

Bank Sector – Overweight

Rawisara Suwanumphai | Email: rawisara.suw@thanachartsec.co.th

News update

4Q25F net profit to remain intact

- **Muted loan growth, and NIM contraction would be...**
- **...partially offset by strong investment income**
- **Asset quality would remain manageable**
- **Maintain Overweight, with KTB and KBANK as top buys**

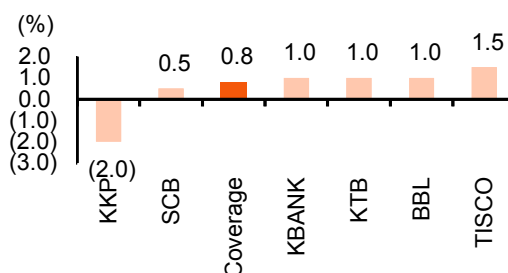
We expect the covered banks to report **an aggregate 4Q25 net profit of Bt46bn (-1% y-y, -19% q-q)**. The q-q decline is driven by seasonally higher operating expenses, lower investment income following an abnormally high base in the previous quarter, and NIM compression. Meanwhile, the y-y decline should be modest, as the impact of lower NIM is largely offset by higher investment income and lower credit costs.

KTB and BBL should deliver the strongest y-y earnings growth, supported by higher investment income and solid cost control. In contrast, we expect SCB's earnings to record the sharpest y-y decline, pressured by higher credit costs and weaker NIM.

Key highlights:

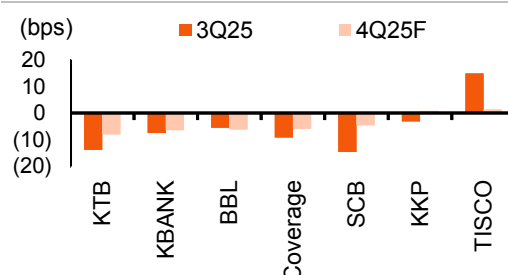
- 1) **Muted loan growth:** Despite the high season in 4Q, we expect aggregate loan volume to increase by only 1% q-q (still -2% y-y), dragged down by contractions across all segments, as banks maintain conservative lending in the SME and retail segments amid weak demand from the corporate segment.
- 2) **NIM compression:** Aggregate NIM is expected to decline by 6bps q-q to 3.00%, pressured by the policy rate cut. While funding costs should gradually trend lower, this is unlikely to fully offset the decline in yields on earning assets. KTB is likely to record the sharpest NIM contraction at 9bps q-q, whereas TISCO and KKP should see a slight increase of 1bp.
- 3) **Robust non-NII:** We expect sector non-NII to grow 22% y-y, supported by two key factors. First, banks should continue to benefit from strong investment income from bond portfolios. Second, fee income is expected to improve, led by wealth-related fees. On a q-q basis, non-NII is likely to decline by 13% from the abnormally high investment income in 3Q25.
- 4) **Discipline cost control:** Amid weak NII, we believe banks will tighten cost controls, such as reducing marketing expenses and delaying IT investments. We expect the aggregate opex to be stable y-y, but +9% q-q from seasonality. The sector cost to income ratio would moderately increase to 48.3% from 47.5% in 4Q24.
- 5) **Manageable asset quality:** We expect aggregate NPLs to decline 2%q-q, driven mainly by a reduction in BBL's NPLs following the successful restructuring of its loan portfolio. Other banks should be able to maintain broadly stable asset quality. Credit costs are likely to decline to 138bps from 149bps in 3Q25. Overall, we believe banks remain comfortable with their strong buffers, with the expected sector coverage ratio at a healthy 207%.

Ex 1: Loan Growth q-q



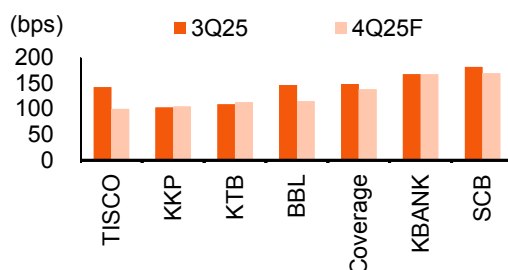
Source: Thanachart estimates

Ex 2: Change In NIM q-q



Source: Thanachart estimates

Ex 3: Credit Costs



Source: Thanachart estimates

Ex 4: Summary 3Q25F Net Profit

Stocks	— Net profit (Bt m) —			— Change (%) —		Expected results date	Comment
	4Q24	3Q25	4Q25F	y-y	q-q		
BBL	10,494	13,893	10,701	2.0	(23.0)	19-21 Jan	Strong investment income, solid cost control, and improving asset quality should cushion net profit from weak NIM. NPLs are expected to decline sharply by 8% q-q, driven by the restructuring program.
KBANK	10,768	13,007	10,811	0.4	(16.9)	21-Jan	NIM is expected to decline both y-y and q-q, reflecting continued margin pressure. However, fee income should remain solid, supported by wealth-related fees. Asset quality is expected to remain manageable, while prudent management is likely to keep credit costs elevated at around 165bps.
KKP	1,451	1,670	1,455	0.2	(12.9)	20-21 Jan	Unlike the large banks, KKP's NIM is expected to edge up slightly, supported by lower funding costs. Losses on repossessed cars should decline modestly q-q. In addition, fee income—particularly wealth-related fees—is expected to remain solid.
KTB	10,475	14,620	10,665	1.8	(27.1)	20-21 Jan	A higher investment income, good cost control, and healthy asset quality should cushion net profit from weak NIM.
SCB	11,707	12,056	10,757	(8.1)	(10.8)	21-Jan	SCB should continue to perform well in terms of opex control. However, given its high retail concentration, credit costs are expected to remain elevated at around 170bps. Together with NIM compression, this should pressure net profit.
TISCO	1,702	1,730	1,698	(0.2)	(1.9)	14-Jan	NIM is expected to increase q-q, supported by lower funding costs. Asset quality should remain manageable; however, credit costs are likely to continue normalizing after benefiting from low levels in 2024.
Coverage	46,597	56,976	46,087	(1.1)	(19.1)		

Sources: Company data, Thanachart estimates

Ex 5: 4Q25F Key Financial Highlight

(Bt m)	BBL	KBANK	KKP	KTB	SCB	TISCO	Coverage
Net interest income	30,005	33,936	4,179	25,361	29,288	3,448	126,216
Change q-q%	-2.4%	-0.7%	-1.3%	-2.0%	-0.4%	0.6%	-1.3%
Change y-y%	-11.7%	-5.7%	-10.1%	-14.4%	-9.7%	1.4%	-9.9%
Net fee income	7,011	9,161	1,556	5,967	8,478	1,270	33,442
Change q-q%	7.0%	-1.8%	0.6%	2.4%	2.2%	-1.3%	1.9%
Change y-y%	0.0%	7.6%	-3.9%	2.7%	6.2%	-3.1%	3.7%
Non-interest income	13,650	14,132	2,052	12,383	12,901	1,471	56,589
Change q-q%	-19.1%	-4.6%	-17.8%	-18.5%	-8.9%	-19.9%	-13.4%
Change y-y%	27.1%	13.6%	-5.1%	45.5%	15.4%	6.1%	21.9%
OPEX	22,772	23,410	3,524	17,560	18,770	2,228	88,263
Change q-q%	10.0%	11.7%	-5.8%	9.5%	6.8%	-2.6%	8.6%
Change y-y%	-4.1%	5.0%	-13.3%	0.8%	0.4%	-5.0%	-0.3%
Pre-provision profit	20,883	24,658	2,707	20,184	23,419	2,691	94,542
Change q-q%	-22.4%	-12.0%	-9.4%	-19.4%	-9.9%	-9.6%	-15.5%
Change y-y%	-0.4%	-5.7%	-1.5%	-2.5%	-6.1%	10.1%	-3.5%
ECL	7,569	10,196	898	7,360	10,027	580	36,631
Change q-q%	-22.3%	0.2%	-1.1%	2.2%	-7.4%	-30.1%	-7.7%
Change y-y%	-0.8%	-16.7%	-1.7%	9.4%	2.3%	72.2%	-2.7%
Net profit	10,701	10,811	1,455	10,665	10,757	1,698	46,087
Change q-q%	-23.0%	-16.9%	-12.9%	-27.1%	-10.8%	-1.9%	-19.1%
Change y-y%	2.0%	0.4%	0.2%	1.8%	-8.1%	-0.2%	-1.1%
Gross loans	2,632,728	2,439,750	338,812	2,618,318	2,365,237	233,865	10,628,710
Change q-q%	1.0%	1.0%	-2.0%	1.0%	0.5%	1.5%	0.8%
Change y-y%	-2.2%	-1.8%	-7.9%	-3.0%	-1.6%	0.7%	-2.3%
Deposits	3,160,926	2,767,687	346,092	2,783,494	2,502,497	208,636	11,769,332
Change q-q%	-0.4%	0.9%	-1.2%	0.6%	0.2%	0.7%	0.2%
Change y-y%	-0.3%	1.8%	-3.7%	1.9%	1.2%	1.0%	0.9%
NPLs	95,506	90,145	16,792	90,827	94,661	5,392	393,322
Change q-q%	-7.6%	-0.7%	-1.0%	-0.4%	-0.6%	1.1%	-2.4%
Change y-y%	11.3%	-3.1%	-3.9%	-4.5%	-3.0%	-1.3%	-0.3%

Key ratios (%)							
LDR	83.3%	88.2%	93.0%	94.1%	94.5%	112.1%	90.3%
NIM	2.62%	3.18%	3.74%	2.69%	3.39%	4.90%	3.00%
Cost to income	52.2%	48.7%	56.6%	46.5%	44.5%	45.3%	48.3%
Credit cost (bp)	115	168	105	113	170	100	138
NPL ratio	3.6%	3.7%	5.0%	3.5%	4.0%	2.3%	3.7%
ROE	7.2%	7.3%	9.0%	9.1%	8.7%	15.9%	8.2%

Sources: Company data, Thanachart estimates

Ex 6: Bank Sector Valuations

Stocks	Rating	Current price	Target price	Norm EPS growth		Norm PE		P/BV		Yield	
		(Bt)	(Bt)	2025F	2026F	2025F	2026F	2025F	2026F	2025F	2026F
				(%)	(%)	(x)	(x)	(x)	(x)	(%)	(%)
BBL	HOLD	169.00	164.00	9.0	(5.3)	6.5	6.9	0.5	0.5	5.0	5.0
KBANK	BUY	194.00	222.00	2.6	(2.3)	9.2	9.4	0.8	0.8	6.7	6.7
KKP	BUY	67.25	76.00	14.0	6.9	9.9	9.2	0.8	0.8	7.1	7.6
KTB	BUY	28.25	35.00	9.8	(4.1)	8.2	8.6	0.8	0.8	6.7	6.8
SCB	BUY	138.00	152.00	10.2	(3.4)	9.6	9.9	0.9	0.9	8.3	8.1
TISCO	HOLD	110.50	108.00	(1.9)	2.2	13.1	12.8	2.0	2.0	7.0	7.0

Sources: Company data, Thanachart estimates