

## 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 mgmt**
- **Maintain bullish view, with KTB and KKP top buys**
  
- **4Q25 sector earnings overview:**

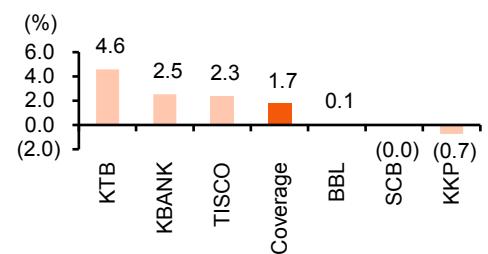
The six banks under our coverage reported combined **4Q25 net profit of Bt42.3bn (-10% y-y, -26% q-q)**, missing our estimate by 8%. The earnings shortfall was mainly driven by weaker-than-expected NIM and investment income. On a y-y basis, softer earnings reflected NIM compression and loan contraction, 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:

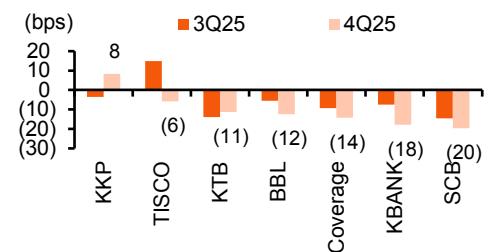
- 1) **Loan growth resumes:** Aggregate loan volume rose 2% q-q, though still down 1% y-y. Growth was driven by seasonally higher corporate lending and the resumption of government-related lending at KTB.
- 2) **NIM pressure continues:** Sector NIM contracted by 14bps q-q to 2.92%, worse than our expectations. 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



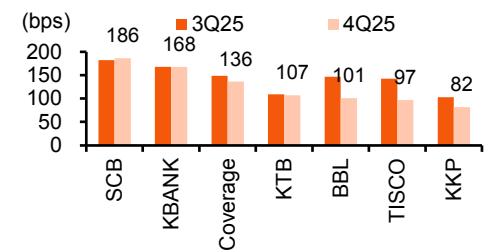
Source: Company data

### 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**

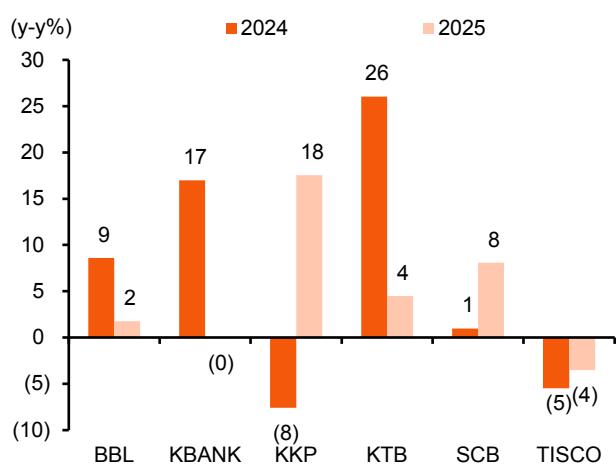
Stocks	4Q24	3Q25	4Q25	y-y %	q-q %	
BBL	10,404	13,789	7,759	(25.4)	(43.7)	BBL posted 4Q25 net profit of Bt7.8bn (-25% y-y, -44% q-q), missing Bloomberg consensus and our estimate by 26%, due to weaker investment gains and higher opex. FY25 net profit was Bt46bn (+2% y-y), with NIM pressure offset by strong 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.
<b>Coverage</b>	<b>47,022</b>	<b>56,873</b>	<b>42,367</b>	<b>(9.9)</b>	<b>(25.5)</b>	

Sources: Company data, Thanachart estimates

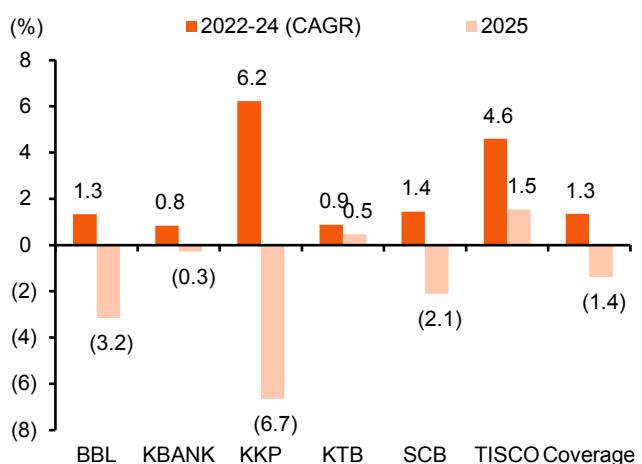
## Ex 5: 4Q25 Key Financial Highlight

(Bt m)	BBL	KBANK	KKP	KTB	SCB	TISCO	Coverage
<b>Net interest income</b>	<b>29,266</b>	<b>32,913</b>	<b>4,266</b>	<b>25,169</b>	<b>28,253</b>	<b>3,417</b>	<b>123,284</b>
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%
<b>Net fee income</b>	<b>6,973</b>	<b>9,412</b>	<b>1,623</b>	<b>6,120</b>	<b>7,843</b>	<b>1,346</b>	<b>33,317</b>
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%
<b>Non-interest income</b>	<b>11,455</b>	<b>14,777</b>	<b>2,337</b>	<b>11,674</b>	<b>13,187</b>	<b>1,481</b>	<b>54,911</b>
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%
<b>OPEX</b>	<b>24,822</b>	<b>23,028</b>	<b>3,620</b>	<b>15,469</b>	<b>17,644</b>	<b>2,295</b>	<b>86,878</b>
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%
<b>Pre-provision profit</b>	<b>15,899</b>	<b>24,662</b>	<b>2,983</b>	<b>21,374</b>	<b>23,796</b>	<b>2,603</b>	<b>91,317</b>
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%
<b>ECL</b>	<b>6,598</b>	<b>10,265</b>	<b>708</b>	<b>7,096</b>	<b>10,964</b>	<b>565</b>	<b>36,196</b>
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%
<b>Net profit</b>	<b>7,759</b>	<b>10,278</b>	<b>1,772</b>	<b>10,773</b>	<b>10,144</b>	<b>1,642</b>	<b>42,367</b>
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%
<b>Gross loans</b>	<b>2,608,286</b>	<b>2,476,647</b>	<b>344,022</b>	<b>2,711,171</b>	<b>2,352,870</b>	<b>235,779</b>	<b>10,728,776</b>
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%
<b>Deposits</b>	<b>3,196,284</b>	<b>2,850,387</b>	<b>348,300</b>	<b>2,864,171</b>	<b>2,563,315</b>	<b>211,323</b>	<b>12,033,781</b>
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%
<b>NPLs</b>	<b>94,664</b>	<b>93,533</b>	<b>16,516</b>	<b>92,911</b>	<b>96,165</b>	<b>5,371</b>	<b>399,160</b>
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%
<b>Key ratios (%)</b>							
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%

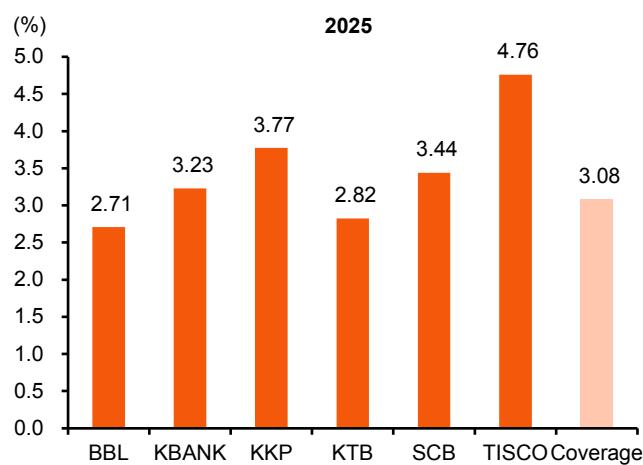
Sources: Company data, Thanachart estimates

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

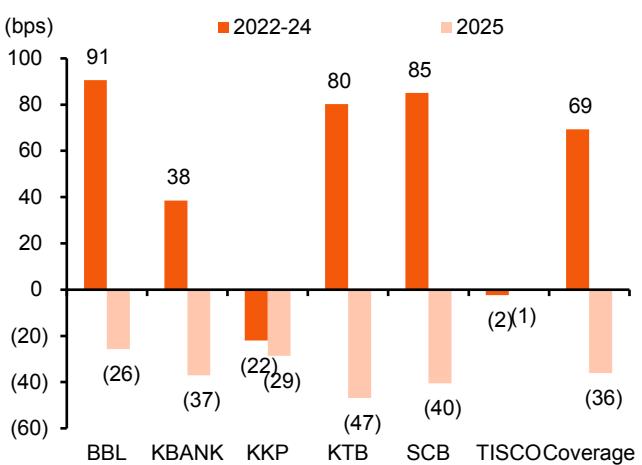
Source: Company data

**Ex 7: Loan Growth By Bank**

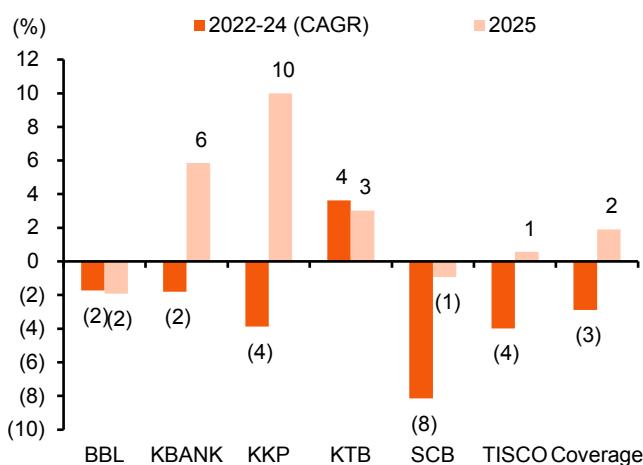
Source: Company data

**Ex 8: 2025 NIM of Each Bank**

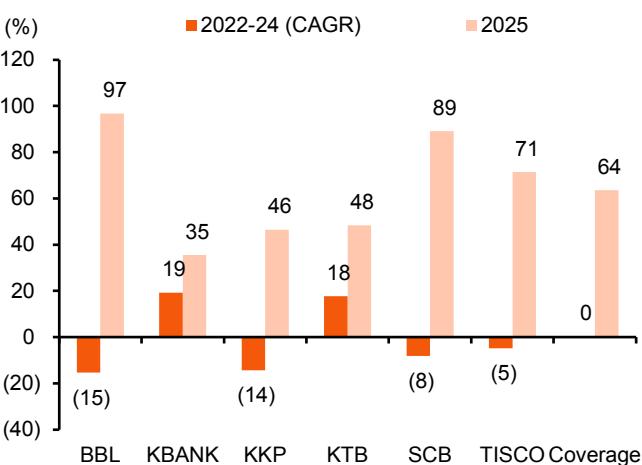
Source: Company data

**Ex 9: Comparing Changes In NIM By Bank**

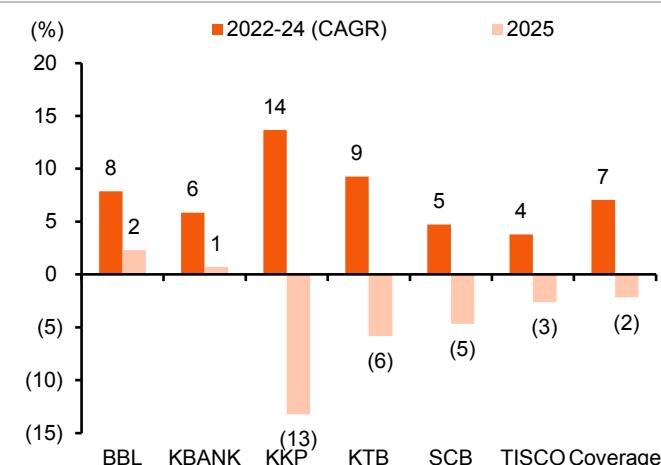
Source: Company data

**Ex 10: Fee Income Growth By Bank**

Source: Company data

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

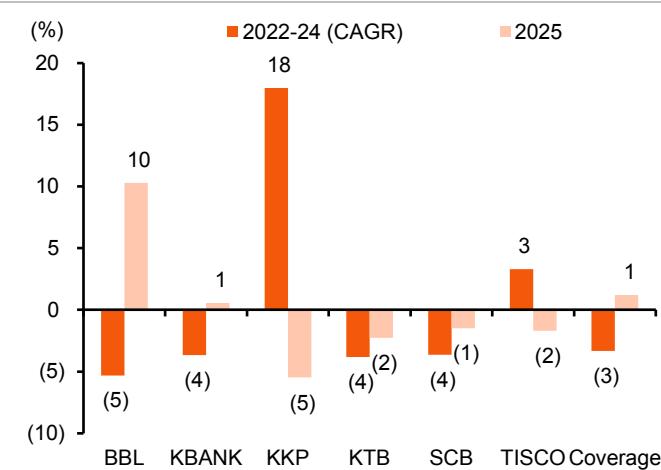
Source: Company data

**Ex 12: Opex Growth By Bank**

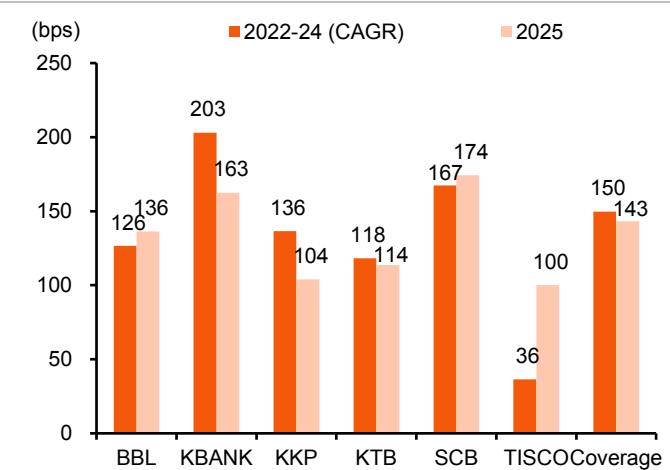
Source: Company data

**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	Target	Norm EPS growth		Norm PE		P/BV		Yield	
		price (Bt)	price (Bt)	2026F	2027F	2026F	2027F	2026F	2027F	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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