UOBKayHian

Sector – Update
Thailand
Friday, 26 June 2026

Banking

2Q26 Results Preview: Credit Costs Expected To Fall QOQ

OVERWEIGHT
(Upgraded)

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Highlights

- We expect the sector to report a net profit of Bt63b, -2% yoy, -4% qoq.
- Expect a mild impact from Middle East tensions in 2Q26.
- Upgrade to OVERWEIGHT on the sector. Our top picks are BBL, KBANK, and KTB.

Analysis

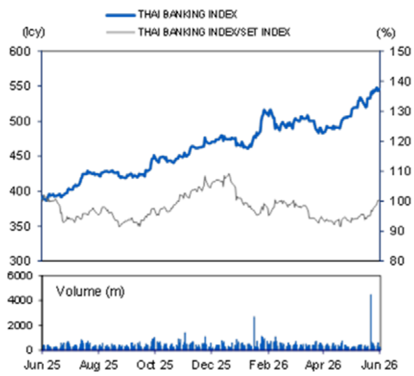
- **Expect 2Q26 earnings to drop yoy and qoq.** We expect banks under our coverage to report an aggregated net profit of around Bt63b in 2Q26, down 2% yoy and 4% qoq. Excluding provision expenses, we expect the banking sector's pre-provision operating profit to decline 6% yoy and 7% qoq.
- **Forecast a flat qoq loan growth in 2026.** We project that the banking sector's loan portfolio will be flat qoq but increase 1% yoy in 2Q26. Overall, we expect banks to remain cautious in lending and focus on corporate loans. Meanwhile, we forecast TISCO Financial Group (TISCO) continuing to expand its new car hire-purchase loan portfolio, and expect Bank of Ayudhya (BAY) to continue to grow its ASEAN loan portfolio.
- **Project a mild impact from Middle East tensions in 2Q26.** Following our discussions with the banks, we believe that the impact from Middle East tensions will be small. Banks stated that they continue to see healthy debt collection and have not yet seen any signs of concern regarding their asset quality. Therefore, we have shifted our view from concerned to optimistic on asset quality outlook.
- **Extending the timeline of the 'You Fight, We Help' step-up programme to support debtors.** The Bank of Thailand (BOT) has extended the timeline to increase the monthly repayment from 50% to 70% for debtors in the "You Fight We Help" programme during its second year, starting in Jul 26. According to our check, this extension will reduce the chance of seeing a deterioration in asset quality.
- **Expect credit costs to decrease yoy and qoq in 2Q26.** We project that the banking sector's credit costs will drop 18bp yoy and 15bp qoq to 136bp in 2Q26. Many banks set special provisions in 1Q26 to cushion against the impact of Middle East tensions. We are optimistic about the credit cost outlook and asset quality for the sector, as we expect a small impact from Middle East tensions. We foresee the NPL ratio stabilising qoq at 3.1%.

Sector Picks

Company	Ticker	Rec	Share Price 24 Jun 26	Target Price (Bt)
Bangkok Bank	BBL TB	BUY	176.50	220.00
Kasikorn Bank	KBANK TB	BUY	208.00	260.00
Krungthai Bank	KTB TB	BUY	36.25	44.00

Source: Bloomberg, UOB Kay Hian

Returns: Banking vs SET Index



Source: Bloomberg, UOB Kay Hian

Peer Comparison

Company	Rec	Price 24 Jun 26 (Bt)	Target Price (Bt)	Upside Downside (%)	Market Cap (US$m)	Net Profit 2026F (Btm)	Net Profit 2027F (Btm)	PE 2026F (x)	PE 2027F (x)	Net EPS Growth 2026F (%)	P/B 2026F (x)	Yield 2026F (%)	ROE 2026F (%)
BAY TB	BUY	38.75	50.00	29.0	8,770	34,187	36,110	8.3	7.9	7.7	0.6	4.4	8.0
BBL TB	BUY	176.50	220.00	24.6	10,366	44,420	46,511	7.6	7.2	(3.4)	0.6	6.3	7.6
	(Prev BUY		195.00)										
KBANK TB	BUY	208.00	260.00	25.0	15,164	50,784	53,467	9.6	9.2	3.1	0.8	6.3	8.7
	(Prev HOLD		190.00)										
KKP TB	HOLD	95.75	105.00	9.7	2,562	6,981	7,327	11.2	10.7	18.1	1.1	6.7	10.3
	(Prev HOLD		78.00)										
KTB TB	BUY	36.25	44.00	21.4	15,589	48,272	50,981	10.5	9.9	0.1	1.1	7.4	10.3
	(Prev HOLD		36.00)										
SCB TB	BUY	143.00	175.00	22.4	14,815	45,029	48,693	10.7	9.9	(5.2)	1.0	7.9	9.1
	(Prev HOLD		132.00)										
TISCO TB	HOLD	116.50	110.00	(5.6)	2,870	6,798	7,175	13.7	13.0	2.1	2.1	6.7	15.6
TTB TB	HOLD	2.40	2.30	(4.2)	7,205	20,389	18,176	10.3	11.5	(1.2)	0.9	5.6	8.3
Avg					77,839	256,860	268,439	9.8	9.4	0.2	0.9	6.5	9.1

Source: UOB Kay Hian

- **Sustained high dividend payout ratio remains a magnet for foreign fund inflows.** Thai banks have increased their dividend payout ratios significantly compared with the past, reporting an average 2025 payout ratio of 66%, which is higher than Malaysian banks at 57% but below Indonesian banks at around 77%. We believe there is still room to increase the dividend payout ratio as many Thai banks remain focused on ROE improvement. Meanwhile, Thai banks have a P/B of around 1.0x, the cheapest among regional banks. Therefore, we expect foreign fund inflows into Thai banks due to their attractive valuations. Currently, we have seen an increase in foreign ownership in Bangkok Bank (BBL) over the past month. We foresee an increase in foreign ownership for other banks, especially the big banks.
- **The BOT revised 2026 GDP up to 2.3% to reflect the more optimistic view.** The BOT revised its 2026 GDP forecast in its meeting on 24 Jun 26 from 1.5% to 2.3%. It elaborated that the economic growth outlook is brighter than earlier expectations. Meanwhile, the BOT expects that inflation will gradually decline after supply-side pressures ease. This upward revision is definitely positive for banking loan growth and the overall outlook. We are more optimistic about the banking sector regarding this upward revision.
- **Anticipated rate bottoming will be the prominent catalyst for the banking sector.** The BOT maintained the policy rate at 1.0% in its meeting on 24 Jun 26. Moreover, the market expects the BOT to maintain the policy rate through 2026. Therefore, we reckon that the policy rate has already bottomed. Meanwhile, banks guide that NIM should bottom within 2Q26. According to the news, the market expects no Fed rate cut in 2026. However, some investors think a hike in the Fed rate could happen sooner. Therefore, the bottoming of the Thailand policy rate should eliminate downside risk for the Thai banks' NIM. Meanwhile, the potential rate hike will pave a brighter path for the banking sector in the future.

Valuation/Recommendation

- **Upgrade to OVERWEIGHT.** The sector trades at 0.88x 2026F P/B, which implies +2.5SD to its historical five-year mean. We have shifted our view to optimistic regarding the asset quality outlook. Meanwhile, the rate bottoming will eliminate downside risk for Thai banks' NIM. The potential rate hike will be the prominent catalyst in the future. Also, the attractive valuation and high dividend payout will serve as catalysts for the banking sector.
- In addition, we upgrade Kasikornbank (KBANK), Krungthai Bank (KTB), and SCB X (SCB) from HOLD to BUY due to the more optimistic outlook and because they are beneficiaries of the rate bottoming and a potential rate hike environment in the future. We expect big banks to benefit more from the ending of the rate cut cycle.

Earnings Revision

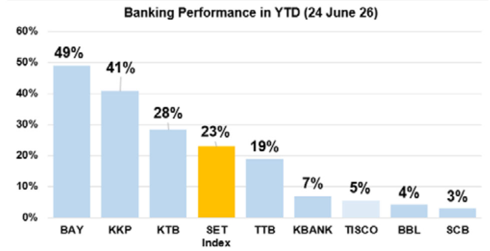
- We revised our sector earnings forecasts up by 3.8%, 5.6% and 5.9% for 2026-28 respectively. We are positive on the banking sector's credit cost outlook and asset quality outlook.

Earnings Revision

	2026F			2027F			2028F		
Net profit (Btm)	New	Old	% Chg	New	Old	% Chg	New	Old	% Chg
BAY	34,187	34,187	-	36,110	36,110	-	38,513	38,513	0.0
BBL	44,420	43,174	2.9	46,511	44,828	3.8	49,210	47,262	4.1
KBANK	50,784	47,709	6.4	53,467	48,777	9.6	55,463	50,336	10.2
KKP	6,981	6,299	10.8	7,327	6,510	12.6	7,567	6,784	11.5
KTB	48,272	45,912	5.1	50,981	46,918	8.7	52,488	48,514	8.2
SCB	45,029	43,025	4.7	48,693	45,827	6.3	51,627	47,823	8.0
TISCO	6,798	6,798	-	7,175	7,175	-	7,449	7,449	-
TTB	20,389	20,389	-	18,176	18,176	-	19,337	19,337	-
Total	256,860	247,493	3.8	268,439	254,320	5.6	281,654	266,017	5.9

Source: Respective companies, UOB Kay Hian

Banking Performance (24 Jun 26)



Source: Bloomberg, UOB Kay Hian

Loan Breakdown in 1Q26

	Corporate	SME	Retail
BAY	35%	15%	50%
BBL	49%	16%	12%
KBANK	41%	24%	31%
KKP	14%	13%	57%
KTB	23%	10%	45%
SCB	39%	15%	46%
TISCO	26%	6%	69%
TTB	30%	7%	63%

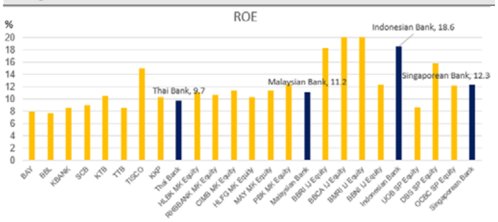
Source: Respective companies, UOB Kay Hian

2026 Financial Targets

	Loan	NIM	Credit Cost	NPL ratio
BAY	2-4%	4.0-4.3%	200-230bp	3.25-3.5%
BBL	2-3%	2.4-2.5%	1.0%	3.0%
KBANK	0-2%	2.75-2.95%	140-160bp	<3.25%
KKP	3%	4.3-4.4% (loan spread)	1.6-1.8%	4.4%
KTB	0-2%	2.35-2.5%	75-115bp	<3.1%
SCB	0-5%	3.0-3.2%	135-155bp	N/A
TISCO	0-5%	N/A	110bp	N/A
TTB	0-2%	3.0-3.1%	130-135bp	<3.2%

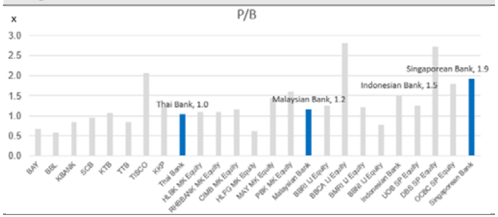
Source: Respective companies, UOB Kay Hian

Regional Banks' ROE



Source: Bloomberg, UOB Kay Hian

Regional Banks' P/B



Source: Bloomberg, UOB Kay Hian

Sector Catalyst/Risk

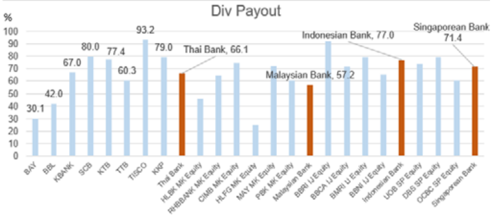
- Government stimulus to boost domestic economy.
- Rate hike cycle.

2Q26 Earnings Preview

	2Q26F	1Q26	2Q25	qoq (%)	yoy (%)	2026F	2025	yoy (%)
Net profit (Btm)								
BAY	8,577	8,618	8,295	(0.5)	3.4	34,187	31,738	7.7
BBL	11,197	10,994	11,840	1.9	(5.4)	44,420	46,007	(3.4)
KBANK	12,216	14,667	12,488	(16.7)	(2.2)	50,784	49,565	2.5
KKP	1,646	1,955	1,409	(15.8)	16.8	6,981	5,913	18.1
KTB	11,228	12,437	11,122	(9.7)	1.0	48,272	48,229	0.1
SCB	11,289	10,195	12,786	10.7	(11.7)	45,029	47,488	(5.2)
TISCO	1,680	1,734	1,644	(3.1)	2.2	6,798	6,659	2.1
TTB	5,201	5,170	5,004	0.6	3.9	20,389	20,639	(1.2)
Total	63,033	65,770	64,589	(4.2)	(2.4)	256,860	256,238	0.2
Pre-provision operating profit (Btm)								
BAY	22,952	23,482	21,272	(2.3)	7.9	90,890	84,950	7.0
BBL	19,449	22,549	24,328	(13.8)	(20.1)	82,185	92,136	(10.8)
KBANK	26,712	30,242	27,796	(11.7)	(3.9)	109,502	109,952	(0.4)
KKP	3,321	3,438	2,735	(3.4)	21.4	13,160	11,143	18.1
KTB	20,672	24,120	23,197	(14.3)	(10.9)	86,403	95,861	(9.9)
SCB	23,657	22,650	26,120	4.4	(9.4)	93,270	102,013	(8.6)
TISCO	2,690	2,936	2,604	(8.4)	3.3	10,727	10,642	0.8
TTB	9,097	9,090	9,110	0.1	(0.1)	36,617	36,144	1.3
Total	128,549	138,507	137,162	(7.2)	(6.3)	522,753	542,840	(3.7)
Total loans (Btb)								
BAY	1,939	1,920	1,879	1.0	3.2	1,983	1,943	2.1
BBL	2,702	2,680	2,733	0.8	(1.2)	2,692	2,627	2.5
KBANK	2,476	2,469	2,452	0.3	0.9	2,523	2,496	1.1
KKP	359	357	366	0.8	(1.9)	365	351	4.0
KTB	2,773	2,799	2,696	(0.9)	2.8	2,786	2,736	1.8
SCB	2,468	2,459	2,429	0.4	1.6	2,473	2,381	3.9
TISCO	245	235	236	4.4	4.2	245	236	3.8
TTB	1,175	1,186	1,214	(1.0)	(3.2)	1,232	1,213	1.6
Total	14,136	14,105	14,005	0.2	0.9	14,298	13,983	2.3
NIM (%)								
BAY	4.6	4.6	4.2	-5bp	37bp	4.4	4.4	9bp
BBL	2.6	2.4	2.8	13bp	-21bp	2.6	2.8	-20bp
KBANK	3.0	3.1	3.5	-2bp	-43bp	3.0	3.3	-31bp
KKP	4.3	3.9	3.9	39bp	39bp	4.2	3.9	32bp
KTB	2.5	2.5	2.9	1bp	-45bp	2.5	2.9	-40bp
SCB	3.3	3.1	3.7	17bp	-46bp	3.3	3.6	-27bp
TISCO	5.1	4.9	4.8	16bp	29bp	5.0	4.8	20bp
TTB	2.9	2.9	3.1	3bp	-17bp	2.9	3.0	-15bp
Average	3.5	3.4	3.6	10bp	-8bp	3.5	3.6	-9bp
Credit cost (bp)								
BAY	228	238	217	-9bp	11bp	220	227	-7bp
BBL	79	136	157	-57bp	-78bp	100	135	-36bp
KBANK	158	158	164	-1bp	-6bp	155	161	-6bp
KKP	161	145	164	16bp	-3bp	152	162	-10bp
KTB	80	113	122	-33bp	-43bp	79	113	-33bp
SCB	149	151	166	-2bp	-17bp	145	172	-28bp
TISCO	100	132	96	-31bp	5bp	95	100	-5bp
TTB	131	133	141	-2bp	-10bp	124	134	-10bp
Average	136	151	153	-15bp	-18bp	134	151	-17bp
NPL ratio (%)								
BAY	3.3	3.3	3.4	-2bp	-7bp	3.2	3.3	-2bp
BBL	3.1	3.1	3.2	-1bp	-11bp	3.0	3.0	5bp
KBANK	3.2	3.2	3.2	-1bp	-1bp	3.1	3.2	-6bp
KKP	4.1	4.1	4.3	-1bp	-21bp	4.1	4.3	-16bp
KTB	2.8	2.9	2.9	-9bp	-10bp	2.8	2.9	-10bp
SCB	3.2	3.2	3.3	1bp	-7bp	3.2	3.3	-9bp
TISCO	2.3	2.1	2.4	14bp	-16bp	2.3	2.3	-3bp
TTB	2.9	2.9	2.7	-3bp	17bp	2.9	2.9	0bp
Average	3.1	3.1	3.2	0bp	-7bp	3.1	3.1	-5bp

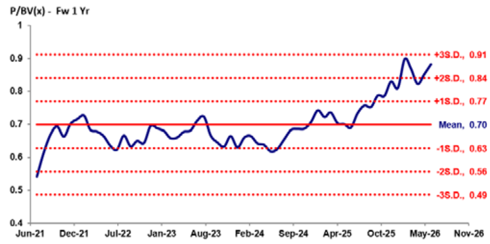
Source: Respective companies, UOB Kay Hian

Regional Banks' Dividend Payout Ratio



Source: Bloomberg, UOB Kay Hian

Sector P/B Band

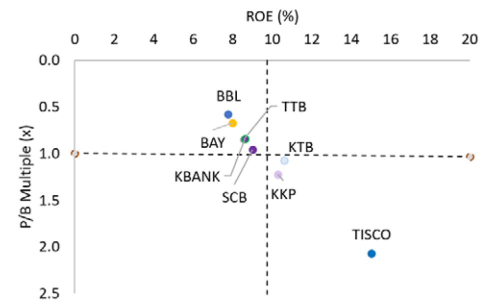


Source: UOB Kay Hian

BBL's Foreign Ownership

Source: UOB Kay Hian

Banks' PBV vs ROE



Source: UOB Kay Hian