

KASIKORNBANK Pcl (KBANK TB) - HOLD

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Analyst Meeting**Driving double-digit ROE through lower costs**

- **On track for normalization of credit cost cycle**
- **Looking to beef up productivities further**
- **Good strategic growth in wealth management business**
- **Maintain HOLD due to limited upsides**

KBANK will release its financial targets for 2025 in early February 2025. The bank remains cautious, anticipating slower GDP growth of 2.4% in 2025 compared to an estimated 2.6% in 2024. Cost reductions, particularly in provisions, operating expenses (opex), and funding, are key drivers for achieving its double-digit return on equity (ROE) target in 2026. However, we believe that KBANK's healthy profit growth and normalization of the credit cost cycle are already reflected in its share prices. Given the limited upside, we reiterate our HOLD rating with a target price (TP) of Bt165.

Credit Costs and Loan Mix Adjustments

- KBANK aims to reduce credit costs from 1.98% in 2024 to 1.4-1.6% in 2025. This improvement is driven by slower non-performing loan (NPL) inflows due to stricter lending practices and a strategic shift in the loan mix toward corporate loans, which accounted for 40% of the total in 2024.
- The increase in Stage 2 loans during 4Q24 was primarily due to loan relapses. However, NPL inflows remained stable quarter-on-quarter (q-q). Meanwhile, NPL resolutions, including write-offs and sales, decreased by nearly 50%, falling to Bt52bn in 2024 compared to 2023.

Net Interest Margin (NIM) Trends

- The contraction in NIM by 9 basis points (bps) q-q in 4Q24 was attributed to an interest rate cut, changes in the loan mix, and ongoing debt restructuring processes.
- Despite these pressures, funding costs remained stable in 2H24. The bank estimates that the government's debt relief plan will have only a marginal impact on NIM, reducing it by 3-5bps. However, we anticipate further NIM contraction in 2025 as K-Research predicts a 50bps reduction in the policy rate to 1.75% during the year.

Fee Income and Operational Efficiency

- KBANK experienced a solid recovery in fee income in 2024, driven by strong performance in wealth management and foreign exchange (FX) fees.
- Operating expenses were well-controlled, and the bank continues to focus on improving productivity. These factors underpin its strategy to maintain robust profitability despite external headwinds.

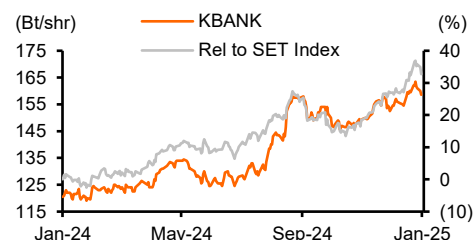
Key Valuations

Y/E Dec (Bt m)	2024A	2025F	2026F	2027F
Pre Prov. Profit	109,691	111,198	115,653	119,005
Net profit	48,598	53,808	58,629	62,493
Norm net profit	48,598	53,808	58,629	62,493
Norm EPS (Bt)	20.3	22.5	24.5	26.1
Norm EPS gr (%)	14.6	10.7	9.0	6.6
Norm PE (x)	7.8	7.0	6.5	6.1
P/BV (x)	0.7	0.6	0.6	0.6
Div. yield (%)	4.7	5.4	6.0	6.6
ROE (%)	8.9	9.2	9.4	9.5
ROA (%)	1.1	1.2	1.3	1.3

Source: Thanachart estimates

Stock Data

Closing price (Bt)	158.5
Target price (Bt)	163.0
Market cap (US\$ m)	11,013
Avg daily turnover (US\$ m)	47.7
12M H/L price (Bt)	163.5/119.0

Price Performance

Source: Bloomberg

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