Bank Sector – Overweight

Results Comment

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Beat 2Q26 results on fee income

- **Good loan growth, fees strong; NIM pressure easing**
- **KTB, KKP strongest; SCB weakest this quarter**
- **Neutral to slightly positive feedbacks from analyst meeting**
- **Maintain bullish view, with KTB and KKP top buys**

- **2Q26 sector earnings overview:**

The six banks under our coverage reported combined 2Q26 net profit of Bt49.9bn (-3% y-y, -4% q-q), **beating** our estimate by 3%, driven by strong fee income. Overall, **we view the quarter as positive**, supported by sustained strong fee income momentum, led by wealth management across every bank in our coverage; stable asset quality; and continued gradual loan growth recovery.

KKP and KTB were the standout beats, exceeding our estimates by 14% and 8% respectively. KBANK, TISCO, and SCB reported earnings broadly in line with expectations, while BBL was the only notable miss, with earnings 12% below our forecast due to weaker investment gains.

We continue to favor KTB and KKP, supported by strong core operating performance — solid loan growth and fee income momentum — alongside resilient asset quality. SCB was the relative weak among peers, weighed down by a notable increase in NPL formation within its corporate segment.

- **Key sector trends:**

1) **Loan growth continues to recover:** Aggregate loans grew **1.3% q-q**, driven by corporate and government-related lending. However, banks remain cautious in extending credit to SME and retail segments. KBANK posted the strongest loan growth of 4.5% q-q.

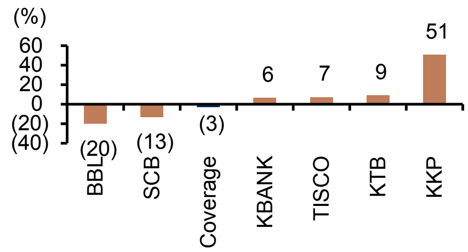
2) **NIM pressure is easing:** Sector NIM **declined by just 1bp q-q** to 2.74% in 2Q26, a significant improvement from the 17bp q-q contraction in 1Q26. Loan yields continued to decline, but at a much slower pace, while funding costs remained on a downward trend, supported by the ongoing repricing of high-cost fixed deposits. TISCO's NIM increased the highest at 12bps q-q.

3) **Fee income remained strong** (+17% y-y, stable q-q): Fee income grew strongly across the board — KKP (+28% y-y), KBANK (+26% y-y), TISCO, BBL, SCB, and KTB in the early to mid-teen level— with wealth management, asset management, brokerage, and bancassurance the common drivers.

4) **Cost discipline remains firm:** Aggregate opex fell 4% y-y.

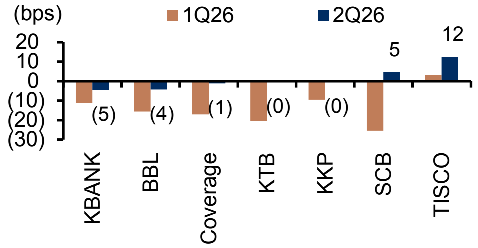
5) **Asset quality remained manageable:** NPLs were broadly flat q-q. Credit costs **declined slightly to 132bps** (from 139bps in 1Q26) as banks have already set aside management overlay for uncertainty in 1Q26. The sector's coverage ratio remained strong at 206%.

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



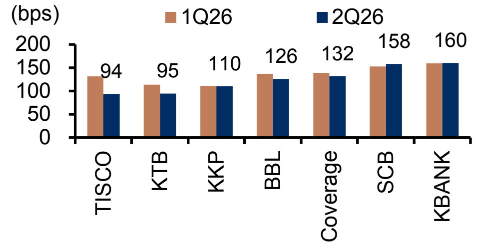
Sources: Company data, ttb wealth estimates

Ex 2: Change In NIM q-q



Sources: Company data, ttb wealth estimates

Ex 3: Credit Costs



Sources: Company data, ttb wealth estimates

- **Analyst meeting feedbacks:**

  The tone from post-2Q26 analyst meetings was **neutral to slightly positive**, reflecting a more constructive operating environment relative to the cautious stance seen after 1Q26. Banks delivered better-than-expected results across several fronts, with wealth management fee income emerging as a clear sector-wide strength, asset quality holding firm, and corporate loan demand showing early signs of recovery.

  1) **Wealth management fee income — a durable growth engine:** All banks reported solid fee income growth, driven by wealth management, asset management, brokerage, and bancassurance. Importantly, management teams across the sector expressed confidence that this momentum can be sustained, even in periods of market volatility, citing internal improvements — new product launches, more focused client segmentation, and deeper relationship manager coverage — rather than relying solely on favorable market conditions.

  2) **NIM pressure nearing an end:** Medium-sized banks believe NIM has largely bottomed as funding costs continue to decline. For large banks, NIM may still edge lower due to portfolio shifts toward lower-risk corporate lending, although the pace of decline should moderate. Funding costs should continue to improve, albeit at a slower pace than in previous quarters.

  3) **Asset quality — no red flags, but SME and retail remain fragile:** There are no systemic asset quality concerns across the sector. Corporate portfolios continue to perform well. SME and retail segments remain vulnerable, particularly in auto hire-purchase, low-income mortgage, and unsecured lending. Credit costs are expected to stay within banks' full-year guidance ranges, though most banks acknowledge they may track toward the higher end of their targets. The notable exception is KKP, where management lowered its credit cost guidance following meaningful improvement in the auto HP portfolio.

  4) **Loan growth — corporate leading, retail and SME lagging:** Loan growth is recovering. Corporate lending is the primary driver. SME and retail demand remains subdued. Crucially, management teams across the sector noted that large corporate loan repayments in 2H26 remain a risk — as a result, full-year loan growth targets are being maintained at conservative levels despite the encouraging 2Q26 momentum.

- **Sector view:**

  We reiterate our **Overweight** view on the banking sector. Despite ongoing macro uncertainty, banks continue to deliver resilient operating performance. We believe sector NIM bottomed in 2Q26 and should remain broadly stable through 3Q26–4Q26, removing the key earnings headwind. Together with continued strength in wealth management fee income, this should support **a q-q recovery in aggregate 3Q26 earnings**, although profits are likely to remain lower y-y due to a high base.

  Looking ahead to **2027F, we continue to expect the sector to return to earnings growth**, supported by a gradual recovery in NIM, sustained fee income expansion, improving loan growth, and lower credit costs. Coupled with attractive 6–7% dividend yields, we believe the sector offers an appealing risk-reward profile. We maintain **KTB and KKP as our top picks**.

Ex 4: Summary 2Q26 Net Profit

	Net profit			Change		Comment
	2Q25	1Q26	2Q26	y-y %	q-q %	
BBL	11,840	10,994	9,498	(19.8)	(13.6)	BBL reported 2Q26 net profit of Bt9.5bn (-20% y-y, -14% q-q), missing both our forecast and Bloomberg consensus by 12% due to lower gain on investment. The y-y decline was driven primarily by NIM compression from policy rate cuts, while the q-q shortfall reflected higher seasonal opex and lower investment gains from the bond portfolio as rising bond yields.
KBANK	12,488	14,667	13,247	6.1	(9.7)	KBANK reported solid 2Q26 net profit of Bt13.3bn (+6% y-y, -1% q-q), in line with both our forecast and Bloomberg consensus. The result was supported by strong fee income, higher FVTPL gains, and solid loan growth.
KKP	1,409	1,955	2,122	50.6	8.5	We maintain a positive view on KKP following its strong 2Q26 net profit of Bt2.1bn (+51% y-y, +9% q-q), which exceeded both our forecast and Bloomberg consensus by 14%. The outperformance was driven by continued improvement in asset quality and robust fee income growth.
KTB	11,122	12,437	12,125	9.0	(2.5)	KTB reported strong 2Q26 net profit of Bt12.1bn (+9% y-y, -3% q-q), beating our estimate and Bloomberg consensus by 8%, driven by strong cost discipline. We take a positive view on the results, with broad-based strength across loan growth, fee income, cost management, and asset quality.
SCB	12,786	10,195	11,117	(13.1)	9.0	SCB reported 2Q26 net profit of Bt11.1bn (-13% y-y, +9% q-q), beating both our forecast and Bloomberg consensus by 5%, mainly due to stronger-than-expected investment income. ▪ We were encouraged by the solid fee income and disciplined cost control, but remain cautious on asset quality, particularly in the AutoX and SME portfolios. Overall, we view the results as neutral.
TISCO	1,644	1,734	1,764	7.3	1.7	TISCO reported 2Q26 net profit of Bt1.76bn (+7% y-y, +2% q-q), in line with both Bloomberg consensus and our forecast. The solid results were driven by lower funding costs, stronger fee income, and a decline in credit costs. We view the quarter as slightly positive, supported by the resumption of loan growth and healthy asset quality.
Coverage	**51,289**	**51,983**	**49,873**	**(2.8)**	**(4.1)**	

Sources: Company data, ttb wealth estimates

Ex 5: 2Q26 Key Financial Highlight

(Bt m)	BBL	KBANK	KKP	KTB	SCB	TISCO	Coverage
Net interest income	27,769	31,432	4,329	23,261	27,306	3,524	117,621
Change q-q%	*-0.7%*	*-1.6%*	*2.7%*	*-0.7%*	*2.0%*	*2.3%*	*-0.2%*
Change y-y%	*-12.4%*	*-9.3%*	*0.4%*	*-13.5%*	*-10.2%*	*5.9%*	*-10.4%*
Net fee income	6,969	10,391	1,870	6,144	8,293	1,384	35,051
Change q-q%	*-0.2%*	*4.1%*	*15.6%*	*-0.9%*	*-6.1%*	*-3.3%*	*0.0%*
Change y-y%	*14.7%*	*26.5%*	*28.2%*	*10.3%*	*11.9%*	*16.2%*	*17.1%*
Non-interest income	12,582	17,856	2,558	12,939	13,797	1,550	61,282
Change q-q%	*-1.4%*	*13.1%*	*3.0%*	*-12.9%*	*11.1%*	*-9.3%*	*2.1%*
Change y-y%	*-0.7%*	*30.1%*	*36.3%*	*7.2%*	*4.9%*	*6.4%*	*11.5%*
OPEX	19,954	20,750	3,200	14,582	17,042	2,342	77,869
Change q-q%	*9.3%*	*7.6%*	*-1.9%*	*-5.0%*	*2.3%*	*5.1%*	*3.8%*
Change y-y%	*-0.7%*	*-0.3%*	*-7.4%*	*-14.1%*	*-2.8%*	*6.9%*	*-3.9%*
Pre-provision profit	20,397	28,537	3,687	21,619	24,061	2,732	101,033
Change q-q%	*-9.3%*	*0.2%*	*7.2%*	*-5.8%*	*6.8%*	*-6.6%*	*-1.7%*
Change y-y%	*-16.0%*	*3.5%*	*34.8%*	*-1.7%*	*-7.6%*	*5.3%*	*-4.0%*
ECL	8,433	10,019	970	6,621	9,571	551	36,164
Change q-q%	*-6.3%*	*2.0%*	*0.9%*	*-15.2%*	*4.6%*	*-28.9%*	*-3.6%*
Change y-y%	*-21.5%*	*-0.3%*	*-0.3%*	*-19.6%*	*-5.3%*	*-1.4%*	*-11.1%*
Net profit	9,498	13,247	2,122	12,125	11,117	1,764	49,873
Change q-q%	*-13.6%*	*-9.7%*	*8.5%*	*-2.5%*	*9.0%*	*1.7%*	*-4.1%*
Change y-y%	*-19.8%*	*6.1%*	*50.6%*	*9.0%*	*-13.1%*	*7.3%*	*-2.8%*
Gross loans	2,678,467	2,558,943	354,075	2,808,978	2,404,582	235,803	11,040,848
Change q-q%	*0.6%*	*4.5%*	*1.6%*	*1.2%*	*-1.1%*	*0.3%*	*1.3%*
Change y-y%	*-1.3%*	*5.1%*	*-1.2%*	*5.1%*	*0.4%*	*0.1%*	*2.2%*
Deposits	3,212,308	2,918,027	356,617	2,856,976	2,628,411	214,783	12,187,122
Change q-q%	*-0.3%*	*0.6%*	*3.3%*	*-0.5%*	*-0.7%*	*4.5%*	*0.0%*
Change y-y%	*0.5%*	*7.3%*	*-0.2%*	*3.6%*	*6.6%*	*2.4%*	*4.1%*
NPLs	105,261	91,681	13,806	93,706	91,934	4,994	401,382
Change q-q%	*5.0%*	*1.0%*	*-15.1%*	*0.0%*	*-3.8%*	*0.9%*	*0.0%*
Change y-y%	*-0.2%*	*0.8%*	*-21.1%*	*-1.0%*	*-4.4%*	*-11.9%*	*-2.2%*
Key ratios (%)							
LDR	83.4%	87.7%	91.3%	98.3%	91.5%	109.8%	90.6%
NIM	2.36%	2.91%	3.72%	2.44%	3.03%	4.98%	2.74%
Cost to income	49.5%	42.1%	46.5%	40.3%	41.5%	46.1%	43.5%
Credit cost (bp)	126	160	110	95	158	94	132
NPL ratio	3.9%	3.6%	3.9%	3.3%	3.8%	2.1%	3.6%
ROE	6.6%	9.1%	12.4%	10.5%	9.0%	16.1%	9.0%

Sources: Company data, ttb wealth estimates

Ex 6: Bank Sector Valuations

		Current	Target	Norm EPS growth		—— Norm PE ——		——— P/BV ———		——— Yield ———	
Stocks	Rating	price	price	2026F	2027F	2026F	2027F	2026F	2027F	2026F	2027F
		(Bt)	(Bt)	(%)	(%)	(x)	(x)	(x)	(x)	(%)	(%)
BBL	HOLD	200.00	162.00	(8.6)	5.0	9.1	8.6	0.6	0.6	5.0	5.0
KBANK	BUY	235.00	216.00	(7.4)	7.8	12.1	11.3	0.9	0.9	5.5	6.0
KKP	BUY	113.50	92.00	12.8	3.2	14.0	13.6	1.4	1.3	5.3	5.5
KTB	BUY	42.50	41.00	(2.5)	7.3	12.6	11.8	1.3	1.2	5.1	5.5
SCB	BUY	155.00	152.00	(4.4)	6.5	11.5	10.8	1.0	1.0	7.0	7.4
TISCO	HOLD	130.50	108.00	1.1	1.5	15.5	15.3	2.4	2.3	5.9	5.9

Sources: Company data, ttb wealth estimates

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