

Bank Sector – Overweight

News update

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Limited impact from ITD

- **ITD risks may weigh on bank sentiment**
- **But, banks have already taken a cautious provision stance**
- **Thus, negative impact would be limited**
- **Maintain Overweight with KTB and KBANK top buys**

- **Event:** Following two infrastructure collapses this week, Deputy PM Anutin has moved to blacklist Italian-Thai Development (ITD TB) and seek compensation for damages, marking a further escalation in ITD's structural and financial stress.
- **Key analysis & impact on Thai banks:**
 - 1) **Exposure:** As of YE2023, ITD had total financial institution debt of c.Bt31bn, with exposure concentrated at BBL (~Bt8bn), KBANK (~Bt6bn), SCB (~Bt6bn), and KTB (~Bt4bn), with roughly half of the loans secured. However, by 9M25, ITD's outstanding financial debt had declined by 40% to c.Bt19bn.
 - 2) **Earnings sensitivity:** Banks have already taken a cautious stance, with most ITD exposures classified as Stage 2 or beyond. In a downside scenario where remaining Stage 2 loans migrate to Stage 3, we estimate a potential 2026 earnings impact of ~3% for BBL and ~2% each for KBANK and SCB. KTB appears least exposed, having fully provided for ITD-related loans in 4Q23.
- **Sector view:** Overall exposure remains manageable relative to sector loan books, and capital buffers are strong. We maintain our Overweight view on the Thai banking sector, supported by an attractive dividend yield of around 7%, with KTB and KBANK remaining our top picks.

Ex 1: Potential Downside Risks To Banks' Bottom Line

Bank	Est. Exposure (Bt bn)		2026F Profit Impact (%)	Provisioning Status
	2023	9M25		
BBL	8	4.8	(3.1)	Stage 2 / Precautionary
KBANK	6	3.6	(1.8)	Stage 2 / Precautionary
SCB	6	3.6	(1.9)	Stage 2 / Precautionary
KTB	4	2.4	No impact	Fully Provisioned

Sources: Company data, Thanachart estimates

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