

COMPANY UPDATE

Krung Thai Bank (KTB TB)

Maintain 2025 Targets With A qoq Reduction In Credit Cost Guidance

We came away from yesterday's analyst meeting with a slightly positive view. Management is maintaining its 2025 financial targets. KTB conducted a scenario analysis on the potential impact of a 36% US tariff on Thailand, which will result in Thailand's 2025 GDP growing by 0.7%. Management guided for a qoq reduction in credit costs. KTB maintains payout ratio at current level. We reckon KTB could carry out a share repurchase in 2025. Maintain HOLD with a higher target price of Bt24.00.

WHAT'S NEW

- **Slightly positive tone during analyst meeting.** We attended Krung Thai Bank's (KTB) analyst meeting yesterday. We came away with a slightly positive view. Management is maintaining 2025 financial targets. KTB will remain cautious and prudent in lending.
- **Forecasting potential impact of US tariffs.** KTB's economist carried out a scenario analysis on the impact of the US tariffs on Thailand. KTB expects the 10% broad-based US tariff to result in Thailand's 2025 GDP and exports growing by 2.0% and 0.9%, respectively. Should the US impose a 36% tariff on Thailand, KTB estimates that 2025 Thailand's GDP growth and exports should be 0.7% and -1.5%, respectively. Meanwhile, KTB expects the policy rate to be 1.50% at the end of 2025.
- **Maintaining 2025 financial targets.** KTB's targets are as follows: a) loan growth should be flat yoy, b) net interest margin (NIM) should be 2.9-3.2%, c) non-performing loan (NPL) ratio will be less than 3.25%, d) credit cost will range between 105-125bp, and e) the loan-loss coverage (LLC) ratio should exceed 170%. Management guides that LLC ratio should be above 180% in 2025 due to many provisions made to cushion against future uncertainties.
- **Anticipating a qoq reduction in credit cost.** Management stated that the credit cost of 122bp in 1Q25 was quite high. Thus, we should see a qoq reduction in credit cost. KTB addressed that there is no alarming signal to trigger the credit cost to go higher. KTB expects credit cost to continue to decline to reach its 2025 credit cost target of 105-125bp. KTB will focus on good asset quality.
- **No further capital management soon.** KTB has raised the dividend payout ratio (DPO) from 33.1% in 2023 to 49.3% in 2024, which is quite a significant uptick. However, management guides that the bank should maintain DPO at this level for a while to make sure that the bank can sustain paying at this level. Meanwhile, the bank will not be paying out any special dividends according to the guidance.

According to the share repurchase programme, the bank has approved a regulatory revision allowing share repurchases by shareholders. The approval in the AGM was in line with our comment and expectation earlier. Management stated that the bank is able to carry out the share repurchase programme instantly (maximum 10%). As a result, we believe KTB could carry out a share repurchase in 2025.

KEY FINANCIALS

Year to 31 Dec (Btm)	2023	2024	2025F	2026F	2027F
Net Interest Income	113,419	119,115	103,071	97,456	102,199
Non-Interest Income	36,046	41,100	38,837	34,911	36,004
Net profit	36,616	44,968	39,183	40,786	43,451
Net profit (adj.)	36,616	44,968	39,183	40,786	43,451
EPS (Bt)	2.6	3.2	2.8	2.9	3.1
PE (x)	8.4	6.8	7.8	7.5	7.0
P/B (x)	0.8	0.7	0.7	0.6	0.6
Dividend yield (%)	4.0	7.2	6.3	6.4	6.9
Net Int margin (%)	3.2	3.3	2.8	2.6	2.7
Cost/income ratio (%)	41.6	42.9	42.0	41.5	41.8
Loan loss cover (%)	181.2	188.6	181.4	177.3	173.2
Consensus net profit (Btm)	-	-	43,627	45,466	48,490
UOBKH/Consensus (x)	-	-	0.90	0.90	0.90

Source: Krung Thai Bank, Bloomberg, UOB Kay Hian

HOLD

(Maintained)

Share Price	Bt21.90
Target Price	Bt24.00
Upside	+9.6%
(Previous TP)	Bt22.50)

COMPANY DESCRIPTION

One of the largest commercial banks with roughly 15% share of the credit market. The bank has a strong focus on corporate lending, which accounts for 31% of its loan book.

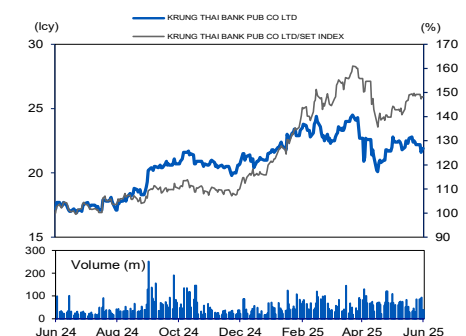
STOCK DATA

GICS sector	Financials
Bloomberg ticker:	KTB TB
Shares issued (m):	13,976.1
Market cap (Btm):	306,075.7
Market cap (US\$m):	9,417.4
3-mth avg daily t'over (US\$m):	39.4

Price Performance (%)

52-week high/low				Bt24.70/Bt16.70	
1mth	3mth	6mth	1yr	YTD	
0.9	(3.5)	7.9	28.1	4.3	
Major Shareholders				%	
FIDF (MOF)				55.07	
Thai NVDR				10.20	
Vayupak Fund No.1				4.53	
FY24 NAV/Share (Bt)				32.77	
FY24 CAR Tier-1 (%)				18.39	

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- **1Q25 results recap.** KTB reported a 1Q25 net profit of Bt11.7b, flat yoy and up 7% qoq. The results were in line with consensus expectation but beat our forecast by 13%. If we exclude the investment gain of Bt1.7b in 1Q25, bottom line would have been in line with our forecast. KTB's pre-provision operating profit increased 2% yoy and 12% qoq.

1Q25 RESULTS RECAP

Year to 31 Dec (Btm)	1Q25	4Q24	1Q24	qoq chg (%)	yoy chg (%)
Total gross loans	2,686,415	2,722,954	2,642,040	(1.3)	1.7
Net interest income	27,843	29,613	29,562	(6.0)	(5.8)
Non-interest income	12,444	9,296	11,739	33.9	6.0
Loan loss provision	(8,223)	(6,725)	(8,029)	22.3	2.4
Non-Interest Expenses	(16,292)	(17,417)	(17,731)	(6.5)	(8.1)
Pre-provision operating profit	23,995	21,493	23,570	11.6	1.8
Net income	11,714	10,990	11,676	6.6	0.3
EPS (Bt)	0.84	0.79	0.84	6.6	0.3
Ratio (%)					
NPL Ratio	2.97	2.99	3.14		
Loan loss coverage ratio	188	189	182		
Net interest margin (NIM %)	3.08	3.28	3.31		
Credit cost (bp)	122	101	123		
Cost to income (%)	40	45	43		
Common equity tier 1 (CET1) ratio (%)	18.2	17.9	16.4		

Source: KTB, UOB Kay Hian

EARNINGS REVISION/RISK

NET PROFIT FORECASTS

(Btm)	2025F	2026F	2027F
Old	36,069	38,704	41,516
New	39,183	40,786	43,451
% chg	8.6%	5.4%	4.7%

Source: UOB Kay Hian

- We revise KTB's 2025-27 earnings forecasts upward by 8.6%, 5.4% and 4.7% respectively, due to the reduction in credit cost outlook based on the guidance.

VALUATION/RECOMMENDATION

- **Maintain HOLD with a higher target price of Bt24.00.** We use the Gordon Growth Model (cost of equity: 11%, long-term growth: 2%). This implies 0.7x 2025F P/B, which is +2SD to its historical five-year mean.

SHARE PRICE CATALYST

- Economic recovery to improve asset quality.

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG)

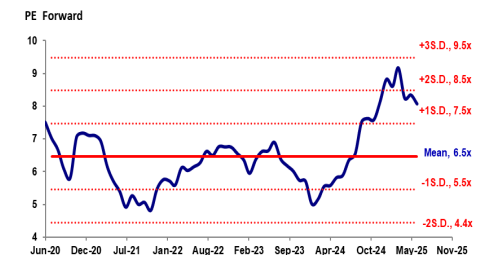
CG Report: 5
SET ESG Rating: AAA
• Environmental <ul style="list-style-type: none"> - The bank set a long-term target to reduce GHG emissions by 30% by 2030 for operations within the bank (Scope 1 and 2), compared with the base year 2022.
• Social <ul style="list-style-type: none"> - Human rights. No criteria or conditions of employment discrimination or discrimination are specified but KTB aims to provide equal opportunities. - Community involvement. The bank believes that a robust economic foundation is key to a thriving community.
• Governance <ul style="list-style-type: none"> - The bank places great importance on conducting its business with transparency, honesty and fairness with the principles of good corporate governance.

FINANCIAL TARGETS VS ACTUAL

	2025 Targets	2024 Targets	2024 Actual
Loan Growth	Flat	Around 3%	+5%
NIM	2.9-3.2%	3.0-3.3%	3.29%
Cost to income ratio	Low to Mid-40s	Low to Mid-40s	43.2%
NPL ratio	<3.25%	<3.25%	2.99%
Credit cost (bp)	105-125bp	120-130bp	117bp
Coverage ratio	>170%	>170%	188.6%

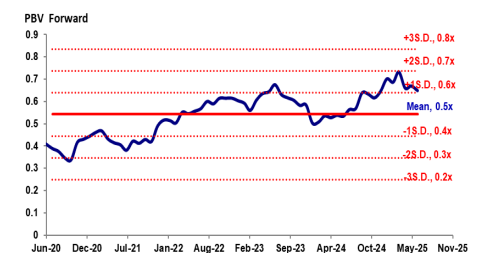
Source: KTB, UOB Kay Hian

PE BAND



Source: KTB, UOB Kay Hian

P/B BAND



Source: KTB, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (Btm)	2024	2025F	2026F	2027F
Interest income	165,105	144,901	133,042	136,226
Interest expense	(45,990)	(41,830)	(35,586)	(34,028)
Net interest income	119,115	103,071	97,456	102,199
Fees & commissions	22,282	20,073	18,405	18,847
Other income	18,818	18,765	16,505	17,156
Non-interest income	41,100	38,837	34,911	36,004
Total income	160,215	141,908	132,366	138,202
Staff costs	(27,061)	(25,001)	(22,880)	(23,885)
Other operating expense	(41,717)	(34,657)	(32,112)	(33,879)
Pre-provision profit	91,437	82,250	77,374	80,438
Loan loss provision	(31,070)	(30,015)	(23,235)	(22,761)
Pre-tax profit	60,368	52,235	54,140	57,677
Tax	(11,576)	(10,105)	(10,287)	(10,959)
Minorities	(3,823)	(2,947)	(3,068)	(3,268)
Net profit	44,968	39,183	40,786	43,451
Net profit (adj.)	44,968	39,183	40,786	43,451

BALANCE SHEET

Year to 31 Dec (Btm)	2024	2025F	2026F	2027F
Cash with central bank	56,889	54,009	55,459	57,138
Govt treasury bills & securities	351,085	342,407	349,119	359,068
Interbank loans	534,775	584,146	610,157	630,314
Customer loans	2,549,075	2,531,227	2,612,241	2,704,817
Investment securities	51,342	50,888	50,985	52,157
Derivative receivables	66,061	72,376	75,950	79,093
Associates & JVs	16,151	17,822	17,822	17,822
Fixed assets (incl. prop.)	57,360	57,945	61,388	63,527
Other assets	57,730	62,235	64,606	66,004
Total assets	3,740,468	3,773,053	3,897,727	4,029,939
Interbank deposits	255,872	255,834	263,122	271,147
Customer deposits	2,731,344	2,743,350	2,821,622	2,907,528
Derivative payables	56,205	65,934	68,634	70,971
Debt equivalents	137,580	130,565	140,972	148,485
Other liabilities	98,795	97,494	100,083	102,638
Total liabilities	3,279,797	3,293,176	3,394,434	3,500,770
Shareholders' funds	440,122	457,987	479,573	503,444
Minority interest - accumulated	20,549	21,890	23,720	25,725
Total equity & liabilities	3,740,468	3,773,053	3,897,726	4,029,939

OPERATING RATIOS

Year to 31 Dec (%)	2024	2025F	2026F	2027F
Capital Adequacy				
Tier-1 CAR	18.8	18.4	18.8	19.1
Total CAR	20.8	20.4	20.8	21.1
Total assets/equity (x)	8.5	8.2	8.1	8.0
Tangible assets/tangible common equity (x)	8.9	8.6	8.5	8.3
Asset Quality				
NPL ratio	3.0	3.0	2.8	2.6
Loan loss coverage	188.6	181.4	177.3	173.2
Loan loss reserve/gross loans	6.4	6.3	5.8	5.3
Increase in NPLs	(4.2)	1.1	(2.8)	(3.1)
Credit cost (bp)	116.8	110.7	84.9	80.9
Liquidity				
Loan/deposit ratio	93.3	92.3	92.6	93.0
Liquid assets/short-term liabilities	31.5	32.6	32.8	32.8
Liquid assets/total assets	25.2	26.0	26.0	26.0

KEY METRICS

Year to 31 Dec (%)	2024	2025F	2026F	2027F
Growth				
Net interest income, yoy chg	5.0	(13.5)	(5.4)	4.9
Fees & commissions, yoy chg	6.8	(9.9)	(8.3)	2.4
Pre-provision profit, yoy chg	4.7	(10.0)	(5.9)	4.0
Net profit, yoy chg	22.8	(12.9)	4.1	6.5
Net profit (adj.), yoy chg	22.8	(12.9)	4.1	6.5
Customer loans, yoy chg	5.1	(0.7)	3.2	3.5
Profitability				
Net interest margin	3.3	2.8	2.6	2.7
Cost/income ratio	42.9	42.0	41.5	41.8
Adjusted ROA	1.2	1.0	1.1	1.1
Reported ROE	10.7	8.7	8.7	8.8
Adjusted ROE	10.7	8.7	8.7	8.8
Valuation				
P/BV (x)	0.7	0.7	0.6	0.6
P/NTA (x)	73.4	70.4	67.0	63.7
Adjusted P/E (x)	6.8	7.8	7.5	7.0
Dividend Yield	7.2	6.3	6.4	6.9
Payout ratio	49.3	49.0	48.0	48.3

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