and TTB as our top picks in the sector.

- Loan performance was disappointing, with an overall contraction of 1.7% q-q and 1.6% YTD, driven by repayments of corporate loans and prudent underwriting practices toward SME and retail loans. This trend reflects banks' de-risking strategies in response to high household debt and fragile economic conditions. Among the seven banks we cover, only KTB experienced positive loan expansion q-q, primarily due to government loans. Meanwhile, SCBx was the only bank to report positive loan growth compared to the end of 2023. They all foresee downsides to their loan growth targets.

- NIM remained relatively stable as banks manage excess liquidity in order to minimize the negative impact on net interest income (NII) from slower loan growth. Anticipating policy rate cut, banks shifted their investments from interbank to bonds. Additionally, the repricing of funding costs has been slower than in the first half of 2024.
- However, we expect banks to reduce prime rates following an unexpected 0.25% cut in the policy rate last week. As a result, NIM is likely to decline q-q across all large to mid-sized banks. With the majority of TISCO and KKP's loans being fixed-rate, they may be better positioned to absorb the impact of the interest rate cut.
- Asset quality remained manageable, with stabilized NPLs reflecting proactive management and the banks' cautious and stringent underwriting practices.
- A bright spot in the quarter was the growth in fees and non-interest income, benefiting from improving conditions in the capital markets.
- On the bancassurance side, KTB and BBL experienced strong growth both y-y and q-q. However, TTB, TISCO, and KKP, which primarily cross-sell these fees through auto loan bookings, saw negative growth y-y due to a decline in new loan originations amid a collapse in car sales.
- Operating expenses remained well-controlled, with an average cost-to-income ratio of 45% in 3Q24. However, due to the high expense season in 4Q and lower interest income, the cost-to-income ratio is expected to increase quarter-over-quarter in 4Q24.
- We foresee upside risks to our earnings forecasts for KKP and SCBx due to lower-than-expected provisions. Despite these potential earnings increases, we are maintaining our HOLD rating on KKP, while continuing to rate SCBx as BUY.
- In addition to KTB and TTB, which remain on our top pick list, we have a more positive outlook on SCBx, driven by a faster-than-expected improvement in the quality of Card X and stronger growth in wealth management fees. Moreover, the bank's high dividend yield of nearly 10% adds to its appeal.

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