

4 February 2025

Sector: Bank

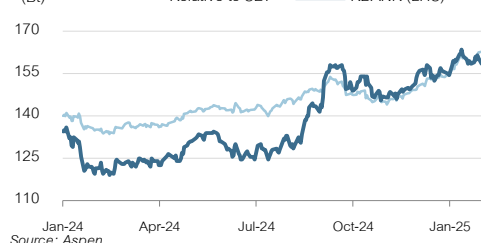
Bloomberg ticker	KBANK TB
Recommendation	BUY (maintained)
Current price	Bt159.00
Target price	Bt176.00 (maintained)
Upside/Downside	+11%
EPS revision	No change

Bloomberg target price	Bt173.56
Bloomberg consensus	Buy 20 / Hold 6 / Sell 1

Stock data	
Stock price 1-year high/low	Bt163.50/Bt118.50
Market cap. (Bt mn)	376,723
Shares outstanding (mn)	2,306
Avg. daily turnover (Bt mn)	1,433
Free float	74%
CG rating	Excellent
ESG rating	Excellent

Financial & valuation highlights				
FY: Dec (Bt mn)	2023A	2024A	2025E	2026E
Net interest income	148,444	149,377	151,775	156,107
Non NII	31,181	33,279	35,599	36,989
Pre-provision profit	107,685	110,673	109,317	112,255
Provision	51,840	47,251	41,750	40,473
Net profit	42,405	48,598	51,809	55,041
EPS (Bt)	17.90	20.51	21.87	23.23
EPS growth (%)	18.6%	14.6%	6.6%	6.2%
NIM (%)	3.7%	3.7%	3.6%	3.6%
BVPS (Bt)	224.7	237.8	251.2	265.5
DPS (Bt)	6.5	8.4	9.0	9.5
PER (x)	8.9	7.8	7.3	6.8
PBV (x)	0.7	0.7	0.6	0.6
Dividend yield	4.1%	5.3%	5.6%	6.0%

Bloomberg consensus				
Net profit (Bt mn)	42,405	48,598	51,304	54,378
EPS (Bt)	17.90	20.51	21.33	22.71
(Bt)				



Price performance	1M	3M	6M	12M
Absolute	2.9%	8.2%	19.5%	30.9%
Relative to SET	8.7%	19.1%	20.2%	36.6%

Major shareholders	Holding
1. Thai NVDR Co., Ltd.	16.26%
2. State Street Europe Ltd.	8.93%
3. South East Asia UK (Type C) Nominees Ltd.	5.31%

Analyst: Saranrat Panthachotirat (Reg. No. 028916)

Kasikornbank

2025E targets in line with projections

We reiterate our BUY rating on KBANK with a target price of Bt176.00, based on a 2025E PBV of 0.70x, positioned -1.00 SD below the 10-year historical average. Recent guidance from the bank's analyst meeting yesterday reinforces our positive outlook for 2025E earnings. While loan growth is expected to be stable YoY, significantly below our estimate of +3% YoY increase, the bank anticipates a lower credit cost than we project (140-160 bps vs. 170 bps). This credit cost guidance is supported by its asset management JV (ARUN) and government support measures ("You Fight, We Help"). NIM is expected to decline slightly to 3.3-3.5% (our estimate of 3.6%) from 3.64% in 2023, reflecting the bank's anticipated policy rate cut by 50 bps to 1.75% and the impact of the "You Fight, We Help" program. However, the bank targets a double-digit ROE by 2026E, compared to 8.87% in 2024. KBANK maintains its dividend payout at least 25%, with potential upside pending shareholder approval in February. We expect a payout ratio of 41% (vs. 36% in 2023), translating to a 2024 dividend of Bt8.41 per share, yielding 5.6%. The bank does not plan a share buyback program.

Our 2025E net profit forecast remains unchanged at Bt52bn, reflecting a +7% YoY increase, primarily driven by lower loan-loss provisions. We anticipate stable YoY earnings in 1Q25E, with a likely QoQ increase due to a seasonal decrease in opex.

KBANK's share price has outperformed the SET Index by 9% and 19% over the past one and three months. This outperformance can be attributed to the market's recent downturn, prompting investors to seek the safety and income of high-dividend stocks. Currently trading at a PBV of 0.65x (-1.25 SD), KBANK's valuation is significantly discounted compared to the sector average of 0.7x and its key rival, SCB, which trades at 0.8x PBV.

Event: Analyst Meeting

• Guidance in line with our projections

KBANK's guidance from the recent analyst meeting (February 3rd) largely aligns with our projections, although the bank's total loan target is well below our estimate. This is offset by a more aggressive credit cost forecast. Key points include:

- **Loan growth:** KBANK forecasts stable YoY loans in 2025E, compared to our estimate of +3% YoY growth. Retail loans are anticipated to expand by +5-7%, with an increased focus on secured loans such as home loans to mitigate NPL risks. Corporate and SME loans are projected to decline slightly, between -2 and 0%.
- **Net interest margin:** NIM is anticipated to decline slightly to 3.3-3.5% (our estimate: 3.6%), from 3.64% in 2023. This reflects the expected 50 bps policy rate cut to 1.75% and the impact of government financial support measures ("You Fight, We Help").
- **Credit cost:** Credit cost is expected to reduce to its normal level of 140-160 bps, compared to our estimate of 170 bps. This represents an improvement from 189 bps in 2023, accounting for the bank's asset management JV (ARUN) and the impact of "You Fight, We Help".
- **Net fee income:** The bank targets mid-to-high-single-digit growth in net fee income for 2025E, compared to +6.7% in 2023 and our estimate of +7%. The wealth management and mutual fund segments are expected to be key growth drivers.
- **Cost-to-income ratio:** The bank targets a cost-to-income ratio in the 40% range (our estimate: 44%), closely aligning with the 44% level observed in 2023. This stable trend is driven by ongoing IT investment. The NPL ratio is expected to remain below 3.25% (our estimate: 3.28%), a slight increase from 3.18% in 2023.

- Return on equity: The bank anticipates achieving double-digit ROE by 2026E, compared to 8.87% in 2024. This ambitious target is bolstered by the upward trends in both NIM and fee income, coupled with a continued decline in credit costs.
- Dividend policy: While the bank maintains its dividend payout at 25%, the upcoming shareholder meeting in February is expected to vote for an increase. We estimate a payout ratio of 41% (vs. 36% in 2023), translating to a dividend of Bt8.41 per share, yielding 5.6%. Management confirmed that there are no plans for a share buyback program.

• Maintaining 2025E earnings estimate with continued QoQ growth expected in 1Q25E

We maintain our 2025E net profit forecast at Bt52bn, representing a +7% YoY increase, primarily driven by lower loan-loss provisions. We anticipate stable YoY profit in 1Q25E, with a likely QoQ increase due to a seasonal decrease in opex.

Valuation/Catalyst/Risk

Our target price remains unchanged at Bt176.00, based on a 2025E PBV of 0.70x, positioned -1.00 SD below the 10-year historical average. Potential downside risks include a surge in NPLs and deviations in provisioning levels.

Fig 1: 2025 financial targets

Consolidated	2024 Actual	2024 Targets	2025 Targets	Notes (2025)
NIM	3.64%	Maintain	3.3 – 3.5%	NIM declines in line with interest rate trend and selective loan growth; NIM minus credit cost improve
Loan Growth	0.57%	3 – 5%	Flat	Focus on growing quality loans in recovering sectors, secured loans, and selective regional expansion; continue revamping credit strategy to strengthen asset quality
Net Fee Income Growth*	6.73%	Mid to High-Single digit	Mid to High-Single digit	Improve net fee income growth driven by wealth management business, despite lower conventional transaction fees amid changing consumer behavior
Cost to Income Ratio**	44.09%	Low to Mid-40s	Low to Mid-40s	Continuing cost management and productivity improvements as revenue slow down
Credit Cost per year (bps)	189 bps	175 – 195 bps	140 – 160 bps	Continue prudent financial policy; credit cost reaches a normalized level; controlled NPL ratio amid uncertain economic recovery.
NPL Ratio (Gross)***	3.18%	< 3.25%	< 3.25%	
ROE****	8.99%	N/A	N/A	
ROA	1.13%	N/A	N/A	
Dividend Policy	Not Less than 25% ⁽¹⁾ Dividend Payout on Consolidated Net Profit			⁽¹⁾ However, if facing an unforeseen circumstance, the Bank may consider not to pay at the above-mentioned level of not less than 25 percent of dividend payout ratio by considering prudence and suitable return to shareholders.

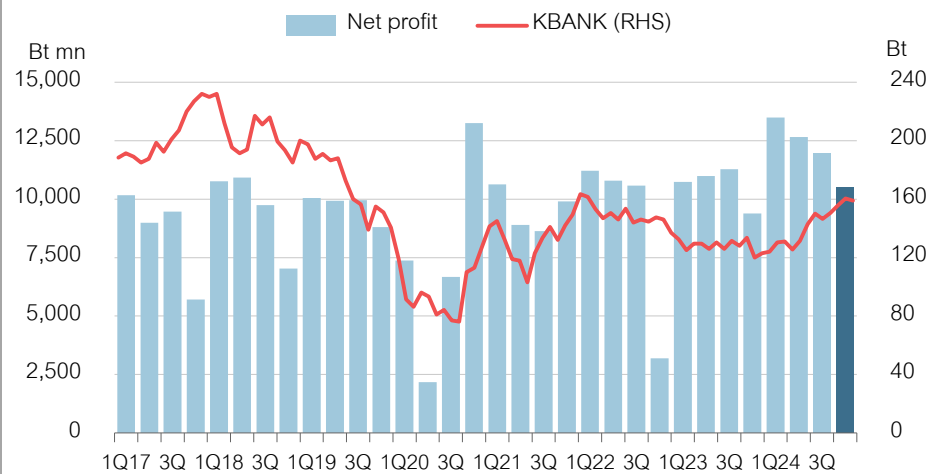
Source: KBANK

Fig 2: Clear pathway to achieve double-digit ROE by 2026E



Source: KBANK

Fig 3: KBANK share prices vs profits



Source: Setsmart, DAOL

Quarterly income

(Bt mn)	4Q23	1Q24	2Q24	3Q24	4Q24
Net interest income	38,849	38,528	37,468	37,036	36,345
Net fee income	7,550	8,299	8,078	8,432	8,470
Non-interest income	13,231	13,346	13,497	13,925	13,222
Non-interest	(24,508)	(20,713)	(21,888)	(21,501)	(23,172)
PPOP	26,387	29,439	28,541	27,179	25,514
Provisions	(13,572)	(11,684)	(11,672)	(11,652)	(12,242)
Profit before tax	12,815	17,755	16,869	15,527	13,271
Core profit	9,388	13,486	12,653	11,965	10,494
Net profit	9,388	13,486	12,653	11,965	10,494
EPS (Bt)	3.96	5.69	5.34	5.05	4.43
NIM (%)	3.8%	3.8%	3.7%	3.6%	3.5%
Cost to income (%)	47.1%	39.9%	42.9%	42.2%	46.7%
NPL ratio (%)	3.2%	3.2%	3.2%	3.2%	3.3%
Credit cost (%)	2.2%	1.9%	1.9%	1.9%	2.0%
ROAE (%)	8.1%	8.5%	8.7%	8.7%	8.8%

PBV band



Balance sheet

FY: Dec (Bt mn)	2022	2023	2024	2025E	2026E
Cash	57,115	48,690	46,021	49,722	50,919
Interbank & money	502,536	569,008	522,729	592,345	663,795
Investment (net)	1,029,441	1,022,880	1,093,488	1,157,406	1,190,353
Net loan	2,377,774	2,371,492	2,390,187	2,455,876	2,529,553
Outstanding loan	2,495,077	2,490,398	2,504,565	2,579,702	2,657,093
Loan-loss provision	(133,529)	(133,876)	(131,706)	(141,884)	(146,140)
Properties	51,007	54,753	54,720	57,464	59,681
PP&E (net)	60,098	59,946	59,431	62,664	64,951
Intangible assets	26,996	28,405	30,469	30,899	32,660
Other assets	76,370	83,686	75,124	83,384	84,274
Earning asset	4,031,897	4,056,767	4,105,543	4,234,694	4,412,766
Total asset	4,246,369	4,283,557	4,325,287	4,518,827	4,705,251
Total deposit	2,748,685	2,699,562	2,718,675	2,794,910	2,878,757
Interbank & money	155,240	179,207	172,144	213,515	233,861
Total borrowing	67,897	81,572	67,334	78,107	90,605
Other liabilities	682,581	695,261	705,060	735,028	766,174
Total liabilities	3,679,289	3,686,721	3,693,672	3,853,885	4,002,794
Paid-up share	0	0	0	0	0
Paid-up share	23,693	23,693	23,693	23,693	23,693
Share premium	18,103	18,103	18,103	18,103	18,103
Total retained	425,035	457,373	485,999	517,882	551,682
Appropriated	3,050	3,050	3,050	5,640	8,393
Unappropriated	421,985	454,323	482,949	512,242	543,290
Minority interest	63,810	64,551	68,263	69,707	73,421
Shareholders'	567,079	596,835	631,615	664,942	702,457

Income statement

FY: Dec (Bt mn)	2022	2023	2024	2025E	2026E
Interest & dividend	151,334	183,608	189,440	195,233	202,993
Interest expense	(18,335)	(35,164)	(40,063)	(43,458)	(46,885)
Net interest income	132,999	148,444	149,377	151,775	156,107
Net fee and service	32,882	31,181	33,279	35,599	36,989
Non-interest income	(25,797)	(23,464)	(18,607)	(18,407)	(16,120)
Non-interest	(5,468)	(12,196)	(14,676)	(19,088)	(23,488)
PPOP	98,505	107,685	110,673	109,317	112,255
Provision expense	(51,919)	(51,840)	(47,251)	(41,750)	(40,473)
EBT	46,586	55,845	63,423	67,567	71,783
Tax expense	(8,633)	(10,778)	(12,402)	(13,176)	(13,998)
Core profit	35,769	42,405	48,598	51,809	55,041
Minority interest	(2,184)	(2,662)	(2,422)	(2,582)	(2,744)
Net profit	35,769	42,405	48,598	51,809	55,041

Key ratios

FY: Dec	2022	2023	2024	2025E	2026E
Growth					
Outstanding loan	3.0%	-0.2%	0.6%	3.0%	3.0%
Net loan	3.7%	-0.3%	0.8%	2.7%	3.0%
Earning asset	3.1%	0.6%	1.2%	3.1%	4.2%
Asset	3.5%	0.9%	1.0%	4.5%	4.1%
Deposit	5.8%	-1.8%	0.7%	2.8%	3.0%
Liabilities	3.2%	0.2%	0.2%	4.3%	3.9%
Equity	5.7%	5.2%	5.8%	5.3%	5.6%
Interest & dividend income	11.8%	21.3%	3.2%	3.1%	4.0%
Interest expense	14.4%	91.8%	13.9%	8.5%	7.9%
Net interest Income	11.4%	11.6%	0.6%	1.6%	2.9%
Net fee and service income	-6.9%	-5.2%	6.7%	7.0%	3.9%
Non-interest income	-4.6%	13.4%	9.5%	-1.0%	2.9%
Personnel expense	0.4%	16.3%	5.6%	5.0%	5.0%
Non-interest expense	5.2%	13.7%	2.7%	4.2%	4.0%
PPOP	6.7%	9.3%	2.8%	-1.2%	2.7%
Core profit	-6.0%	18.6%	14.6%	6.6%	6.2%
Net profit	-6.0%	18.6%	14.6%	6.6%	6.2%
EPS	-6.0%	18.6%	14.6%	6.6%	6.2%
Performance					
NIM	3.3%	3.7%	3.7%	3.6%	3.6%
Non-II / NII	32.8%	33.6%	36.1%	34.5%	34.5%
Cost / income ratio	42.4%	43.0%	42.9%	44.3%	44.8%
ROE	7.3%	8.2%	8.9%	8.9%	9.0%
ROA	0.9%	1.0%	1.1%	1.2%	1.2%
PPOP on equity	20.1%	20.8%	20.2%	18.9%	18.3%
PPOP on total asset	2.4%	2.5%	2.6%	2.5%	2.4%
Asset quality & Capital					
Gross NPL ratio	3.2%	3.2%	3.2%	3.3%	3.4%
Loan-loss coverage	144.3%	142.1%	141.6%	143.1%	142.1%
LLR / outstanding Loan	4.9%	4.9%	4.9%	4.9%	4.9%
Excess LLR / net loan	3.6%	3.6%	3.6%	3.6%	3.6%
CAR	18.8%	19.4%	20.3%	21.5%	22.7%
+ CET 1	15.9%	16.5%	17.3%	18.5%	19.7%
+ Tier I	16.8%	17.4%	18.3%	19.5%	20.7%
Liquidity asset	37.4%	38.3%	38.4%	39.8%	40.5%
Efficiency					
Fee income / total asset	1.2%	1.1%	1.2%	1.2%	1.2%
Non-II / total asset*	1.0%	1.2%	1.3%	1.2%	1.2%
Cost / total asset	1.8%	2.0%	2.0%	2.1%	2.1%
Loan to deposit ratio (LDR)	90.8%	92.3%	92.1%	92.3%	92.3%

Source: KBANK, DAOL

Corporate governance report of Thai listed companies 2024

CG rating by the Thai Institute of Directors Association (Thai IOD)

Score	Symbol	Description	ความหมาย
90-100		Excellent	ดีเลิศ
80-89		Very Good	ดีมาก
70-79		Good	ดี
60-69		Satisfactory	ดีพอใช้
50-59		Pass	ผ่าน
< 50	No logo given	n.a.	n.a.

IOD disclaimer

The Corporate Governance Report (CGR) of Thai listed Companies is based on a survey and assessment of information that companies listed on the Stock Exchange of Thailand and the Market for Alternative Investment ("listed companies") disclose to the public. The CGR is a presentation of information from the perspective of outsiders on the standards of corporate governance of listed companies. It is not any assessment of the actual practices of the listed companies, and the CGR does not use any non-public information. The CGR is not therefore an endorsement of the practices of the listed companies. It is not a recommendation for investment in any securities of any listed companies or any recommendation whatsoever. Investors should exercise their own judgment to analyze and consider any information relating to the listed companies presented in this CGR report. No representation or warranty is made by the Institute of Directors or any of its personnel as to the completeness or accuracy of the CGR report or the information used.

DAOL SEC's stock rating definition

	The stock presents a good buying opportunity as it appears undervalued and/or will appreciate in the medium term. A return of the stock, excluding dividend, is expected to exceed 10%.
HOLD	The stock lacks a catalyst in the medium to long term, and there is uncertainty regarding earnings growth. A return of the stock is expected to be between 0% and 10%.
SELL	The stock appears overvalued and/or will perform poorly in the medium to long term, while there is major challenge at a company.

Notes: The expected returns may be subject to change at any time without notice.

ESG rating (ESG: Environmental, Social, and Governance)

DAOL SEC believes environmental, social and governance (ESG) practices will help determine the sustainability and future financial performance of companies. We thus incorporate ESG into our valuation model.

- ❑ **Environmental** criteria consider how the company safeguards the environment and conserves natural resources. DAOL SECURITIES (THAILAND) calculates how much revenue derives from a business operation that can be harmful to the environment.
- ❑ **Social** criteria examine how it manages relationships with employees, suppliers, customers, and the communities where it operates. It also consists of employee welfare. DAOL SECURITIES (THAILAND) analyzes the company's non-financial statement reports (news and announcements), including NGO-related activities, retrieved from Bloomberg.
- ❑ **Governance** ensures a company uses accurate and transparent accounting method, internal controls, risk assessments, shareholder rights, and anti-corruption policies. DAOL SECURITIES (THAILAND) relates the IOD's CG rating system.

DAOL SECURITIES (THAILAND)'S ESG Scale of Ratings

Excellent (5)	Very Good (4)	Good (3)	Satisfactory (2)	Pass (1)
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DAOL SECURITIES (THAILAND) assigns an "n.a." to notify an insufficient information.