

Bank Sector – Overweight

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1Q26F: profit pressured by NIM, and non-NII

- 1Q26F Profit declines y-y; slight q-q recovery from ...
- ... NIM pressure and weaker investment income
- Mideast risk indirect; manageable downside
- KTB preferred; strong yield and ROE

1Q26F preview

We expect the covered banks to report aggregate **1Q26 net profit of Bt43bn** (-20% y-y, +1% q-q). The y-y decline will likely be driven by 1) NIM compression following the policy rate cut in Feb-26, and 2) weaker investment-related income amid the surge in bond yields. On a q-q basis, profit should edge up slightly, mainly due to a rebound from a low base at BBL; excluding this, most banks are likely to report a q-q decline due to the same pressures.

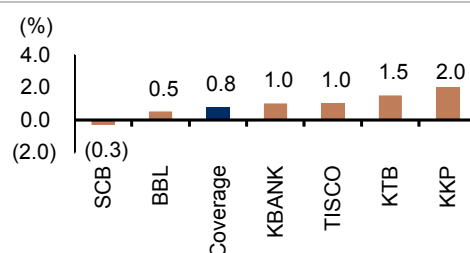
KKP is expected to be the only bank delivering y-y earnings growth, supported by improving asset quality and stronger fee income from capital markets.

Key highlights:

- 1) **Moderate loan growth:** We expect aggregate loans to grow modestly by 0.8% q-q, driven by government and corporate segments, while SME and retail lending should contract amid continued conservative underwriting.
- 2) **NIM compression:** Sector NIM is projected to decline by 7bps q-q to 2.85%, pressured by the policy rate cut. Although funding costs should gradually ease, this is unlikely to fully offset the decline in asset yields. TISCO would be only one bank that may see a slight 2bps uptick, benefiting from lower funding costs.
- 3) **Weaker non-NII:** We forecast sector non-NII to fall 11% y-y and 14% q-q. While fee income should improve y-y, led by wealth-related fees, this will be more than offset by weaker investment-related income from bond portfolios.
- 4) **Discipline cost control:** Amid soft revenue, banks are expected to tighten cost controls, including reducing marketing expenses and delaying IT investments. We project aggregate opex to decline 2% y-y (-10% q-q due to seasonality). However, the cost-to-income ratio is likely to rise to 46.1% from 42.7% in 1Q25, reflecting weaker revenue.
- 5) **Manageable asset quality:** We expect aggregate NPLs to increase 2% q-q, mainly due to a seasonal relapse in BBL's NPLs, while other banks should maintain broadly stable asset quality. Credit costs are projected to decline to 138bps from 149bps in 3Q25. While there are no clear signs of asset quality deterioration from the Middle East conflict in this quarter, banks are likely to maintain a conservative stance by setting management overlays, keeping credit costs broadly stable q-q at around 135bps.

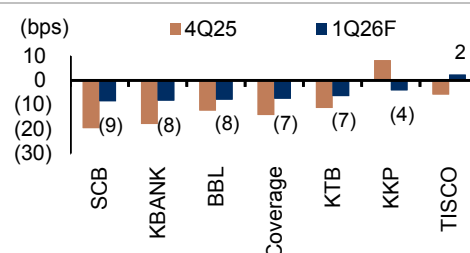
Earnings Preview

Ex 1: Loan Growth q-q



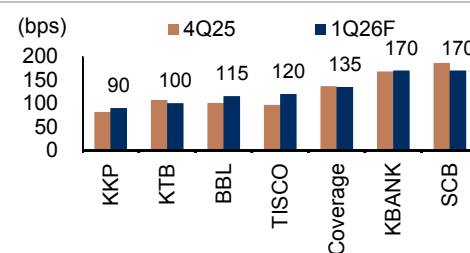
Sources: Company data, ttb wealth estimates

Ex 2: Change In NIM q-q



Sources: Company data, ttb wealth estimates

Ex 3: Credit Costs



Sources: Company data, ttb wealth estimates

■ The Mideast impact

The Iran conflict poses primarily **indirect risks** to the Thai banking sector. A sustained rise in global oil prices could lift domestic inflation and slow economic growth, potentially weakening borrowers' repayment capacity.

Thai banks enter this period from a position of strength, having cleaned up legacy problem loans and maintained conservative provisioning since the COVID-19 pandemic. Sector NPL coverage ratios exceed 200%, providing a strong buffer against potential credit deterioration. We, thus, expect the potential negative downside to the aggregate sector net profit around 5-6%. Banks with higher retail and SME exposure might be subject to the greatest impact, in our view.

Despite this, we believe the sector's **dividend appeal remains intact**. Most Thai banks have strong capital positions, allowing them to maintain DPS at current levels even if net profit moderates slightly. The key exception is SCB, which has already committed to a fixed 80% payout ratio, making its dividend more sensitive to earnings fluctuations.

Within the sector, we continue to **favor KTB**, supported by its sustained ROE above 10%, a high-quality loan mix, and an increasingly attractive capital return profile, positioning the bank as one of the most compelling yield plays.

Ex 4: Summary 1Q26F Net Profit

	Net profit			Change		Expected results date	Comment
	1Q25	4Q25	1Q26F	y-y %	q-q %		
BBL	12,618	7,759	9,833	(22.1)	26.7	20-21 Apr	BBL is expected to report 1Q26 net profit of Bt9.8bn (-22% y-y, +27% q-q). The y-y decline will be driven by lower NIM and weaker investment-related income. However, q-q earnings should rebound, supported by lower opex following one-off IT expenses in 4Q25. NPLs are projected to rise 9% q-q due to seasonal relapse, and we expect the bank to set aside management overlays to cushion geopolitical uncertainty.
KBANK	13,791	10,278	10,120	(26.6)	(1.5)	21-Apr	KBANK is projected to post 1Q26 net profit of Bt10.1bn (-27% y-y, -2% q-q), weighed down by lower NIM and softer investment-related income. Asset quality should remain manageable, with management overlays likely maintained to guard against future uncertainties.
KKP	1,062	1,772	1,538	44.9	(13.2)	21-Apr	KKP should deliver strong 1Q26 net profit of Bt1.5bn (+45% y-y, +13% q-q), driven by continued improvement in asset quality, robust fee income, and effective NIM management.
KTB	11,714	10,773	10,047	(14.2)	(6.7)	21-Apr	KTB is expected to report 1Q26 net profit of Bt10bn (-14% y-y, -7% q-q), pressured by NIM compression and weaker investment-related income. Asset quality should remain stable, with management overlays likely set aside as a precaution.
SCB	12,502	10,144	9,678	(22.6)	(4.6)	21-Apr	SCB is projected to post 1Q26 net profit of Bt9.7bn (-23% y-y, -5% q-q), also impacted by lower NIM and weaker investment-related income. NPLs should remain manageable, with continued set aside of management overlays to address uncertainty.
TISCO	1,643	1,642	1,611	(2.0)	(1.9)	16-Apr	TISCO should deliver 1Q26 net profit of Bt1.6bn (-2%y-y, -2%q-q). It is likely the only bank to see a slight NIM improvement; however, earnings may be weighed down by higher credit costs as the bank builds additional management overlays.
Coverage	53,330	42,367	42,827	(19.7)	1.1		

Sources: Company data, ttb wealth estimates

Ex 5: 1Q26F Key Financial Highlight

(Bt m)	BBL	KBANK	KKP	KTB	SCB	TISCO	Coverage
Net interest income	28,750	32,589	4,265	25,044	28,054	3,518	122,220
Change q-q%	-1.8%	-1.0%	0.0%	-0.5%	-0.7%	3.0%	-0.9%
Change y-y%	-9.9%	-8.0%	-4.1%	-10.1%	-9.6%	5.7%	-8.8%
Net fee income	7,180	8,871	1,508	5,775	7,832	1,270	32,436
Change q-q%	3.0%	-5.7%	-7.1%	-5.6%	-0.1%	-5.7%	-2.6%
Change y-y%	-5.4%	5.2%	15.4%	6.1%	2.7%	8.0%	2.7%
Non-interest income	10,991	11,910	1,782	9,976	11,150	1,507	47,315
Change q-q%	-4.1%	-19.4%	-23.7%	-14.5%	-15.4%	1.8%	-13.8%
Change y-y%	-19.7%	-11.8%	18.2%	-13.0%	-6.0%	12.3%	-11.4%
OPEX	19,979	19,807	3,353	15,681	17,047	2,315	78,182
Change q-q%	-19.5%	-14.0%	-7.4%	1.4%	-3.4%	0.8%	-10.0%
Change y-y%	-3.7%	-1.2%	-4.6%	-3.8%	-0.5%	3.3%	-2.3%
Pre-provision profit	19,761	24,692	2,695	19,340	22,156	2,710	91,354
Change q-q%	24.3%	0.1%	-9.7%	-9.5%	-6.9%	4.1%	0.0%
Change y-y%	-20.5%	-14.5%	10.5%	-16.0%	-14.0%	11.6%	-14.9%
ECL	7,536	10,578	782	6,829	9,985	711	36,421
Change q-q%	14.2%	3.1%	10.4%	-3.8%	-8.9%	25.8%	0.6%
Change y-y%	-16.9%	7.7%	-29.2%	-17.0%	4.3%	84.3%	-4.6%
Net profit	9,833	10,120	1,538	10,047	9,678	1,611	42,827
Change q-q%	26.7%	-1.5%	-13.2%	-6.7%	-4.6%	-1.9%	1.1%
Change y-y%	-22.1%	-26.6%	44.9%	-14.2%	-22.6%	-2.0%	-19.7%
Gross loans	2,621,327	2,501,413	350,903	2,751,839	2,345,811	238,137	10,809,431
Change q-q%	0.5%	1.0%	2.0%	1.5%	-0.3%	1.0%	0.8%
Change y-y%	-3.7%	2.8%	-3.2%	3.3%	-3.3%	3.0%	-0.2%
Deposits	3,196,227	2,886,207	342,145	2,863,737	2,575,097	215,221	12,078,635
Change q-q%	0.0%	1.3%	-1.8%	0.0%	0.5%	1.8%	0.4%
Change y-y%	-0.9%	6.0%	-4.2%	4.1%	4.2%	4.3%	2.9%
NPLs	103,183	92,908	16,691	92,567	96,751	5,431	407,532
Change q-q%	9.0%	-0.7%	1.1%	-0.4%	0.6%	1.1%	2.1%
Change y-y%	5.5%	1.8%	-6.6%	-2.6%	-1.8%	-2.9%	0.4%
Key ratios (%)							
LDR	82.0%	86.7%	97.4%	96.1%	91.1%	110.6%	89.5%
NIM	2.48%	2.98%	3.77%	2.59%	3.16%	4.85%	2.85%
Cost to income	50.3%	44.5%	55.4%	44.8%	43.5%	46.1%	46.1%
Credit cost (bp)	115	170	90	100	170	120	135
NPL ratio	3.9%	3.7%	4.8%	3.4%	4.1%	2.3%	3.8%
ROE	6.8%	6.9%	9.4%	8.6%	7.7%	14.6%	7.6%

Sources: Company data, ttb wealth estimates

Ex 6: Bank Sector Valuations

Stocks	Rating	Current	Target	Norm EPS growth		Norm PE		P/BV		Yield	
		price (Bt)	price (Bt)	2026F (%)	2027F (%)	2026F (x)	2027F (x)	2026F (x)	2027F (x)	2026F (%)	2027F (%)
BBL	HOLD	168.50	162.00	(8.6)	5.0	7.6	7.3	0.5	0.5	5.0	5.3
KBANK	BUY	192.50	216.00	(7.4)	7.8	9.9	9.2	0.8	0.7	6.2	6.8
KKP	BUY	78.50	76.00	3.6	5.5	10.8	10.2	1.0	0.9	6.5	6.8
KTB	BUY	35.50	41.00	(2.5)	7.3	10.6	9.8	1.1	1.0	6.2	6.6
SCB	BUY	145.00	152.00	(1.5)	6.4	10.4	9.8	1.0	0.9	7.7	8.2
TISCO	HOLD	113.50	108.00	3.9	1.5	13.1	12.9	2.0	2.0	6.8	6.8

Sources: Company data, ttb wealth estimates