Krung Thai Bank Pcl (KTB TB) - BUY, Price Bt42.50, TP Bt41.00

Results Comment

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High quality beat 2Q26 on opex

- 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.
- **We expect 3Q26 earnings to improve q-q**, driven by lower credit costs, continued fee income momentum, and a stable NIM. However, **y-y earnings may soften** due to a high base of investment-related income in 3Q25.
- KTB remains **our top pick** in the banking sector, supported by its superior ROE profile (sustainably above 10%), high-quality loan portfolio, and strong exposure to Thailand's upcoming infrastructure investment cycle
- *2Q26 Key highlights:*

(+) Loan up 1.2% q-q, driven mainly by government loans, corporate, and mortgages.

(+) Fee income +10% y-y, stable q-q: from wealth management-related fees.

(+) Good cost control: Opex declined 14% y-y and 5% q-q, mainly due to lower NPA impairment.

(+) Healthy asset quality: NPLs was stable 1% q-q and stage 2 loans declined 4% q-q. Credit cost eased significantly to 95bps from 114bps in 1Q26, bringing 1H26 credit cost to 104bps, comfortably within 2026 guidance range of 75–115bps. Coverage ratio remained robust at 202%.

(+) NIM declined only 1bps q-q to 2.44% as the redemption of US$600m of AT1 capital significantly reduced funding costs, largely offsetting the lower loan yields from the policy rate cut.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	**2Q25**	**3Q25**	**4Q25**	**1Q26**	**2Q26**
Interest & dividend income	37,502	36,337	35,296	32,583	31,891
Interest expense	10,605	10,465	10,127	9,146	8,630
Net interest income	**26,897**	**25,871**	**25,169**	**23,437**	**23,261**
Non-interest income	12,070	15,191	11,674	14,862	12,939
Total income	38,967	41,063	36,843	38,299	36,200
Operating expense	16,974	16,031	15,469	15,352	14,582
Pre-provisioning profit	**21,993**	**25,031**	**21,374**	**22,947**	**21,619**
Provision for bad&doubtful debt	8,239	7,202	7,096	7,805	6,621
Profit before tax	13,753	17,829	14,278	15,142	14,998
Tax	2,828	3,647	3,229	2,764	3,020
Profit after tax	10,926	14,183	11,050	12,378	11,978
Equity income	1,204	1,464	800	1,173	1,280
Minority interests	(1,008)	(1,027)	(1,077)	(1,114)	(1,133)
Extra items	-	-	-	-	-
Net profit	**11,122**	**14,620**	**10,773**	**12,437**	**12,125**
Normalized profit	**11,122**	**14,620**	**10,773**	**12,437**	**12,125**
PPP/share (Bt)	1.6	1.8	1.5	1.6	1.5
EPS (Bt)	0.8	1.0	0.8	0.9	0.9
Norm EPS (Bt)	0.8	1.0	0.8	0.9	0.9
BV/share (Bt)	31.8	33.0	33.2	33.6	32.4

Income Statement			**6M as**		
(Bt m)	**q-q%**	**y-y%**	**% 2026F**	**2026F**	**2027F**
Interest & dividend income	(2)	(15)	47	136,482	140,010
Interest expense	(6)	(19)	44	39,971	38,711
Net interest income	**(1)**	**(14)**	**48**	**96,511**	**101,299**
Non-interest income	(13)	7	63	44,078	45,426
Total income	(5)	(7)	53	140,590	146,725
Operating expense	(5)	(14)	49	61,169	62,445
Pre-provisioning profit	**(6)**	**(2)**	**56**	**79,421**	**84,280**
Provision for bad&doubtful debt	(15)	(20)	66	21,906	23,182
Profit before tax	(1)	9	52	57,515	61,098
Tax	9	7	50	11,503	11,609
Profit after tax	(3)	10	53	46,012	49,489
Equity income	9	6	53	4,666	4,900
Minority interests	neg	neg	61	(3,681)	(3,959)
Extra items	neg	neg		-	-
Net profit	**(3)**	**9**	**52**	**46,997**	**50,430**
Normalized profit	**(3)**	**9**	**52**	**46,997**	**50,430**
PPP/share (Bt)	(6)	(2)	56	5.7	6.0
EPS (Bt)	(3)	9	52	3.4	3.6
Norm EPS (Bt)	(3)	9	52	3.4	3.6
BV/share (Bt)	(4)	2	32	33.6	35.5

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	**2Q25**	**3Q25**	**4Q25**	**1Q26**	**2Q26**
Cash and Interbank	693,990	703,845	600,707	544,929	608,176
Other liquid items	131,939	149,864	137,604	136,465	123,513
Total liquid items	825,929	853,709	738,311	681,395	731,689
Gross loans and accrued interest	2,696,261	2,614,944	2,736,278	2,798,885	2,832,709
Provisions	178,676	184,247	185,845	188,247	188,847
Net loans	2,517,586	2,430,697	2,550,433	2,610,638	2,643,862
Fixed assets	53,675	52,595	52,323	51,442	50,763
Other assets	59,063	69,987	68,948	78,315	78,545
Total assets	**3,804,538**	**3,833,413**	**3,933,319**	**3,918,836**	**3,875,705**
Deposits	2,757,282	2,767,196	2,864,171	2,872,333	2,856,976
Interbank	281,790	270,288	274,137	266,547	261,645
Other liquid items	5,891	5,430	5,722	5,074	5,361
Total liquid items	3,044,963	3,042,914	3,144,031	3,143,954	3,123,982
Borrowings	133,716	134,264	124,740	112,140	113,356
Other liabilities	160,193	173,100	177,526	168,752	162,734
Minority interest	20,712	21,739	22,793	23,907	22,725
Shareholders' equity	**444,955**	**461,396**	**464,230**	**470,083**	**452,907**
Total Liabilities & Equity	**3,804,538**	**3,833,413**	**3,933,319**	**3,918,836**	**3,875,705**

Financial Ratios					
(%)	**2Q25**	**3Q25**	**4Q25**	**1Q26**	**2Q26**
Gross loan growth (YTD)	(1.0)	(3.9)	0.5	2.4	3.6
Gross loan growth (q-q)	0.4	(3.0)	4.6	2.4	1.2
Deposit growth (YTD)	0.9	1.3	4.9	0.3	(0.3)
Deposit growth (q-q)	0.2	0.4	3.5	0.3	(0.5)
Non-interest income (y-y)	35.2	47.3	37.2	29.6	7.2
Non-interest income (q-q)	5.2	25.9	(23.2)	27.3	(12.9)
Fee income / Operating income	14.3	14.2	16.6	16.2	17.0
Cost-to-income	43.6	39.0	42.0	40.1	40.3
Net interest margin	2.90	2.76	2.65	2.45	2.44
Credit cost	1.24	1.09	1.07	1.14	0.95
ROE	9.9	12.9	9.3	10.6	10.5
Loan-to-deposit	96.9	93.7	94.7	96.6	98.3
Loan-to-deposit + S-T borrowing	96.9	93.7	94.7	96.6	98.3
NPLs (Bt m)	94,656	91,154	92,911	93,669	93,706
NPL increase	(361)	(3,502)	1,757	758	37
NPL ratio	3.54	3.52	3.43	3.37	3.34
Loan-loss-coverage ratio	188.8	202.1	200.0	201.0	201.5
CAR - total	21.3	21.8	21.3	20.0	20.0

Sources: Company data, ttb wealth estimates

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