

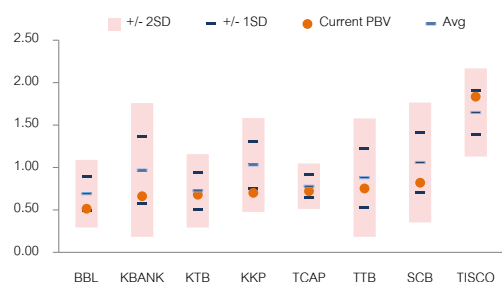
8 January 2025

Bank

4Q24E profit poised for YoY growth fueled by lower provisions

Recommendation **Overweight (maintained)**

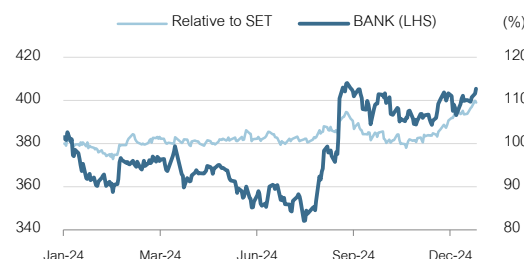
Banking sector stocks - 10-years PBV Band



10-year PBV



Price performance



Price performance	1M	3M	6M	12M
Absolute (%)	1.44	2.70	12.94	5.56
Relative to SET (%)	5.65	6.92	6.93	8.15

We maintain an "Overweight" rating on the banking sector, expecting our covered bank stocks to deliver an aggregate net profit of Bt47bn, representing a YoY increase of +11% but a QoQ decline of -14%. This YoY growth is primarily driven by a low base effect from elevated provisioning in 4Q23 related to ITD loan defaults. Seasonal fee income growth from bancassurance and mutual funds also contributes. QoQ profit is impacted by seasonally higher opex.

KKP is projected to lead YoY growth at 87%, driven by reduced car repossession losses, followed by KTB at 65% due to the low base effect. SCB (-18% YoY, -17% QoQ) and TISCO (-8% YoY, -4% QoQ) are expected to experience both YoY and QoQ profit declines due to higher provisioning related to increased focus on high-yield car title loans. Total loans are anticipated to remain stable YoY, with growth in large corporate loans offsetting weaker retail and SME loan demand. While the NPL ratio is forecast to increase slightly to 3.29% from 3.2% in 3Q24, it remains manageable.

Our 2024E and 2025E net profit estimates remain unchanged at Bt207bn (+6% YoY) and Bt218bn (+5%), with a projected -10% YoY decline in loan-loss provisions compared to the +17% surge in 2023. Our economic team forecasts a stable policy rate at 2.25% throughout 2025E.

SETBANK has outperformed the SET Index by 7% over the past three months, due to a rotation towards high dividend stocks amidst market volatility. The banking sector offers an average dividend yield of 6.3%, higher than the market's 3.2%. Currently trading at 0.7x 2024E PBV, the sector is trading at a discount of -1 SD below its 10-year average. KTB (BUY, Target: Bt24.50) and KBANK (BUY, Bt176.00) are our top picks. KTB is expected to deliver strong profit growth in 2024E and 2025E and trades at a discount to its 10-year average (-0.75 SD). KBANK, despite improved asset quality, trades at a significant discount to its historical average (1.25 SD) and its key rival SCB.

Event: 4Q24E Earnings Preview

• Mixed 4Q24E earnings outlook

We expect our covered bank stocks to report mixed earnings in 4Q24E, with aggregate net profit reaching Bt47bn. This represents an +11% YoY increase, driven by a low base effect from elevated provisions in 4Q23 related to ITD loan defaults by BBL, SCB, KBANK, and KTB. Contributing factors also include seasonal fee income growth from bancassurance and mutual funds. However, a -14% QoQ decline is anticipated, primarily due to seasonally higher opex and a decrease in dividend income.

KKP is projected to lead YoY growth at +87%, driven by reduced car repossession losses, followed by KTB at +65% due to the low base. SCB (-18% YoY, -17% QoQ) and TISCO (-8% YoY, -4% QoQ) are expected to witness YoY and QoQ profit declines due to higher provisions related to increased focus on high-yield car title loans.

• Loans growth outlook: Stable YoY in 4Q24E

We expect loan growth to remain relatively stable on a YoY basis in 4Q24E (Fig 3). While growth in large corporate loans is anticipated, this is expected to be offset by weaker demand in the retail and SME segments. Notably, vehicle HP loans are likely to see weakness due to a sluggish auto market impacted by heightened competition and price wars. Looking ahead, we forecast a +2% growth in total loans in 2025E (Fig 4), with large corporate loans driven by government infrastructure projects.

• NPL outlook: Gradual increase with manageable levels

We project a gradual increase in the NPL ratio in both 2024E and 2025E. However, we view these projected levels as manageable, supported by several key factors:

- Historical proactive NPL management: Banks have conducted a proactive approach to NPL management in recent years, actively offloading bad debts.
- Government support: Financial assistance measures and the anticipated exit of THAI from rehabilitation are expected to slow the pace of NPL growth.

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- Enhanced NPL resolution strategies: The establishment of JV focused on asset management, such as KBANK's partnership with BAM, will likely facilitate more efficient and effective NPL resolution at reasonable prices.

We forecast the NPL ratio to edge up to 3.29% in 4Q24E from 3.2% in 3Q24. For the full-year 2025E, we project the NPL ratio of 3.43% (Fig 7), slightly above 2024E estimate of 3.26%.

• Maintaining 2024-25E net profit estimates

We maintain our net profit estimates for our covered bank stocks at Bt207bn (+6% YoY) for 2024E and Bt218bn (+5% YoY) for 2025E (Fig 5). This positive outlook is primarily driven by a projected -10% YoY decrease in loan-loss provisions, a significant improvement compared to the +17% increase in 2023. Furthermore, our economic team forecasts a stable policy rate at 2.25% throughout 2025E (Fig 8), supported by the expectations that inflation will remain within the central bank's target range.

Valuation/Catalyst/Risk

We maintain an "Overweight" rating on the banking sector, driven by a compelling combination of factors:

- Attractive dividend yield: The sector offers an average dividend yield of 6.5%, significantly exceeding the 3.2% average yield of the broader stock market.
- Robust earnings growth: We expect the sector to deliver robust earnings growth in 2024E and 2025E, with projected YoY growth rates of +5-6%.
- Undervalued valuation: The sector currently trades at a 0.65x 2024E PBV, representing a significant discount of -1.25 SD below its 10-year average.

Top picks:

- KTB (BUY, Target Price: Bt24.50): We project sector-leading net profit growth for KTB, reaching Bt43bn in 2024E (+18% YoY) and further increasing to Bt46bn in 2025E (+7% YoY). We expect 1Q25E to witness both YoY and QoQ profit growth, primarily driven by a decline in loan-loss provisions. KTB's share price currently trades at 0.68x PBV, offering a significant discount of -0.75 SD below its 10-year average. This valuation appears to undervalue the bank's recent strong earnings performance, with net profit exceeding Bt10bn in each of the last four quarters. Our target price of Bt24.50 implies a 2025E PBV of 0.85x, which is still positioned -0.75 SD below its 10-year average.
- KBANK (BUY, Bt176.00): KBANK's asset quality has shown significant improvement. The recent JV with BAM is expected to further enhance NPL resolution capabilities in the long term. KBANK currently trades at a significantly discounted valuation of 0.66x PBV, representing a -1.25 SD below its 10-year average. This makes KBANK even more attractively priced compared to its key rival, SCB, which currently trades at 0.81x PBV.

Fig 1: Peer comparison

Stock	Rec	Price 07-Jan-25	Target price	Upside (%)	Net profit gwth (%)		Core profit gwth (%)		PER (x)		PBV (x)		Div. yield (%)		ROE (%)	
					24E	25E	24E	25E	24E	25E	24E	25E	24E	25E	24E	25E
BBL	BUY	154.00	186.00	20.8	5.7	4.4	5.7	4.4	6.7	6.4	0.5	0.5	4.8	5.0	8.1	8.0
KBANK	BUY	159.50	176.00	10.3	13.1	8.1	13.1	8.1	7.9	7.3	0.7	0.6	5.2	5.6	8.7	8.9
KKP	HOLD	52.50	50.00	-4.8	-11.8	6.0	-11.8	6.0	9.3	8.7	0.7	0.7	5.0	5.3	7.7	7.9
KTB	BUY	21.80	24.50	12.4	17.8	6.7	17.8	6.7	7.1	6.6	0.7	0.7	5.7	6.0	10.3	10.3
SCB	HOLD	120.00	110.00	-8.3	-9.0	5.6	-9.0	5.6	10.2	9.7	0.8	0.8	7.8	8.3	8.2	8.6
TCAP	HOLD	50.00	55.00	10.0	3.3	4.9	3.3	4.9	7.7	7.3	0.7	0.7	6.8	7.0	9.5	9.5
TISCO	HOLD	99.25	96.00	-3.3	-7.0	0.3	-7.0	0.3	11.7	11.7	1.8	1.8	7.8	7.8	15.9	15.7
TTB	HOLD	1.83	2.00	9.3	12.9	-1.3	12.9	-1.3	8.5	8.6	0.7	0.7	7.0	6.9	8.9	8.4
Sector					5.9	5.3	5.9	5.3	8.6	8.3	0.8	0.8	6.3	6.5	9.7	9.7

Source: DAOL

Fig 2: Estimated net profits, 4Q24E

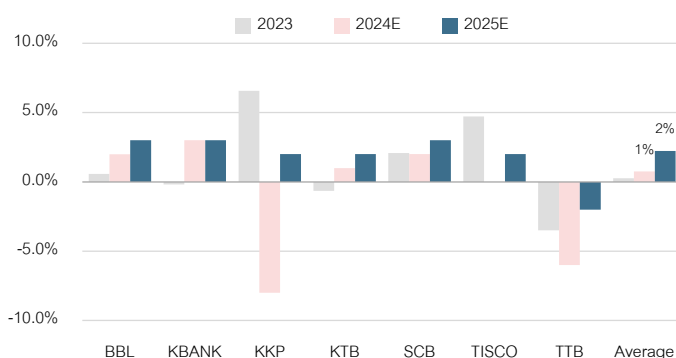
Net profit (Bt mn)	4Q24E	4Q23	YoY	3Q24	QoQ	Report date(E)	Reasons
BBL	10,214	8,863	15.2%	12,476	-18.1%	21-Jan-25	+YoY due to lower provisions and increased fee income from BA -QoQ due to seasonal opex increase
KBANK	10,079	9,388	7.4%	11,965	-15.8%	21-Jan-25	+YoY due to lower provisions -QoQ due to seasonal opex increase
KKP	1,253	670	86.9%	1,305	-4.0%	21-Jan-25	+YoY due to lower provisions -QoQ due to higher provisions, including losses from car repossessions
KTB	10,060	6,111	64.6%	11,107	-9.4%	21-Jan-25	+YoY due to lower provisions, stemming from ITD loan defaults -QoQ due to seasonal opex increase
SCB	9,051	10,995	-17.7%	10,941	-17.3%	21-Jan-25	-YoY due to higher provisions following an increased focus on high-yield loans -QoQ due to seasonal opex increase
TISCO	1,643	1,782	-7.8%	1,713	-4.1%	14-Jan-25	-YoY due to higher provisions following an increased focus on high-yield loans -QoQ due to lower dividend income
TTB	4,916	4,866	1.0%	5,230	-6.0%	20-Jan-25	+YoY due to lower provisions -QoQ due to seasonal opex increase
Total	47,216	42,674	10.6%	54,738	-13.7%		

Source: Company, DAOL

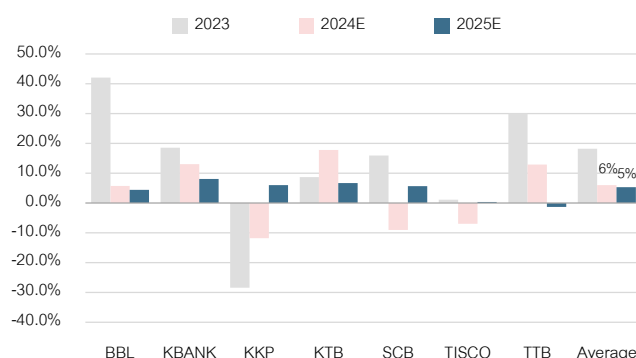
Fig 3: Estimated loans, 4Q24E

Loan	4Q24E	4Q23	YoY	3Q24	QoQ	2024E	2023	YoY
BBL	2,739,111	2,684,327	2.0%	2,736,375	0.1%	2,752,123	2,698,306	2.0%
KBANK	2,486,791	2,490,398	-0.1%	2,438,030	2.0%	2,565,110	2,490,398	3.0%
KKP	368,335	397,999	-7.5%	400,364	-8.0%	366,159	397,999	-8.0%
KTB	2,591,484	2,576,516	0.6%	2,630,948	-1.5%	2,602,281	2,576,516	1.0%
SCB	2,431,096	2,426,563	0.2%	2,455,653	-1.0%	2,475,094	2,426,563	2.0%
TISCO	250,717	247,385	1.3%	248,974	0.7%	247,385	247,385	0.0%
TTB	1,267,201	1,327,964	-4.6%	1,362,582	-7.0%	1,248,286	1,327,964	-6.0%
Total	12,134,735	12,151,152	-0.1%	12,272,926	-1.1%	12,256,438	12,165,131	0.8%

Source: Company, DAOL

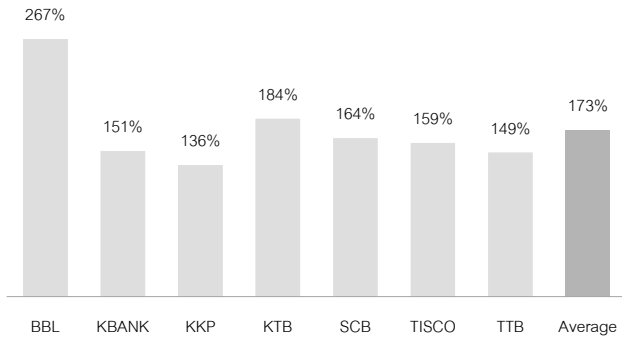
Fig 4: Loan growth


Source: Company, DAOL

Fig 5: Net profit growth (excl. TCAP)


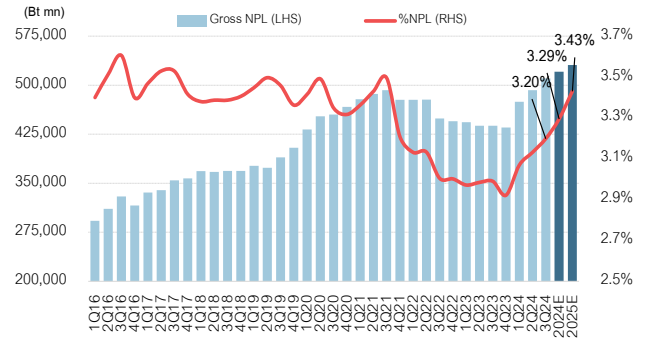
Source: Company, DAOL

Fig 6: Coverage ratio, 3Q24



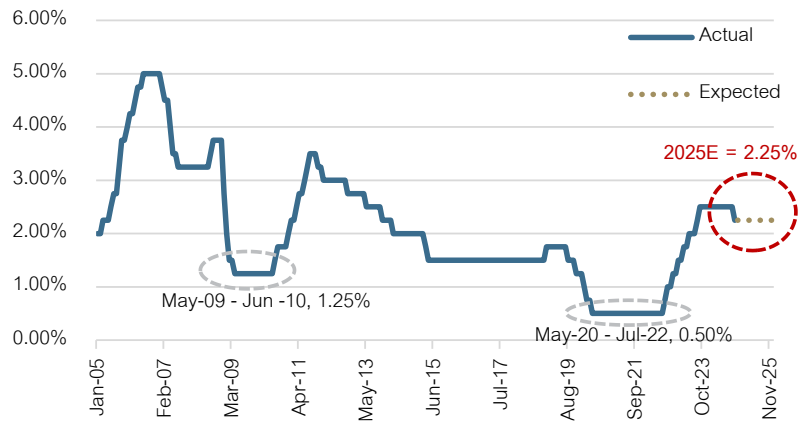
Source: Company, DAOL

Fig 7: Gross NPL & NPL Ratio



Source: Company, DAOL

Fig 8: Policy interest rate



Source: BoT, Bloomberg, DAOL

Fig 9: BBL 10 years PBV band



Source: Setsmart

Fig 10: KBANK 10 years PBV band



Source: Setsmart

Fig 11: KTB 10 years PBV band



Source: Setsmart

Fig 12: SCB 10 years PBV band



Source: Setsmart

Fig 13: TCAP 10 years PBV band



Source: Setsmart

Fig 14: TTB 10 years PBV band



Source: Setsmart

Fig 15: KKP 10 years PBV band



Source: Setsmart

Fig 16: TISCO 10 years PBV band



Source: Setsmart

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

- BUY** 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.