

Bank Sector – Overweight

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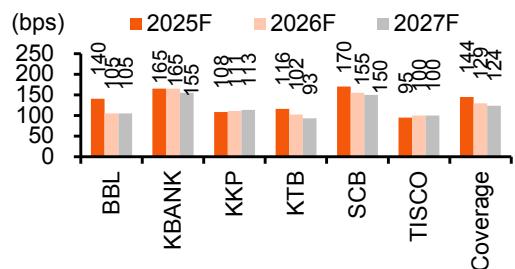
News update

FIDF cut to 32bps, mildly positive to Thai banks

- **BoT cuts 2026 FIDF fee from 46bps to 32bps**
- **Savings intended to be passed through to support SMEs**
- **Limited earnings uplift; benefit is improved asset quality**
- **Maintain OVERWEIGHT, with KTB and KBANK as top picks**

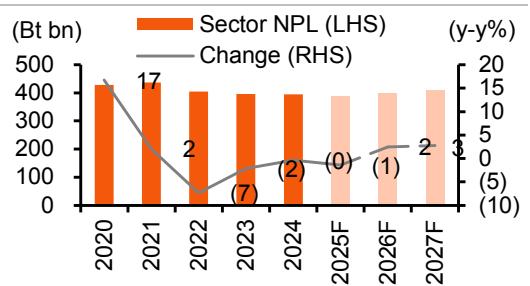
- **News:** The Bank of Thailand (BoT) has announced a reduction in the Financial Institutions Development Fund (**FIDF**) fee to 0.32% of deposits for 2026, from the normal rate of 0.46%. The policy aims to enable banks to **pass on funding cost savings to vulnerable borrowers, particularly SMEs**, amid elevated household debt and a prolonged domestic economic slowdown. (source: BoT)
- **Our take:** We view this development as **slightly positive** for the Thai banking sector, primarily **from an asset quality perspective**, rather than as a direct earnings catalyst. **KBANK stands to benefit the most**, given its high SME exposure (c.26% of total loan portfolio).
- The FIDF fee is a structural funding cost for Thai banks, calculated as a percentage of deposits. With system deposits currently around Bt17.5tn, a 14bps reduction implies an aggregate annual budget of approximately Bt24bn that banks can deploy to support vulnerable customer segments. This follows similar regulatory actions in 2025, when the BoT reduced the FIDF fee by 23bps to support borrowers under the “You Fight, We Help” and “Social AMC” programs, with a total support envelope of around Bt40bn.
- We do **not expect a meaningful uplift to banks' bottom lines**, as we believe most institutions will channel the savings toward borrower support via lower rates, restructuring programs, or targeted relief measures. However, this policy should help ease debt servicing burdens for SMEs and retail customers, potentially encouraging banks to resume more proactive lending to vulnerable segments. Over time, these measures should support **better repayment behavior and improved asset quality trends**, allowing banks to contain or reduce credit costs in 2026.
- We maintain our **OVERWEIGHT** stance on the Thai banking sector, with **KTB and KBANK** as our top **BUYS**.
- **KTB** offers peer-level earnings growth with lower risk, attractive dividend yields on a leaner payout ratio, and the strongest ROE among large banks.
- **KBANK** remains our second pick, supported by capital management flexibility, resilient asset quality, and long-term growth optionality from its strong wealth management platform.

Ex 1: Credit Costs By Bank



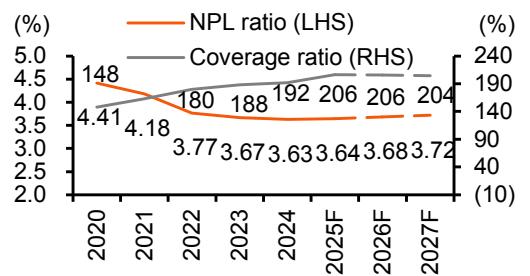
Source: Company data, Thanachart estimates

Ex 2: Sector NPL Growth



Source: Company data, Thanachart estimates

Ex 3: Sector NPL Ratio And Coverage Ratio



Source: Company data, Thanachart estimates

Ex 4: Loan Structure

	BBL	KBANK	KKP	KTB	SCB	TISCO
Government	0%	0%	0%	20%	0%	0%
International	23%	0%	0%	0%	0%	0%
Corporate	49%	41%	14%	25%	36%	28%
SMEs	16%	26%	16%	10%	17%	6%
Retail	12%	28%	68%	45%	40%	67%
- Housing	11%	17%	16%	19%	33%	3%
- Unsecured	1%	5%	3%	23%	1%	0%
- Auto	0%	6%	44%	0%	6%	42%
- Other retail	0%	0%	4%	3%	1%	21%
Other loans	0%	5%	2%	0%	7%	0%

Sources: Company data, Thanachart estimates

Ex 5: Peers comparison

Stocks	Rating	Current	Target	Norm EPS growth		Norm PE		P/BV		Yield	
		price (Bt)	price (Bt)	2025F	2026F	2025F	2026F	2025F	2026F	2025F	2026F
BBL	HOLD	170.50	164.00	9.0	(5.3)	6.6	7.0	0.6	0.5	5.0	5.0
KBANK	BUY	191.50	222.00	2.6	(2.3)	9.1	9.3	0.8	0.7	6.8	6.8
KKP	BUY	66.25	76.00	14.0	6.9	9.7	9.1	0.8	0.8	7.2	7.7
KTB	BUY	28.75	35.00	9.8	(4.1)	8.3	8.7	0.9	0.8	6.6	6.7
SCB	BUY	139.50	152.00	10.2	(3.4)	9.7	10.0	0.9	0.9	8.2	8.0
TISCO	HOLD	109.50	108.00	(1.9)	2.2	12.9	12.7	2.0	2.0	7.1	7.1

Sources: Company data, Thanachart estimates

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