Bank Sector – Neutral

Earnings Preview

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We expect moderate profits in 2Q25F

- **Net profits to be flat y-y but decline 9% q-q**
- **Loans contraction around 1%**
- **NIM squeezes, increased provisions at KBANK and TISCO**
- **KKP, SCB and BBL profits to bounce y-y on low base**

- We expect Thai banks to post moderate earnings in 2Q25, with net profit being flat y-y but declining 9% q-q. Sluggish volume growth and continued NIM pressure are being partially offset by lower provisions and contained operating expenses. Beyond near-term results, we maintain a positive view on KTB as our top pick in the sector. SCB is our next preferred name, supported by relatively stronger profit growth in 2Q25 and an attractive dividend yield.

Ex 1: Earnings Preview 2Q25F

Banks	Quarterly Profits (Bt bn)			Change (%)	
	2Q24	1Q25	2Q25F	Y-Y	Q-Q
BBL	11.81	12.62	11.95	*1.21*	*(5.29)*
KBANK	12.65	13.79	11.68	*(7.66)*	*(15.28)*
KTB	11.20	11.71	11.03	*(1.44)*	*(5.81)*
KKP	0.77	1.06	1.05	*36.58*	*(1.09)*
SCB	10.01	12.50	11.06	*10.41*	*(11.56)*
TISCO	1.75	1.64	1.65	*(5.65)*	*0.65*
Total	**48.19**	**53.33**	**48.43**	***0.49***	***(9.19)***

Sources: Company data, Thanachart estimates

- The y-y improvement is mainly driven by KKP, SCB, and BBL, which all posted a low base in 2Q24 due to elevated provisions.
- KKP was pressured by asset quality issues and rising funding costs last year. Losses on loan sales have since eased, while tighter underwriting has helped contain new NPLs.
- BBL raised provisions to build buffers, while SCB faced Bt800m in one-off provisions and high credit costs from Gen 2 loans. These items, including Robinhood-related losses, are no longer present in 2Q25.
- The q-q earnings drop reflects continued NIM compression, weak loan and fee growth, and seasonally higher expenses. Among the six banks under our coverage, TISCO is expected to hold profits steady. TISCO saw positive loan growth in May 2025, and the *You Fight We Help* program should ease provisioning pressure toward the normalized 1% level.
- Despite a 25bps policy rate cut in April 2025, the pass-through to loan rates has been limited, while time deposit rates fell more sharply. Nevertheless, NIM continues to decline from 1Q25 levels. Loan growth remains weak, contracting nearly 1% y-y and YTD as of May.
- We expect provisioning to remain manageable at BBL, KTB, SCB, and TTB, supported by 1Q25 overlays. However, KBANK may see higher credit costs if additional overlays are booked beyond its normalized 1.6% rate.

- NPLs are projected to rise 0.5% y-y and 1.1% q-q, with the NPL ratio inching up to 3.51% from 3.45% in 1Q24. The manageable increase reflects pre-emptive actions and support from *You Fight We Help*.
- Given soft economic conditions and weak investor sentiment, bancassurance and wealth management fees are likely to remain subdued. However, FX and trade finance fees should hold up well, helped by front-loaded exports ahead of potential Trump-era tariff hikes. Investment gains are expected to decline from the strong 1Q25 base.

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