

Bank Sector – Overweight

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Good 2Q26F earnings amid challenges

- **2Q26F profit Bt48.5bn: fees strong, NIM weaker**
- **Limited asset quality issue from war; credit cost easing q-q**
- **2–3% upside to 2026F sector profit forecast**
- **Bullish view maintained; KTB and KKP top picks**

2Q26F preview

We expect our six covered banks to report a good aggregate 2Q26 net profit of **Bt48.5bn (-6% y-y, -7% q-q)**.

The y-y decline is largely dragged by BBL (-11% y-y) and SCB (-21% y-y) on lower NIM and weaker investment-related income, while remaining banks should post y-y growth. **KKP (+32% y-y) stands out as the positive surprise in our forecasts**, with estimated profit ahead of our initial expectations, driven by lower anticipated losses on repossessed cars and solid wealth fee income.

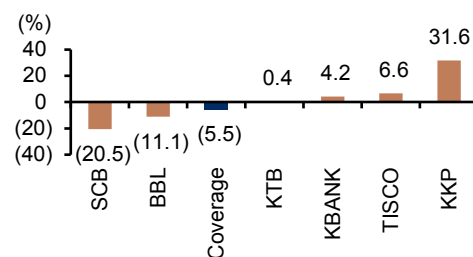
On a q-q basis, the decline reflects the full-quarter impact of the February rate cut compressing NIM and softer fee income, as investment momentum slowed in April following the outbreak of the Middle East conflict before recovering through May–June. Encouragingly, no banks are showing alarming asset quality signals from elevated oil prices or inflation, and provisioning buffers built in 1Q26 should allow credit cost to ease q-q, albeit remaining at prudent levels.

Key 2Q26F highlights:

- Moderate loan growth:** We expect aggregate loans to grow modestly by 0.4% q-q, driven by corporate segments, while SME and retail lending should contract amid continued conservative underwriting.
- NIM compression:** Sector NIM is projected to decline by 5bps q-q to 2.70%, pressured by the full impact of Feb 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 1bps uptick, benefiting from lower funding costs.
- Solid fee income:** Fee income should remain a bright spot, with all banks expected to post strong y-y growth as the sector continues to shift focus toward wealth management to offset declining transactional fees. While fee income softened q-q as markets entered a temporary risk-off mode in April following the outbreak of the Middle East conflict, momentum has since recovered through May and June.
- Soft other non-NII:** Other non-NII should decline both y-y and q-q, pressured by lower investment-related income amid rising bond yields, compounded by the seasonal absence of dividend income from the Vayupak fund.

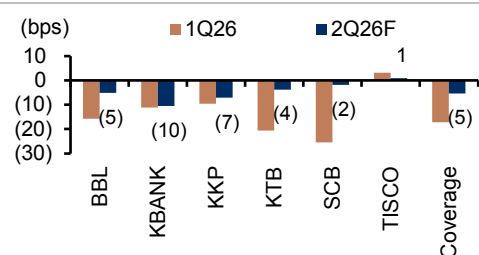
Earnings Preview

Ex 1: Net Profit Growth (y-y %)



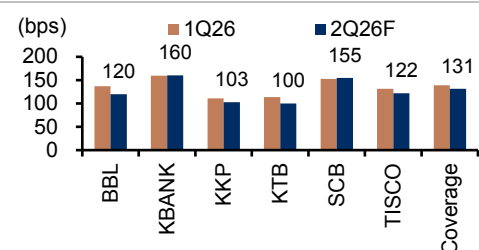
Sources: Company data, ttb wealth estimates

Ex 2: Change In NIM q-q



Sources: Company data, ttb wealth estimates

Ex 3: Credit Costs



Sources: Company data, ttb wealth estimates

5) **Discipline cost control:** Despite soft revenue, banks are expected to maintain disciplined cost controls, cutting marketing expenses and deferring IT investments. We project aggregate opex to decline 4% y-y. Nevertheless, the cost-to-income ratio is likely to rise to 44.9% from 43.5% in 2Q25, reflecting the drag from weaker revenue.

6) **Limited war impact to asset quality:** We expect aggregate NPLs to rise 2% q-q, driven mainly by seasonal NPL relapses at BBL, while asset quality at other banks remains broadly stable. Encouragingly, management across all banks has indicated no severe asset quality impact from elevated inflation or oil prices. Credit cost should ease to 131bps from 139bps in 1Q26, though still at a prudent level as banks continue to build conservative provision buffers against a still-uncertain macroeconomic backdrop.

■ Outlook:

We expect sector NIM to bottom in 2Q26 and stabilize through 3Q26–4Q26, as no further rate cuts are anticipated — removing the key drag on banks' bottom lines. Combined with continued strength in wealth management fee income, we expect aggregate 3Q26 net profit to recover q-q, though still declining y-y.

We see **2–3% upside to our current combined 2026F sector net profit forecast** at Bt193.7bn (-5% y-y), with **KKP and KBANK** as the key names where earnings surprises are most likely.

Looking into 2027F, we reaffirm our view that sector net profit will resume growth, supported by modest NIM recovery, continued fee income expansion, and gradually declining credit costs. An attractive dividend yield of c.6% adds further support to the investment case. We maintain our bullish sector view, with KTB and KKP as our top picks.

Ex 4: Summary 2Q26F Net Profit

	Net profit			Change		Expected results date	Comment
	2Q25	1Q26	2Q26F	y-y %	q-q %		
BBL	11,840	10,994	10,520	(11.1)	(4.3)	20-21 Jul	We forecast BBL's 2Q26 net profit at Bt10.5bn (-11% y-y, -4% q-q). NIM should compress 5bps q-q to 2.35% from the full-quarter impact of February's rate cut, while loans grow modestly at 1% q-q driven by corporate lending. Fee income recovers y-y on wealth-related businesses but softens q-q on geopolitical headwinds. Seasonal opex increase pushes cost-to-income to c.48%. NPLs edge up 4% q-q from relapsed cases, though oil price impact on asset quality remains limited. Credit cost is set conservatively at 120bps, improving from 137bps in 1Q26.
KBANK	12,488	14,667	13,008	4.2	(11.3)	21-Jul	We forecast KBANK's 2Q26 net profit at Bt13.0bn (-11% y-y, +4% q-q). Loans should grow 2% q-q driven by corporate lending, while NIM compresses 10bps q-q to 2.85% from the full-quarter rate cut impact and a deliberate shift toward lower-risk assets. Fee income continues to post strong y-y growth on wealth-related businesses, though non-NII declines q-q absent the Bt1.5bn one-off in 1Q26. Credit cost remains conservative at 160bps, stable q-q, with no alarming signs of asset quality deterioration from geopolitical headwinds.

Sources: Company data, ttb wealth estimates

Ex 4: Summary 2Q26F Net Profit (Con't)

	Net profit			Change		Expected results date	Comment
	2Q25	1Q26	2Q26F	y-y %	q-q %		
KKP	1,409	1,955	1,855	31.6	(5.1)	20-21 Jul	We forecast KKP's 2Q26 net profit at Bt1.9bn (+32% y-y, -5% q-q), ahead of our initial estimate of Bt1.6bn. Loans grow modestly at 1% q-q from corporate lending, while NIM compresses 7bps q-q to 3.65% reflecting the full-quarter rate cut impact and a shift toward lower-risk assets. Fee income remains solid, underpinned by strong wealth management momentum. Asset quality stays under control, with credit cost improving to 103bps from 111bps in 1Q26 and loss on repossessed cars stable q-q at Bt350m.
KTB	11,122	12,437	11,162	0.4	(10.3)	21-Jul	We forecast KTB's 2Q26 net profit at Bt11.2bn (stable y-y, -10% q-q). Loans ease 0.5% q-q on softer government lending, while NIM compresses 4bps q-q to 2.41% from the full-quarter rate cut impact. Fee income continues to grow, supported by wealth-related businesses. No significant mark-to-market impact is expected from THAI Airways shares given stable q-q price. Asset quality shows no alarming signs from geopolitical headwinds, and with ample provision buffers, credit cost should decline to 100bps from 114bps in 1Q26.
SCB	12,786	10,195	10,162	(20.5)	(0.3)	21-Jul	We forecast SCB's 2Q26 net profit at Bt10.2bn (-21% y-y, stable q-q). NIM should remain broadly stable q-q, as the recovery from the artificially depressed 1Q26 level — caused by a surge in low-yield corporate lending at end-1Q26 — offsets the full-quarter impact of the February rate cut. Fee income would grow y-y on wealth-related businesses, while cost discipline remains a strength with cost-to-income at 43.6%. Despite no alarming signs of war-related asset quality stress, the high proportion of retail loans (47% of total) would keep credit cost elevated at 155bps.
TISCO	1,644	1,734	1,751	6.6	1.0	14-Jul	We forecast TISCO's 2Q26 net profit at Bt1.8bn (+7% y-y, +1% q-q), making it the only bank in our coverage to deliver growth on both measures. Unlike peers, NIM edges up 1bp q-q to 4.87%, supported by declining funding costs. Loans grow modestly at 0.5% q-q from auto hire-purchase, while fee income continues to expand y-y on wealth-related businesses. Asset quality shows no alarming signs from geopolitical headwinds, with credit cost improving to 122bps from 132bps in 1Q26.
Coverage	51,289	51,983	48,459	(5.5)	(6.8)		

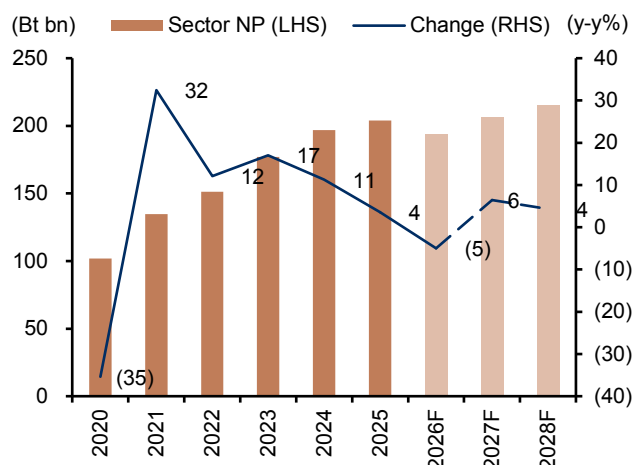
Sources: Company data, ttb wealth estimates

Ex 5: 2Q26F Key Financial Highlight

(Bt m)	BBL	KBANK	KKP	KTB	SCB	TISCO	Coverage
Net interest income	27,986	31,190	4,225	23,293	27,191	3,467	117,353
Change q-q%	0.0%	-2.4%	0.2%	-0.6%	1.5%	0.7%	-0.4%
Change y-y%	-11.7%	-10.0%	-2.0%	-13.4%	-10.6%	4.2%	-10.6%
Net fee income	6,557	9,473	1,719	6,184	8,187	1,368	33,488
Change q-q%	-6.1%	-5.1%	6.2%	-0.2%	-7.3%	-4.4%	-4.5%
Change y-y%	7.9%	15.3%	17.9%	11.0%	10.5%	14.9%	11.9%
Non-interest income	12,058	14,926	2,291	12,406	12,153	1,640	55,475
Change q-q%	-5.5%	-5.5%	-7.7%	-16.5%	-2.1%	-4.0%	-7.6%
Change y-y%	-4.9%	8.7%	22.1%	2.8%	-7.6%	12.6%	0.9%
OPEX	19,524	20,005	3,258	15,349	17,168	2,210	77,514
Change q-q%	6.9%	3.8%	-0.1%	0.0%	3.0%	-0.8%	3.3%
Change y-y%	-2.8%	-3.8%	-5.7%	-9.6%	-2.1%	0.9%	-4.4%
Pre-provision profit	20,520	26,112	3,258	20,350	22,176	2,898	95,314
Change q-q%	-8.7%	-8.3%	-5.2%	-11.3%	-1.6%	-0.9%	-7.3%
Change y-y%	-15.5%	-5.3%	19.1%	-7.5%	-14.8%	11.6%	-9.4%
ECL	8,004	9,895	902	6,921	9,401	719	35,843
Change q-q%	-11.1%	0.7%	-6.2%	-11.3%	2.8%	-7.2%	-4.5%
Change y-y%	-25.5%	-1.5%	-7.3%	-16.0%	-7.0%	28.6%	-11.9%
Net profit	10,520	13,008	1,855	11,162	10,162	1,751	48,459
Change q-q%	-4.3%	-11.3%	-5.1%	-10.3%	-0.3%	1.0%	-6.8%
Change y-y%	-11.1%	4.2%	31.6%	0.4%	-20.5%	6.6%	-5.5%
Gross loans	2,674,675	2,498,317	352,042	2,761,635	2,420,091	236,270	10,943,030
Change q-q%	0.5%	2.0%	1.0%	-0.5%	-0.5%	0.5%	0.4%
Change y-y%	-1.4%	2.6%	-1.7%	3.3%	1.1%	0.3%	1.3%
Deposits	3,362,225	2,807,414	355,467	2,832,509	2,689,026	210,683	12,257,324
Change q-q%	4.3%	-3.2%	2.9%	-1.4%	1.6%	2.5%	0.5%
Change y-y%	5.2%	3.2%	-0.5%	2.7%	9.1%	0.4%	4.7%
NPLs	104,235	91,392	16,004	95,050	96,824	5,008	408,513
Change q-q%	4.0%	0.7%	-1.6%	1.5%	1.3%	1.2%	1.7%
Change y-y%	-1.2%	0.5%	-8.6%	0.4%	0.7%	-11.6%	-0.5%
Key ratios (%)							
LDR	79.6%	89.0%	94.0%	97.5%	90.0%	112.1%	89.3%
NIM	2.35%	2.85%	3.65%	2.41%	2.97%	4.87%	2.70%
Cost to income	48.8%	43.4%	50.0%	43.0%	43.6%	43.3%	44.9%
Credit cost (bp)	120	160	103	100	155	122	131
NPL ratio	3.9%	3.7%	4.5%	3.4%	4.0%	2.1%	3.7%
ROE	8.3%	10.3%	10.7%	8.8%	8.0%	1.4%	8.5%

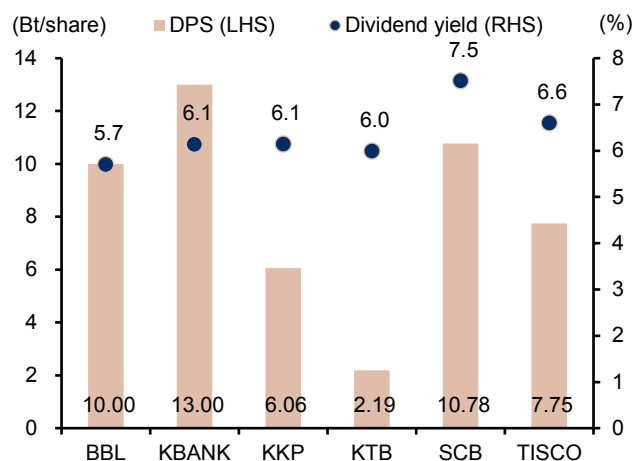
Sources: Company data, ttb wealth estimates

Ex 6: Sector Net Profit Growth



Sources: Company data, ttb wealth estimates

Ex 7: Dividend Return Of Each Bank



Sources: Company data, ttb wealth estimates

Ex 8: Bank Sector Valuations

Stocks	Rating	Current price (Bt)	Target price (Bt)	Norm EPS growth		Norm PE		P/BV		Yield	
				2026F (%)	2027F (%)	2026F (x)	2027F (x)	2026F (x)	2027F (x)	2026F (%)	2027F (%)
BBL	HOLD	175.50	162.00	(8.6)	5.0	8.0	7.6	0.6	0.5	5.7	5.7
KBANK	BUY	212.00	216.00	(7.4)	7.8	10.9	10.2	0.8	0.8	6.1	6.6
KKP	BUY	98.75	92.00	12.8	3.2	12.2	11.8	1.2	1.2	6.1	6.3
KTB	BUY	36.50	41.00	(2.5)	7.3	10.9	10.1	1.1	1.0	6.0	6.4
SCB	BUY	143.50	152.00	(4.4)	6.5	10.6	10.0	1.0	0.9	7.5	8.0
TISCO	HOLD	117.50	108.00	1.1	1.5	14.0	13.8	2.1	2.1	6.6	6.6

Sources: Company data, ttb wealth estimates