

Bank Sector – Neutral

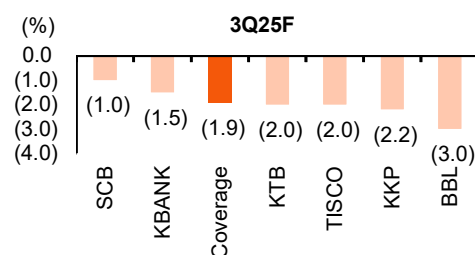
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Expect decent 3Q25F net profit

- **Loan contraction, and NIM decline would be...**
 - **...partially offset by solid trading income**
 - **Asset quality would remain under control**
 - **Maintain Neutral view, with KTB as top buy**
- We expect the covered banks to report **an aggregate 3Q25 net profit of Bt53bn (+7% y-y, +3% q-q)**. The growth both y-y and q-q should be driven mainly by mark-to-market (MTM) gains on THAI at KTB. Excluding this item, however, net profit would decline on both bases, weighed down primarily by lower NIM and softer loan volume. **Key highlight:** 1) aggregate NIM would decline 7bps q-q due to policy rate cut; 2) non-NII should increase strongly from bond portfolio and MTM gains on THAI; 3) asset quality is likely to remain manageable.
- KTB should deliver the strongest earnings growth, supported by MTM gains and solid asset quality. In contrast, we expect BBL to post the sharpest y-y earnings decline, pressured by weaker NIM.
- 1) **A drop in loan volume:** We expect aggregate loan volume to decline by 1.9% q-q, 0.7% y-y, driven by contractions across all segments as banks maintain a conservative lending. All banks are likely to report negative q-q loan growth, with BBL seeing the steepest drop at -3%.
 - 2) **A decline in NIM:** The aggregate NIM is expected to decline by 7bps q-q to 3.08%, pressured by the policy rate cut. While funding costs should trend lower, this will not be enough to offset the reduction in yields on earning assets. BBL is likely to record the sharpest drop at 9bps q-q, whereas TISCO should see the smallest decline at just 1bp.
 - 3) **Robust non-NII:** We expect sector non-NII to grow 23% y-y, 45% q-q, supported by two factors. First, banks should continue to record strong trading income from bond portfolios, MTM gains on equity investments amid a more favorable environment, and MTM gains on Thai Airways (THAI TB, SELL, Bt13.7) at KTB. Second, fee income is expected to improve q-q, from the recovery in the Thai stock market.
 - 4) **Good cost control:** Amid weak NII, we believe banks will tighten cost controls, such as reducing marketing expenses and delaying IT investments. We expect most banks (except KTB) to report a y-y decline in opex. However, KTB's opex is likely to rise significantly, as we believe the bank may utilize gains from THAI to set aside special expenses, including NPA impairment.
 - 5) **Controllable asset quality:** We expect aggregate NPLs to edge up 1.6% q-q, driven mainly by a rise in BBL's relapsed NPLs, while other banks should be able to maintain stable asset quality. Credit cost is likely to remain elevated at 151bps. We believe banks will leverage strong non-NII to build additional buffers for future uncertainty, particularly at KTB due to MTM gains.

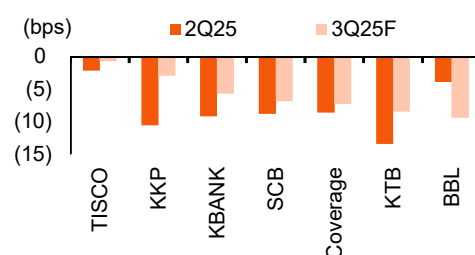
Earnings Preview

Ex 1: Loan Growth q-q



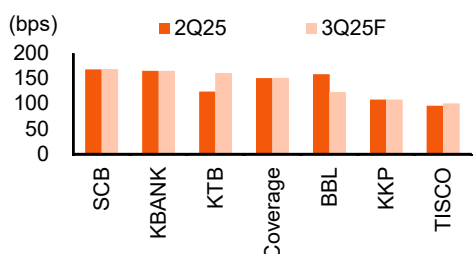
Source: Thanachart estimates

Ex 2: Change In NIM q-q



Sources: Company data, Thanachart estimates

Ex 3: Credit Costs



Sources: Company data, Thanachart estimates

Ex 4: Summary 3Q25F Net Profit

| | — Net profit (Bt m) — | | | — Change (%) — | | Expected results date | Comment |
|-----------------|-----------------------|---------------|---------------|----------------|------------|-----------------------|--|
| | 3Q24 | 2Q25 | 3Q25F | y-y | q-q | | |
| BBL | 12,583 | 11,915 | 11,700 | (7.0) | (1.8) | 20-21 Oct | Declining NIM and contracting loans are expected to pressure net profit, while NPLs may rise moderately due to relapses. |
| KBANK | 11,965 | 12,488 | 12,014 | 0.4 | (3.8) | 21-Oct | NIM and loans are expected to decline. Asset quality should remain manageable, and prudent management should keep credit costs elevated at 165bps. |
| KKP | 1,305 | 1,409 | 1,321 | 1.3 | (6.2) | 20-Oct | Losses on repossessed cars should remain stable q-q, fee income may rise slightly, while NIM and loans are expected to contract. |
| KTB | 11,107 | 11,122 | 14,812 | 33.4 | 33.2 | 20-21 Oct | KTB may record ~Bt9bn MTM gains on THAI (net tax), but part could be used for ECL and NPA provisions, raising credit costs and the cost-to-income ratio. |
| SCB | 10,941 | 12,786 | 11,585 | 5.9 | (9.4) | 21-Oct | NIM and loan growth are likely to contract, while asset quality stays under control and careful management should maintain credit costs around 168bps. Cost control is still key to cushion bottom line. |
| TISCO | 1,713 | 1,644 | 1,621 | (5.4) | (1.3) | 14-Oct | NIM should remain stable from TISCO's high-yield portfolio. The bank also has MTM exposure to THAI, but the exact holding is unknown (likely below 0.5%), so we do not factor it into our forecast. Any gains may be used for opex and ECL, limiting upside. |
| Coverage | 49,615 | 51,364 | 53,054 | 6.9 | 3.3 | | |

Sources: Company data, Thanachart estimates

Ex 5: 3Q25F Key Financial Highlight

| (Bt m) | BBL | KBANK | KKP | KTB | SCB | TISCO | Coverage |
|-----------------------------|---------------|---------------|--------------|---------------|---------------|--------------|----------------|
| Net interest income | 30,577 | 34,134 | 4,296 | 26,317 | 30,056 | 3,346 | 128,726 |
| - Change q-q% | -3.6% | -1.5% | -0.4% | -2.2% | -1.1% | 0.5% | -2.0% |
| - Change y-y% | -8.4% | -7.8% | -13.0% | -11.9% | -7.9% | -1.2% | -8.9% |
| Net fee income | 6,734 | 8,529 | 1,560 | 5,731 | 7,954 | 1,287 | 31,796 |
| - Change q-q% | 10.8% | 3.8% | 7.0% | 2.9% | 7.4% | 8.1% | 6.3% |
| - Change y-y% | -2.9% | 1.1% | 5.2% | 2.0% | 2.8% | 2.1% | 1.0% |
| Non-interest income | 13,675 | 13,117 | 1,819 | 25,516 | 11,960 | 1,485 | 67,573 |
| - Change q-q% | 7.9% | -4.4% | -3.0% | 111.4% | -9.1% | 1.9% | 22.9% |
| - Change y-y% | 10.4% | 15.5% | 9.1% | 147.3% | 25.6% | 6.5% | 44.8% |
| OPEX | 21,494 | 21,199 | 3,505 | 21,607 | 17,490 | 2,231 | 87,526 |
| - Change q-q% | 7.0% | 1.9% | 1.5% | 27.3% | -0.2% | 1.9% | 8.0% |
| - Change y-y% | -1.6% | -1.4% | -19.0% | 25.7% | -0.7% | -2.7% | 3.3% |
| Pre-provision profit | 22,759 | 26,052 | 2,611 | 30,226 | 24,526 | 2,601 | 108,774 |
| - Change q-q% | -6.3% | -5.5% | -4.5% | 37.4% | -5.8% | 0.2% | 3.4% |
| - Change y-y% | -4.9% | -3.1% | 14.5% | 31.4% | -0.1% | 4.5% | 5.5% |

Source: Thanachart estimates

Ex 5: 3Q25F Key Financial Highlight (Con't)

| (Bt m) | BBL | KBANK | KKP | KTB | SCB | TISCO | Coverage |
|-----------------------|------------------|------------------|----------------|------------------|------------------|----------------|-------------------|
| ECL | 8,224 | 9,965 | 957 | 10,608 | 10,005 | 583 | 40,341 |
| - Change q-q% | -23.4% | -0.8% | -1.6% | 28.7% | -1.1% | 4.3% | -0.8% |
| - Change y-y% | 0.3% | -14.5% | 40.4% | 27.6% | -8.8% | 62.5% | 0.4% |
| Net profit | 11,700 | 12,014 | 1,321 | 14,812 | 11,585 | 1,621 | 53,054 |
| - Change q-q% | -1.8% | -3.8% | -6.2% | 33.2% | -9.4% | -1.3% | 3.3% |
| - Change y-y% | -7.0% | 0.4% | 1.3% | 33.4% | 5.9% | -5.4% | 6.9% |
| Gross loans | 2,631,542 | 2,397,472 | 350,516 | 2,619,475 | 2,370,101 | 230,802 | 10,599,908 |
| - Change q-q% | -3.0% | -1.5% | -2.2% | -2.0% | -1.0% | -2.0% | -1.9% |
| - Change y-y% | -0.3% | -1.5% | -5.9% | 2.1% | -2.6% | 0.4% | -0.7% |
| Deposits | 3,211,919 | 2,714,450 | 352,004 | 2,769,694 | 2,477,430 | 208,157 | 11,733,653 |
| - Change q-q% | 0.5% | -0.2% | -1.5% | 0.5% | 0.5% | -0.8% | 0.2% |
| - Change y-y% | 3.3% | -2.0% | 2.3% | 4.7% | 1.9% | 1.7% | 2.0% |
| NPLs | 113,416 | 90,330 | 17,419 | 92,691 | 97,307 | 5,610 | 416,774 |
| - Change q-q% | 7.5% | -0.7% | -0.5% | -2.1% | 1.2% | -1.0% | 1.6% |
| - Change y-y% | 9.1% | -2.8% | 0.1% | -5.7% | 2.9% | -0.1% | 1.0% |
| Key ratios (%) | | | | | | | |
| LDR | 81.9% | 88.3% | 94.6% | 94.6% | 95.7% | 110.9% | 90.3% |
| NIM | 2.65% | 3.26% | 3.74% | 2.82% | 3.52% | 4.73% | 3.08% |
| Cost to income | 48.6% | 44.9% | 57.3% | 41.7% | 41.6% | 46.2% | 44.6% |
| Credit cost (bp) | 125 | 165 | 108 | 115 | 168 | 100 | 151 |
| NPL ratio | 4.3% | 3.8% | 5.0% | 3.5% | 4.1% | 2.4% | 3.9% |
| ROE | 8.1% | 8.3% | 8.2% | 13.1% | 9.5% | 15.3% | 9.6% |

Source: Thanachart estimates

Ex 6: Bank Sector Valuations

| Stocks | Rating | Current | Target | Norm EPS growth | | Norm PE | | P/BV | | Yield | |
|--------|--------|---------------|---------------|-----------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | | price (Bt) | price (Bt) | 2025F (%) | 2026F (%) | 2025F (x) | 2026F (x) | 2025F (x) | 2026F (x) | 2025F (%) | 2026F (%) |
| BBL | SELL | 148.00 | 133.00 | 1.0 | (7.0) | 6.2 | 6.7 | 0.5 | 0.5 | 5.7 | 5.7 |
| KBANK | BUY | 163.00 | 190.00 | 0.4 | (2.9) | 7.9 | 8.2 | 0.7 | 0.6 | 7.4 | 7.4 |
| KKP | BUY | 58.00 | 67.00 | 3.2 | 9.0 | 9.4 | 8.6 | 0.8 | 0.7 | 7.3 | 7.9 |
| KTB | BUY | 25.00 | 31.00 | 8.2 | (10.9) | 7.4 | 8.3 | 0.7 | 0.7 | 6.8 | 6.0 |
| SCB | HOLD | 126.50 | 135.00 | 7.2 | (4.2) | 9.0 | 9.4 | 0.8 | 0.8 | 8.8 | 8.5 |
| TISCO | HOLD | 101.00 | 102.00 | (5.7) | 0.1 | 12.4 | 12.4 | 1.9 | 1.8 | 7.7 | 7.7 |

Sources: Company data, Thanachart estimates

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