

## Bank Sector – Overweight

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### Beat 1Q26 results on fee income and opex

- **Good loan growth, fees strong; NIM pressure persists**
- **KTB, KKP strongest; SCB weakest this quarter**
- **Management cautious on outlook amid war uncertainty**
- **Maintain bullish view, with KTB and KKP top buys**

### 1Q26 sector earnings overview:

The six banks under our coverage reported combined 1Q26 net profit of Bt51.9bn (-3% y-y, +23% q-q), **beating our estimate by 21%**, driven by strong **fee income and effective cost control**. Overall, we view the quarter as positive, supported by solid fee income and stable asset quality, with banks maintaining high provisioning buffers to navigate uncertainties related to the Iran conflict.

Most banks delivered earnings above expectations, led by **KBANK (+32% vs. our estimate)**, followed by KTB (+24%) and KKP (+23%), while SCB was the only bank to report in line. We favor **KTB and KKP**, given their strong core operating performance (loan growth and fee income) and resilient asset quality. In contrast, **SCB was the weakest among peers**, due to a sharp NIM contraction and the absence of additional provisioning in the quarter.

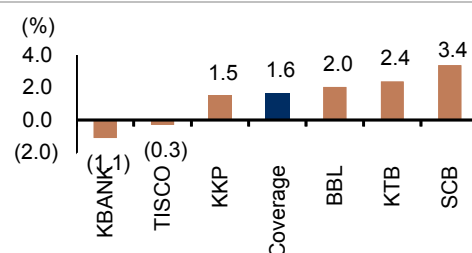
Four key positives: (1) **resumption of loan growth**, particularly in the corporate segment; (2) **strong fee income momentum**, led by wealth management; (3) **tight cost control**; and (4) **manageable asset quality**, with prudent provisioning buffers. The main headwind was NIM decrease from policy rate cuts and a shift toward lower-yield loan segments.

### Key sector trends:

- 1) **Loan growth resumes:** Aggregate loans grew **1.6% q-q**, driven by corporate and government-related lending. However, banks remain cautious in extending credit to SME and retail segments.
- 2) **NIM pressure continues:** Sector NIM contracted by **17bps q-q to 2.75%**. In addition to **policy rate cuts**, margins were weighed down by a shift toward **higher-quality, lower-yield borrowers**.
- 3) **Solid non-NII:** Non-NII increased **12% y-y and 9% q-q**. **Fee income remained strong** (+11% y-y, +5% q-q), led by wealth management. Other non-NII was supported by a surge in dividend income (partly from VAYU1, in our view) and one-off gains at KBANK. Investment-related income declined amid higher bond yields but remained at manageable levels.
- 4) **Cost discipline remains firm:** Aggregate opex fell 6% y-y.
- 5) **Asset quality manageable:** NPLs were broadly flat both y-y and q-q, with the NPL ratio at 3.68%. Credit costs rose slightly to **139bps** (from 136bps in 3Q25), reflecting **proactive management overlays** for the Iran conflict. The sector's coverage ratio remained strong at 203%.

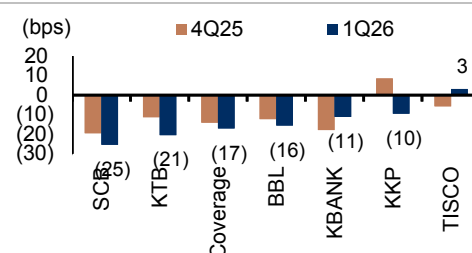
## Results Comment

### Ex 1: Loan Growth q-q



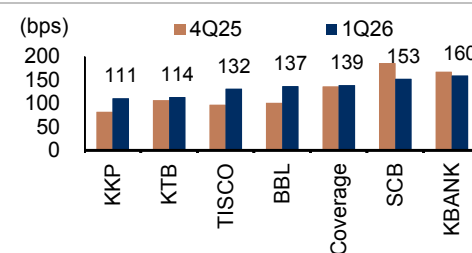
Source: Company data

### Ex 2: Change In NIM q-q



Source: Company data

### Ex 3: Credit Costs



Source: Company data

■ **Analyst meeting feedbacks:**

The tone from post-1Q26 analyst meetings was broadly conservative, reflecting rising external uncertainties and a more cautious operating environment. While asset quality remains under control and banks have largely maintained their credit cost guidance, management teams emphasized the need to closely monitor borrowers' debt-servicing capacity. At the same time, revenue momentum is expected to soften, with weaker fee income and continued NIM pressure in 2Q26. As a result, cost discipline is likely to play a critical role in supporting the bottom line.

- 1) **Cautiously lend new loans:** Banks are becoming more selective in loan origination, particularly in the SME and retail segments, amid uncertainties stemming from the Middle East conflict.
- 2) **NIM under pressure:** Most banks anticipate the Bank of Thailand to keep the policy rate at around 1%, but margins in 2Q26 will continue to feel the full impact of the Feb-26 rate cut.
- 3) **Softer non-NII:** While fee income should continue to grow moderately, supported by wealth management activities, the momentum is likely to ease from the strong levels seen in 1Q26 due to weaker market sentiment linked to geopolitical tensions. Meanwhile, investment-related income is expected to remain subdued amid higher government bond yields and increased equity market volatility.
- 4) **Opex as key support:** Strict cost discipline remains central to earnings defense, helping offset revenue pressure.
- 5) **Asset quality contained:** Banks believe that prior balance sheet clean-ups and more selective lending over the past few years have strengthened their risk profiles. Nonetheless, management remains cautious, noting that a prolonged geopolitical conflict could lead to a need for additional prudential provisioning to guard against potential downside risks.

■ **Sector view:**

We reiterate **Overweight view** to the sector. The **Iran conflict** poses indirect risks to Thai banks, but strong balance sheets and >200% NPL coverage **limit downside to ~5–6% of our current sector earnings forecast**.

Despite the headwinds, **dividend appeal remains largely intact**. Most banks hold strong capital positions sufficient to sustain current DPS levels even if earnings moderate. The key exception is SCB, whose committed 80% payout ratio makes its dividend more sensitive to any earnings shortfall.

Within the sector, we continue to **favor KTB** for its sustained ROE above 10%, high-quality loan mix, and increasingly attractive capital return profile, making it our preferred yield play. Also, we like **KKP** due to the expected strongest 2026F net profit growth (+8% y-y, with potential upside), higher quality fee income from capital market, and one of the highest dividend yield in the sector.

## Ex 4: Summary 1Q26 Net Profit

	Net profit			Change		Comment
	1Q25	4Q25	1Q26	y-y %	q-q %	
BBL	12,618	7,759	10,994	(12.9)	41.7	BBL reported 1Q26 net profit of Bt11bn (-13% y-y, +42% q-q), beating both our estimate and Bloomberg consensus by 10%, driven by lower opex. We view the results as slightly positive, supported by the resumption of loan growth.
KBANK	13,791	10,278	14,667	6.4	42.7	KBANK reported 1Q26 core profit of Bt13.4bn (-3% y-y, +30% q-q), beating both our estimate (+32%) and Bloomberg consensus (+18), due to strong fee income and net insurance premium. Its 1Q26 net profit was at Bt14.7bn (+6%y-y, +43% q-q), due to one-time compensation income from investment of Bt1.5bn. We view the results positively, mainly supported by solid fee income growth.
KKP	1,062	1,772	1,955	84.2	10.4	We maintain a positive view on KKP following its strong 1Q26 net profit of Bt1.96bn (+84% y-y, +10% q-q), which exceeded both our forecast and Bloomberg consensus by 23%. The outperformance was driven by continued improvement in asset quality and robust fee income growth.
KTB	11,714	10,773	12,437	6.2	15.4	KTB reported 1Q26 net profit of Bt12.4bn (+6% y-y, +15% q-q), <b>beating</b> our estimate (+24%) and Bloomberg consensus (+13%), driven by strong cost discipline and mark-to-market gains (MTM) from Thai Airways (THAI TB; SELL; Bt6.4). We take a positive view on the results, supported by a resilient core business.
SCB	12,502	10,144	10,195	(18.5)	0.5	SCB reported 1Q26 net profit of Bt10.2bn (-18% y-y, +1% q-q), in line with both our estimate and Bloomberg consensus. Solid fee income and cost discipline were offset by a sharp decline in NIM and lower investment-related income. We view the results as neutral.
TISCO	1,643	1,642	1,734	5.5	5.6	TISCO reported 1Q26 net profit of Bt1.73bn (+5% y-y, +6% q-q), beating Bloomberg consensus and our forecast by 5% and 8%, respectively, driven by stronger-than-expected fee income. We view the results as positive, supported by solid fee income and healthy asset quality.
<b>Coverage</b>	<b>53,330</b>	<b>42,367</b>	<b>51,983</b>	<b>(2.5)</b>	<b>22.7</b>	

Sources: Company data, ttb wealth estimates

## Ex 5: 1Q26 Key Financial Highlight

(Bt m)	BBL	KBANK	KKP	KTB	SCB	TISCO	Coverage
<b>Net interest income</b>	<b>27,976</b>	<b>31,958</b>	<b>4,216</b>	<b>23,437</b>	<b>26,781</b>	<b>3,443</b>	<b>117,811</b>
Change q-q%	-4.4%	-2.9%	-1.2%	-6.9%	-5.2%	0.8%	-4.4%
Change y-y%	-12.3%	-9.8%	-5.2%	-15.8%	-13.7%	3.4%	-12.1%
<b>Net fee income</b>	<b>6,981</b>	<b>9,987</b>	<b>1,618</b>	<b>6,198</b>	<b>8,835</b>	<b>1,431</b>	<b>35,050</b>
Change q-q%	0.1%	6.1%	-0.3%	1.3%	12.7%	6.3%	5.2%
Change y-y%	-8.0%	18.4%	23.8%	13.9%	15.8%	21.7%	11.0%
<b>Non-interest income</b>	<b>12,765</b>	<b>15,792</b>	<b>2,483</b>	<b>14,862</b>	<b>12,417</b>	<b>1,709</b>	<b>60,028</b>
Change q-q%	11.4%	6.9%	6.3%	27.3%	-5.8%	15.4%	9.3%
Change y-y%	-6.8%	17.0%	64.7%	29.6%	4.6%	27.4%	12.5%
<b>OPEX</b>	<b>18,259</b>	<b>19,279</b>	<b>3,261</b>	<b>15,352</b>	<b>16,662</b>	<b>2,227</b>	<b>75,040</b>
Change q-q%	-26.4%	-16.3%	-9.9%	-0.8%	-5.6%	-3.0%	-13.6%
Change y-y%	-12.0%	-3.9%	-7.2%	-5.8%	-2.8%	-0.7%	-6.2%
<b>Pre-provision profit</b>	<b>22,482</b>	<b>28,471</b>	<b>3,438</b>	<b>22,947</b>	<b>22,537</b>	<b>2,925</b>	<b>102,800</b>
Change q-q%	41.4%	15.4%	15.3%	7.4%	-5.3%	12.4%	12.6%
Change y-y%	-9.5%	-1.4%	41.0%	-0.3%	-12.6%	20.4%	-4.3%
<b>ECL</b>	<b>9,003</b>	<b>9,823</b>	<b>961</b>	<b>7,805</b>	<b>9,148</b>	<b>775</b>	<b>37,515</b>
Change q-q%	36.4%	-4.3%	35.7%	10.0%	-16.6%	37.1%	3.6%
Change y-y%	-0.7%	0.1%	-12.9%	-5.1%	-4.4%	100.9%	-1.7%
<b>Net profit</b>	<b>10,994</b>	<b>14,667</b>	<b>1,955</b>	<b>12,437</b>	<b>10,195</b>	<b>1,734</b>	<b>51,983</b>
Change q-q%	41.7%	42.7%	10.4%	15.4%	0.5%	5.6%	22.7%
Change y-y%	-12.9%	6.4%	84.2%	6.2%	-18.5%	5.5%	-2.5%
<b>Gross loans</b>	<b>2,661,368</b>	<b>2,449,330</b>	<b>348,557</b>	<b>2,775,513</b>	<b>2,432,252</b>	<b>235,094</b>	<b>10,902,114</b>
Change q-q%	2.0%	-1.1%	1.5%	2.4%	3.4%	-0.3%	1.6%
Change y-y%	-2.2%	0.7%	-3.9%	4.2%	0.3%	1.7%	0.6%
<b>Deposits</b>	<b>3,223,560</b>	<b>2,899,401</b>	<b>345,307</b>	<b>2,872,333</b>	<b>2,646,474</b>	<b>205,601</b>	<b>12,192,675</b>
Change q-q%	0.9%	1.7%	-0.9%	0.3%	3.2%	-2.7%	1.3%
Change y-y%	0.0%	6.5%	-3.3%	4.4%	7.1%	-0.4%	3.9%
<b>NPLs</b>	<b>100,223</b>	<b>90,767</b>	<b>16,268</b>	<b>93,669</b>	<b>95,614</b>	<b>4,949</b>	<b>401,490</b>
Change q-q%	5.9%	-3.0%	-1.5%	0.8%	-0.6%	-7.9%	0.6%
Change y-y%	2.5%	-0.5%	-9.0%	-1.4%	-3.0%	-11.5%	-1.1%
<b>Key ratios (%)</b>							
LDR	82.6%	84.5%	92.8%	96.6%	91.9%	114.3%	89.4%
NIM	2.40%	2.95%	3.72%	2.45%	2.99%	4.86%	2.75%
Cost to income	44.8%	40.4%	48.7%	40.1%	42.5%	43.2%	42.2%
Credit cost (bp)	137	160	111	114	153	132	139
NPL ratio	3.8%	3.7%	4.7%	3.4%	3.9%	2.1%	3.7%
ROE	7.6%	9.2%	11.8%	10.6%	8.2%	15.7%	9.1%

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	167.50	162.00	(8.6)	5.0	7.6	7.2	0.5	0.5	6.0	6.0
KBANK	BUY	183.50	216.00	(7.4)	7.8	9.5	8.8	0.7	0.7	7.1	7.6
KKP	BUY	80.75	76.00	3.6	5.5	11.1	10.5	1.0	1.0	6.3	6.7
KTB	BUY	32.75	41.00	(2.5)	7.3	9.7	9.1	1.0	0.9	6.7	7.2
SCB	BUY	135.00	152.00	(4.4)	6.5	10.0	9.4	0.9	0.9	8.0	8.5
TISCO	HOLD	114.50	108.00	1.1	1.5	13.6	13.4	2.1	2.0	6.8	6.8

Sources: Company data, ttb wealth estimates