

Bank Sector – Overweight

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Results Comment

Miss 4Q25 on NIM and investment income

- **4Q25: Weak revenue, but solid opex & asset quality control**
- **BBL misses sharply; KKP delivers strongest beat**
- **Prudent 2026 stance with continued focus on capital mgnt**
- **Maintain bullish view, with KTB and KKP top buys**

4Q25 sector earnings overview:

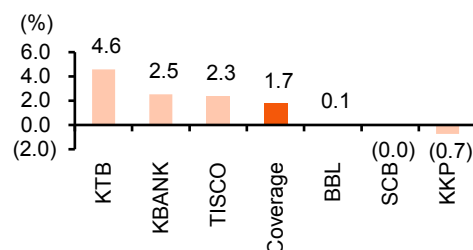
The six banks under our coverage reported combined **4Q25 net profit of Bt42.3bn (-10% y-y, -26% q-q)**, **missing** our estimate by 8%. The earnings shortfall was mainly driven by weaker-than-expected NIM and investment income. On a y-y basis, softer earnings reflected NIM compression and loan contraction, partly offset by stronger fee income, solid investment gains, disciplined cost control, and lower ECL. The sharp q-q decline was largely due to lower investment income following an abnormally high base in 3Q25 and seasonally higher operating expenses.

BBL posted the largest miss at 26% below expectations, while **KKP delivered the strongest beat** at 18%. Results for the remaining banks were broadly in line with expectations. **KKP led the sector** in earnings growth, supported by meaningful asset quality improvement, strong fee income momentum, and effective NIM management.

Key sector trends:

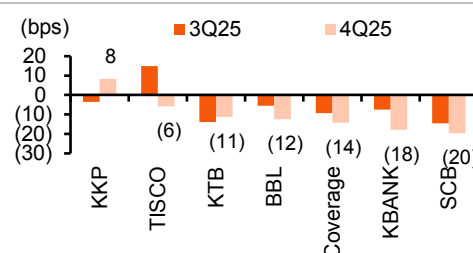
- 1) **Loan growth resumes:** Aggregate loan volume rose 2% q-q, though still down 1% y-y. Growth was driven by seasonally higher corporate lending and the resumption of government-related lending at KTB.
- 2) **NIM pressure continues:** Sector NIM contracted by 14bps q-q to 2.92%, worse than our expectations. In addition to the impact of policy rate cuts, margins were pressured by banks' shift toward higher-quality, lower-yielding borrowers. KKP was the only bank to report NIM expansion (+8bps q-q), reflecting effective funding cost management.
- 3) **Softer non-NII:** Non-NII declined 16% q-q but remained up 18% y-y. The q-q decline was driven by lower gains on bond portfolios amid rising bond yields and unfavorable equity market conditions. In contrast, fee income remained resilient, rising 3% y-y and 2% q-q, led by wealth management fees.
- 4) **Cost discipline remains firm:** Against a backdrop of weak NII, banks tightened cost controls. Aggregate operating expenses fell 2% y-y but increased 7% q-q due to seasonality.
- 5) **Asset quality manageable:** Sector asset quality remained stable, with NPLs broadly flat both y-y and q-q and the NPL ratio at 3.72%. Credit costs declined to 136bps (from 149bps in 3Q25), reflecting proactive management overlays built up in prior quarters. The sector coverage ratio remained strong at 203%.

Ex 1: Loan Growth q-q



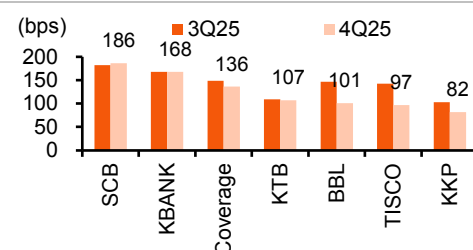
Source: Company data

Ex 2: Change In NIM q-q



Source: Company data

Ex 3: Credit Costs



Source: Company data

■ **FY25 performance:**

Aggregate FY25 net profit reached a record Bt204bn (+4% y-y). The significant NIM compression was fully offset by strong investment income, disciplined cost management, and manageable asset quality. KKP delivered the strongest FY25 earnings growth at 18% y-y, while TISCO was the only bank to post a y-y earnings decline (-4%).

■ **Analyst meeting feedbacks:**

The tone of post-4Q25 analyst meetings was broadly conservative. Cost efficiency, balance-sheet resilience, and fee diversification are the primary levers to protect profitability amid ongoing NIM pressure.

- 1) **Loan growth cautiously improving:** Loan trends are improving modestly, supported by cleaner balance sheets and government support programs, though lending remains conservative and selective.
- 2) **NIM under pressure:** Banks expect continued NIM compression as one to two further policy rate cuts and lagging funding repricing weigh on NII.
- 3) **Softer non-NII:** Fee income should see moderate growth, led by wealth management. However, investment-related income is likely to be weak amid higher government bond yields and equity market volatility.
- 4) **Opex as key support:** Strict cost discipline remains central to earnings defense, helping offset revenue pressure.
- 5) **Asset quality contained:** Asset quality is manageable, with ample buffers in place and credit costs expected to trend lower y-y.

■ **Sector view:**

We reiterate Overweight view to the sector. Thai banks enter 2026F from a position of strength. While earnings normalize after a record 2025, strong capital buffers, disciplined cost control, and ample provisions should cushion pressure from lower NIMs and subdued loan growth. Profitability remains resilient, supported by attractive dividend yields of ~7% p.a.

KTB remains our top buy due to high ROE, lower risk, attractive yield with conservative payout. We replace our second top pick from KBANK to KKP due to sector-leading 2026F EPS growth, a rising share of high-quality fee income from capital markets, active buybacks, 7% div yield, and ROE rising to 9.3% in 2026F.

Ex 4: Summary 4Q25 Net Profit

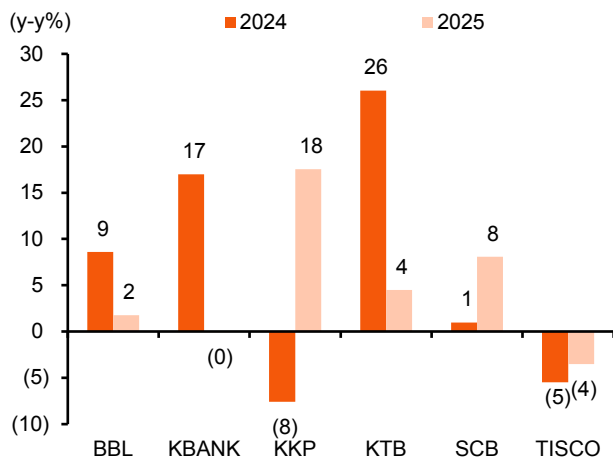
Stocks	4Q24	3Q25	4Q25	y-y %	q-q %	
BBL	10,404	13,789	7,759	(25.4)	(43.7)	BBL posted 4Q25 net profit of Bt7.8bn (-25% y-y, -44% q-q), missing Bloomberg consensus and our estimate by 26%, due to weaker investment gains and higher opex. FY25 net profit was Bt46bn (+2% y-y), with NIM pressure offset by strong investment income.
KBANK	10,768	13,007	10,278	(4.6)	(21.0)	KBANK reported 4Q25 net profit of Bt10.3bn (-5% y-y, -21% q-q), in line with both our estimate and Bloomberg consensus. FY25 net profit reached Bt49.6bn (flat y-y), as NIM pressure was fully offset by stronger fee income, higher investment income, and lower ECL.
KKP	1,451	1,670	1,772	22.1	6.1	We have a positive view on KKP's strong 4Q25 net profit of Bt1.77bn (+22% y-y, +6% q-q), which beat both our forecast (+18%) and Bloomberg consensus (+25%) thanks to continued improvement in asset quality, strong fee income, and efficient NIM management. 2025 net profit reached Bt5.91bn (+18% y-y), supported by better asset quality, solid fee income, and higher investment income.
KTB	10,990	14,620	10,773	(2.0)	(26.3)	KTB reported 4Q25 net profit of Bt10.7bn (-2% y-y, -26% q-q), broadly in line with both our estimate and Bloomberg consensus. FY25 net profit reached Bt48.2bn (+5% y-y), as NIM compression was fully offset by stronger fee income, solid investment income, good cost control, and lower ECL.
SCB	11,707	12,056	10,144	(13.4)	(15.9)	SCB reported 4Q25 net profit of Bt10.1bn (-13% y-y, -16% q-q), slightly below both our estimate and Bloomberg consensus by 6%, mainly due to higher ECL from additional management overlays (MO). FY25 net profit reached Bt47.5bn (+8% y-y), as NIM pressure was fully offset by stronger investment income, higher fee income, and lower ECL.
TISCO	1,702	1,730	1,642	(3.5)	(5.1)	TISCO reported 4Q25 net profit of Bt1.64bn (-4% y-y, -5% q-q), which is inline with the Bloomberg consensus and our forecast. We view the results as neutral. FY2025 net profit came in at Bt6.7bn, declining 4% y-y, mainly reflecting a normalization of credit costs after three years of unusually low levels.
Coverage	47,022	56,873	42,367	(9.9)	(25.5)	

Sources: Company data, Thanachart estimates

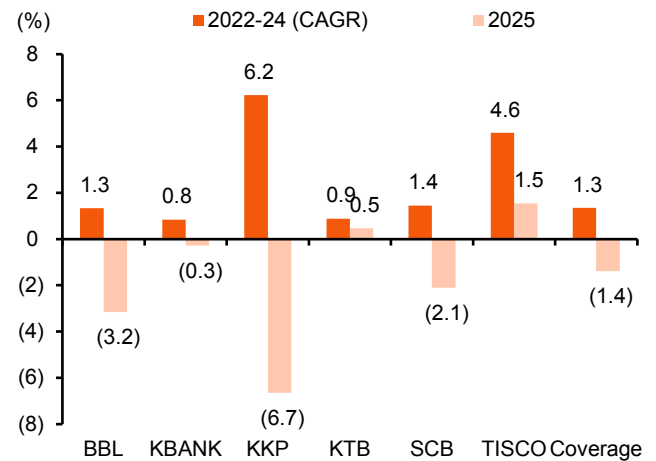
Ex 5: 4Q25 Key Financial Highlight

(Bt m)	BBL	KBANK	KKP	KTB	SCB	TISCO	Coverage
Net interest income	29,266	32,913	4,266	25,169	28,253	3,417	123,284
Change q-q%	-4.8%	-3.6%	0.8%	-2.7%	-3.9%	-0.3%	-3.6%
Change y-y%	-13.9%	-8.6%	-8.3%	-15.0%	-12.9%	0.5%	-12.0%
Net fee income	6,973	9,412	1,623	6,120	7,843	1,346	33,317
Change q-q%	6.5%	0.9%	4.9%	5.0%	-4.1%	4.6%	1.8%
Change y-y%	-0.6%	10.6%	0.2%	5.4%	-1.7%	2.7%	3.3%
Non-interest income	11,455	14,777	2,337	11,674	13,187	1,481	54,911
Change q-q%	-32.1%	-0.3%	-6.4%	-23.2%	-6.1%	-19.3%	-15.9%
Change y-y%	6.7%	18.8%	8.0%	37.2%	17.9%	6.8%	18.3%
OPEX	24,822	23,028	3,620	15,469	17,644	2,295	86,878
Change q-q%	19.9%	9.8%	-3.3%	-3.5%	1.1%	0.4%	7.0%
Change y-y%	4.6%	3.3%	-11.0%	-11.2%	-5.7%	-2.1%	-1.9%
Pre-provision profit	15,899	24,662	2,983	21,374	23,796	2,603	91,317
Change q-q%	-40.9%	-12.0%	-0.2%	-14.6%	-8.5%	-12.6%	-18.4%
Change y-y%	-24.2%	-5.7%	8.6%	3.2%	-4.6%	6.5%	-6.8%
ECL	6,598	10,265	708	7,096	10,964	565	36,196
Change q-q%	-32.3%	0.8%	-22.0%	-1.5%	1.3%	-32.0%	-8.8%
Change y-y%	-13.6%	-16.2%	-22.5%	5.5%	11.9%	67.6%	-3.9%
Net profit	7,759	10,278	1,772	10,773	10,144	1,642	42,367
Change q-q%	-43.7%	-21.0%	6.1%	-26.3%	-15.9%	-5.1%	-25.5%
Change y-y%	-25.4%	-4.6%	22.1%	-2.0%	-13.4%	-3.5%	-9.9%
Gross loans	2,608,286	2,476,647	344,022	2,711,171	2,352,870	235,779	10,728,776
Change q-q%	0.1%	2.5%	-0.7%	4.6%	0.0%	2.3%	1.7%
Change y-y%	-3.2%	-0.3%	-6.5%	0.5%	-2.1%	1.5%	-1.4%
Deposits	3,196,284	2,850,387	348,300	2,864,171	2,563,315	211,323	12,033,781
Change q-q%	0.7%	3.9%	-0.6%	3.5%	2.7%	2.0%	2.5%
Change y-y%	0.8%	4.8%	-3.1%	4.9%	3.6%	2.3%	3.2%
NPLs	94,664	93,533	16,516	92,911	96,165	5,371	399,160
Change q-q%	-8.5%	3.1%	-2.6%	1.9%	1.0%	0.7%	-0.9%
Change y-y%	10.3%	0.6%	-5.5%	-2.3%	-1.5%	-1.7%	1.2%
Key ratios (%)							
LDR	81.6%	86.9%	94.7%	94.7%	91.8%	111.6%	89.2%
NIM	2.56%	3.06%	3.81%	2.65%	3.24%	4.82%	2.92%
Cost to income	61.0%	48.3%	54.8%	42.0%	42.6%	46.9%	48.8%
Credit cost (bp)	101	168	82	107	186	97	136
NPL ratio	3.6%	3.8%	4.8%	3.4%	4.1%	2.3%	3.7%
ROE	5.4%	7.0%	11.0%	9.3%	8.3%	15.4%	7.6%

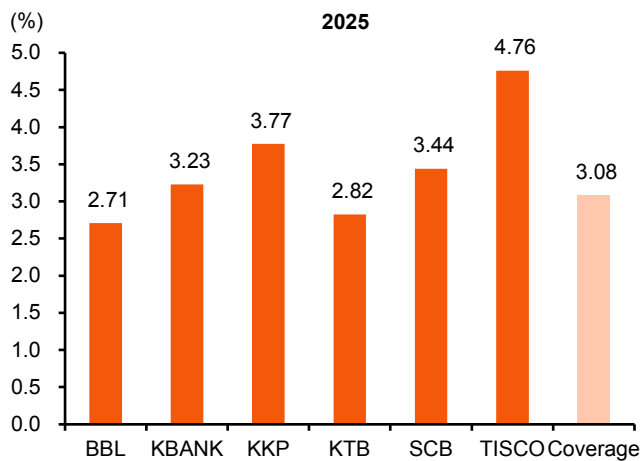
Sources: Company data, Thanachart estimates

Ex 6: Net Profit Growth By Bank In 2024-25

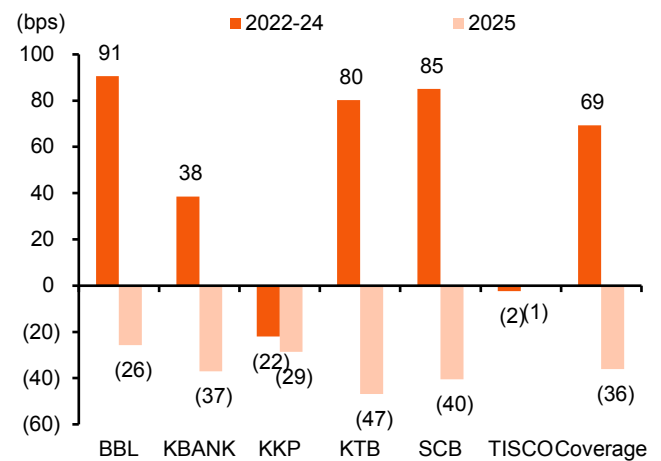
Source: Company data

Ex 7: Loan Growth By Bank

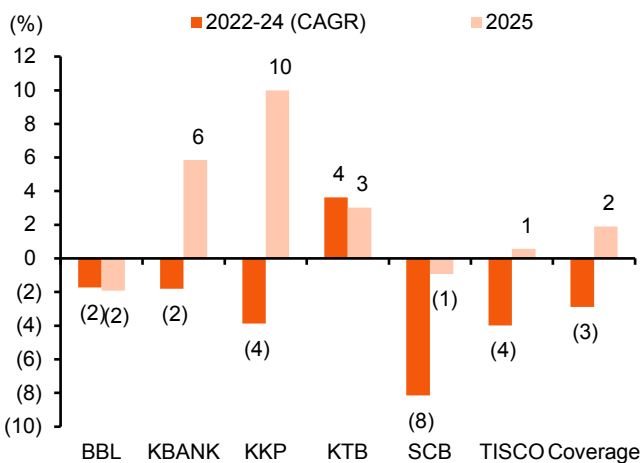
Source: Company data

Ex 8: 2025 NIM of Each Bank

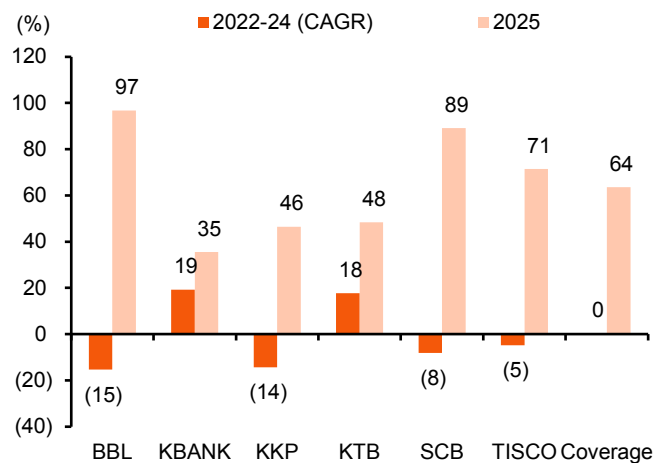
Source: Company data

Ex 9: Comparing Changes In NIM By Bank

Source: Company data

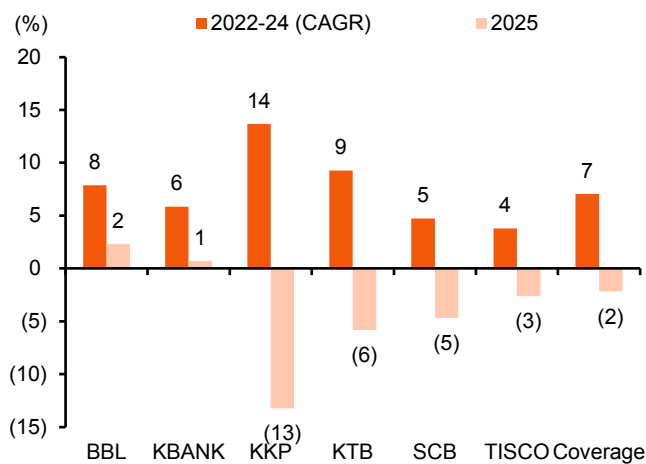
Ex 10: Fee Income Growth By Bank

Source: Company data

Ex 11: Non-NII (Excluding Fees) Growth By Bank

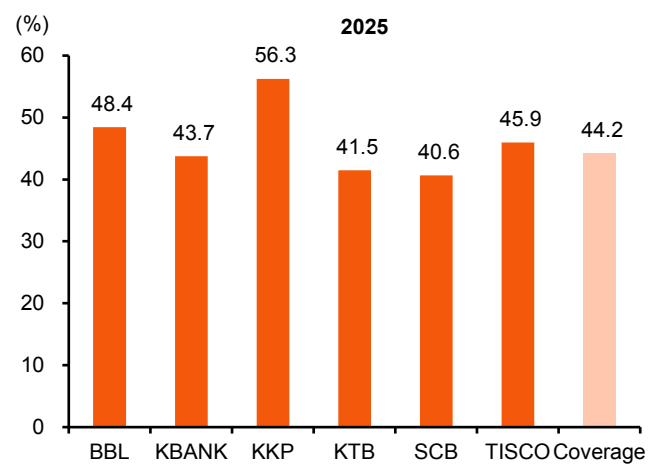
Source: Company data

Ex 12: Opex Growth By Bank



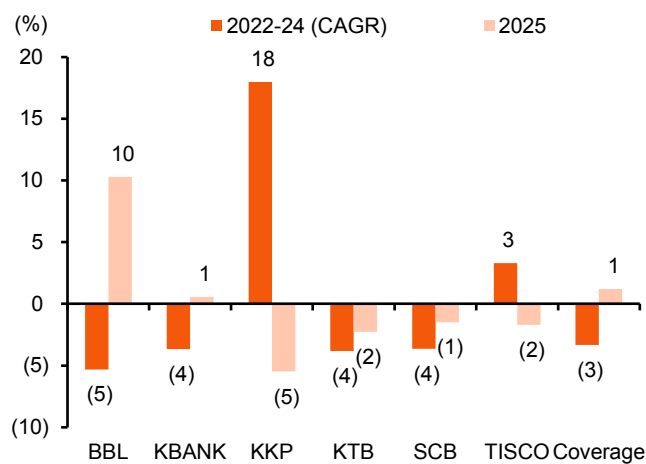
Source: Company data

Ex 13: 2025 Cost-To-Income Ratio



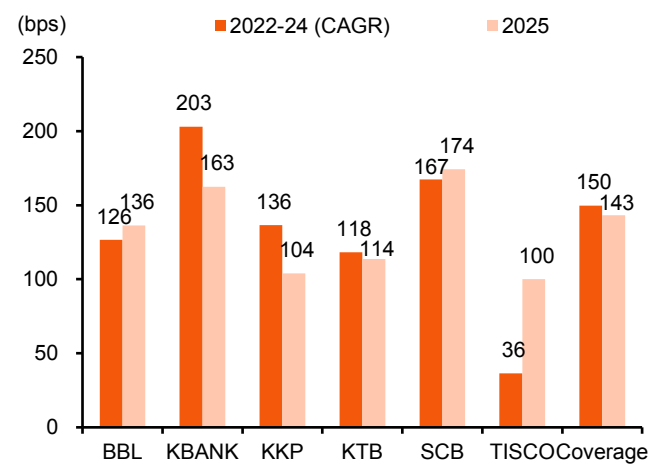
Source: Company data

Ex 14: NPL Growth By Bank



Source: Company data

Ex 15: Credit Costs By Bank



Source: Company data

Ex 16: Bank Sector Valuations

Stocks	Rating	Current price	Target price	Norm EPS growth		Norm PE		P/BV		Yield	
		(Bt)	(Bt)	2026F (%)	2027F (%)	2026F (x)	2027F (x)	2026F (x)	2027F (x)	2026F (%)	2027F (%)
BBL	HOLD	160.50	164.00	1.4	3.3	6.6	6.4	0.5	0.5	5.3	5.9
KBANK	BUY	189.00	222.00	(1.7)	8.6	9.2	8.5	0.7	0.7	6.9	7.7
KKP	BUY	69.00	76.00	3.6	5.5	9.5	9.0	0.8	0.8	7.4	7.8
KTB	BUY	27.75	35.00	(4.3)	5.8	8.4	7.9	0.8	0.8	6.9	7.6
SCB	BUY	137.50	152.00	(1.5)	6.4	9.9	9.3	0.9	0.9	8.1	8.6
TISCO	HOLD	111.00	108.00	3.9	1.5	12.8	12.7	2.0	2.0	7.0	7.0

Sources: Company data, Thanachart estimates

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