Banking

OVERWEIGHT
(Maintained)

2Q26: Results In Line; Fee And Service Income Boost Bottom Line

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Highlights

- Banks reported a combined net profit of Bt63.7b, down 1% yoy and 3% qoq.
- Maintain OVERWEIGHT on the sector. Top picks are KBANK and KTB.

Analysis

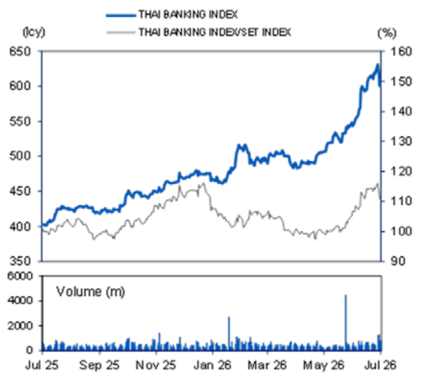
- **Results in line.** In 2Q26, banks under our coverage reported a combined net profit of Bt63.7b, down 1% yoy and 3% qoq, in line with our and market's expectation. Net interest income (NII) dropped 7% yoy and flat qoq. NIM stabilised qoq at 3.42% in 2Q26. Meanwhile, non-interest income (non-II) jumped 13% yoy but remained flat qoq. The banking sector's pre-provision operating profit (PPOP) declined 2% yoy and 3% qoq in 2Q26.
- **Signs of recovery in NII.** In 2Q26, many big banks with high exposure to corporate loans reported a reduction qoq in NII. Meanwhile, small banks, namely KKP and TISCO, saw their NIIs rise 2.6% and 2.3% qoq respectively. Some banks have guided for an improvement in NIM going forward, and that NIM is likely to have bottomed in 2Q26.
- **Fee and service income is key to boosting non-II in 2Q26.** Banks under our coverage reported an increase of 19% yoy and 1% qoq in net fee and service income. Meanwhile, many banks reported a strong bottom line, driven by strong fee and service income. Banks attributed this mainly to the wealth business, which benefitted from favourable US and domestic stock markets. However, BBL reported a 1% yoy and 2% qoq reduction in non-II due to a decrease in investment gains and minimal support from the wealth business. We expect banks to continue to focus on growing the wealth business to help boost non-II while lending rates remain at low levels.
- **Cleaner loan portfolios for the banking sector.** The banking sector reported a 13bp yoy and 9bp qoq reduction in credit cost. However, SCB reported a 5bp qoq increase in credit cost due to the impact of large NPL write-offs and sales. Overall, the impact of Middle East tensions had little effect in 2Q26. Together with the Bank of Thailand's upward revision of its 2026 GDP forecast to 2.3%, we still expect to see a further improvement in banking asset quality and credit cost quarter by quarter in 2H26.
- **A possible increase in dividend payout ratio.** We expect banks to at least maintain their dividend payout ratio (DPR) in 2026. TTB guides that the remaining budget from its share buyback should be utilised wisely. KBANK has utilised 40% of its total share buyback budget and ended the programme early. KKP mentioned that the capital raised from exercising warrants will be used to maximise shareholder returns once KKP's P/B exceeds 1x. We expect banks' DPR to increase in 2026.

Sector Picks

Company	Ticker	Rec	Share Price 22 July	Target Price (Bt)
Kasikorn Bank	KBANK TB	BUY	232.00	285.00
Krungthai Bank	KTB TB	BUY	41.00	52.00

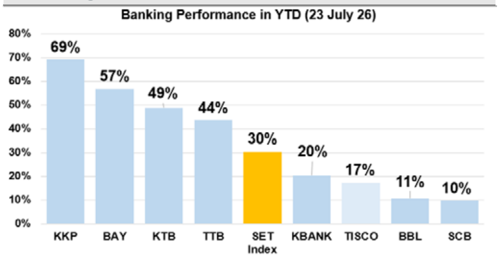
Source: Bloomberg, UOB Kay Hian

Returns: Banking vs SET Index



Source: Bloomberg, UOB Kay Hian

Banking Performance YTD



Source: Bloomberg, UOB Kay Hian

Peer Comparison

Company	Rec	Price 22 Jul 26 (Bt)	Target Price (Bt)	Upside Downside (%)	Market Cap (US$m)	Net Profit 2026F (Btm)	Net Profit 2027F (Btm)	PE 2026F (x)	PE 2027F (x)	Net EPS Growth 2026F (%)	P/B 2026F (x)	Yield 2026F (%)	ROE 2026F (%)
BAY TB	BUY	40.25	50.00	24.2	8,864	34,187	36,110	8.7	8.2	7.7	0.7	4.2	8.0
BBL TB	BUY	187.00	220.00	17.6	10,687	44,420	46,511	8.0	7.7	(3.4)	0.6	6.0	7.6
KBANK TB	BUY	232.00	285.00	22.8	16,458	52,542	54,933	10.4	9.9	6.6	0.9	6.0	8.9
KKP TB	BUY	110.50	135.00	22.2	2,877	8,287	8,283	11.1	11.1	36.8	1.3	7.0	12.0
KTB TB	BUY	41.00	52.00	26.8	17,156	49,368	52,260	11.6	11.0	2.4	1.2	6.5	10.5
SCB TB	BUY	151.00	190.00	25.8	15,223	46,198	49,231	11.0	10.3	(2.7)	1.0	7.6	9.3
TISCO TB	HOLD	129.50	120.00	(7.3)	3,104	7,048	7,338	14.7	14.1	5.8	2.3	6.2	16.1
TTB TB	HOLD	2.88	3.20	11.1	8,413	22,266	19,825	11.3	12.7	7.9	1.1	5.7	9.2
Avg					82,783	264,316	274,491	10.5	10.1	3.2	1.0	6.2	9.5

Source: UOB Kay Hian

- **BAY: 2Q26 results in line; loan portfolio expanded qoq.** BAY posted a 2Q26 net profit of Bt8.3b, flat yoy but down 4% qoq. The results are in line with our forecasts. The bank's NII increased 11% yoy but was flat qoq in 2Q26. NIM rose from 4.61% in 1Q26 to 4.65% in 2Q26. PPOP rose 7% yoy but dropped 3% qoq in 2Q26.
- **BBL: 2Q26 results missed; loan portfolio growth within target.** BBL posted a 2Q26 net profit of B9.5b, down 20% yoy and 14% qoq. The results missed our and consensus forecasts by 15% and 11% respectively due to a qoq increase in opex. NIM fell from 2.49% in 1Q26 to 2.42% in 2Q26. PPOP dropped 16% yoy and 10% qoq in 2Q26.
- **KBANK: 2Q26 results beat; non-II boosted bottom line.** KBANK posted a 2Q26 net profit of Bt13.2b (+6% yoy, -10% qoq). The actual results beat our forecasts by 8% and are in line with consensus estimates. KBANK's pre-provision operating profit rose 4% yoy but dropped 4% qoq in 2Q26. NII declined by 9% yoy and 2% qoq in 2Q26. NIM contracted from 2.95% in 1Q26 to 2.90% in 2Q26. Non-II jumped 31% yoy and 4% qoq.
- **KKP: 2Q26 results beat; a positive surprise from non-II.** KKP reported a net profit of Bt2.12b for 2Q26, increasing 51% yoy and 9% qoq. The results beat our and consensus expectations by 29% and 17%, respectively. The key positive surprise was non-II coming in 69% higher than our expectation, mainly attributable to: a) an impressive fee and service income, and b) dividend income. PPOP jumped 35% yoy and 7% qoq.
- **KTB: 2Q26 results beat; provision expenses down yoy and qoq.** KTB reported a 2Q26 net profit of Bt12.1b, up 9% yoy but down 3% qoq. The results beat our and consensus forecasts by 8%. PPOP decreased 1% yoy and 5% qoq in 2Q26. The NPL ratio decreased from 2.93% in 1Q26 to 2.92% in 2Q26. Credit costs declined 20bp qoq to 95bp in 2Q26. (1Q26: 115bp). In 1H26, credit costs came in at 105bp, within its 2026 target of 75-115bp.
- **SCB: 2Q26 results in line; investment and trading income skyrocket qoq.** SCB reported a 2Q26 net profit of Bt11.1b (-13% yoy, +9% qoq). The results are in line with our and consensus forecasts. Loan portfolio was flat yoy but contracted 1.1% qoq in 2Q26. PPOP declined 7% yoy but grew 7% qoq in 2Q26. SCB will remain prudent in lending and will continue to monitor the loan portfolio in order to ensure good asset quality.
- **TISCO: 2Q26 results in line; improving credit costs qoq.** TISCO posted a 2Q26 net profit of Bt1.76b (+7% yoy, +2% qoq), in line with our and market expectations. PPOP rose 5% yoy but fell 7% qoq in 2Q26. Management guided that the bank maintains a prudent credit policy due to the volatile situation, but expects a brighter economic outlook. The current coverage ratio is adequate to buffer against uncertainties.
- **TTB: 2Q26 results beat; non-II boosts bottom line.** TTB posted 2Q26 net profit of Bt5.51b (+10% yoy, +7% qoq). The results beat our and consensus estimates by 6% and 7% respectively. PPOP increased by 2% yoy and 2% qoq. TTB reiterated its commitment to growing its loan portfolio, with a focus on steering the loan mix toward high-yield retail loan products.

2Q26 Earnings Results: Actual vs Forecasts

	--------------------- 2Q26 Net profit (Btm)	---------------------		--------------- Actual vs Forecast	---------------
	Actual	UOBKH	Consensus	UOBKH	Consensus
BAY	8,294	8,577	8,834	In-line	Below
BBL	9,498	11,197	10,714	Below	Below
KBANK	13,247	12,216	12,653	Above	In-line
KKP	2,122	1,646	1,814	Above	Above
KTB	12,125	11,228	11,212	Above	Above
SCB	11,117	11,289	10,614	In-line	In-line
TISCO	1,764	1,680	1,762	In-line	In-line
TTB	5,513	5,201	5,163	Above	Above
Total	63,680	63,033	62,766	In-line	In-line

Source: Bloomberg, UOB Kay Hian

Valuation/Recommendation

- **Maintain OVERWEIGHT.** The sector trades at 0.95x 2026F P/B. Top picks are KBANK and KTB.

Loan Breakdown in 2Q26

	Corporate	SME	Retail
BAY	35%	15%	50%
BBL	51%	15%	11%
KBANK	41%	24%	31%
KKP	14%	13%	57%
KTB	23%	10%	45%
SCB	39%	15%	46%
TISCO	26%	6%	69%
TTB	30%	7%	63%

Source: Respective companies, UOB Kay Hian

2026 Financial Targets

	Loan	NIM	Credit Cost	NPL ratio
BAY	2-4%	4.0-4.3%	200-230bp	3.25-3.5%
BBL	2-3%	2.4-2.5%	1.0%	3.0%
KBANK	0-2%	2.75-2.95%	140-160bp	<3.25%
KKP	3%	4.5-4.6% (loan spread)	1.3-1.5%	3.5%
KTB	0-2%	2.35-2.5%	75-115bp	<3.1%
SCB	0-5%	3.0-3.2%	135-155bp	N/A
TISCO	0-5%	N/A	110bp	N/A
TTB	0-2%	3.0-3.1%	130-135bp	<3.2%

Source: Respective companies, UOB Kay Hian

1H26 Actual Results

	Loan	NIM	Credit Cost	NPL ratio
BAY	0.4%	4.6%	236bp	3.08%
BBL	2.7%	2.46%	1.3%	3.3%
KBANK	3.32%	2.91%	158bp	3.18%
KKP	3.1%	4.6% (loan spread)	1.46%	3.6%
KTB	3.6%	2.47%	105bp	2.92%
SCB	2.2%	3.05%	157bp	3.17%
TISCO	0%	4.97%	113bp	2.12%
TTB	-1.8%	3.02%	91bp	2.93%

Source: Respective companies, UOB Kay Hian

Net Fee And Service Income

Btb	2Q26	1Q26	2Q25	%qoq	%yoy
BAY	7.5	7.4	6.1	0.9	23.8
BBL	7.0	7.0	6.1	(0.2)	14.7
KBANK	10.4	10.0	8.2	4.1	26.5
KKP	1.9	1.6	1.5	15.6	28.2
KTB	6.1	6.2	5.6	(0.9)	10.3
SCB	8.3	8.8	7.4	(6.1)	11.9
TISCO	1.2	1.2	1.2	(0.3)	(3.4)
TTB	3.1	2.9	2.3	9.7	39.6

Source: Respective companies, UOB Kay Hian

Dividend Payout Ratio

	2026F		2025		2024	
	Div Payout	Div Yield	Div Payout	Div Yield	Div Payout	Div Yield
BAY	37%	3.7%	30%	3.4%	21%	2.2%
BBL	48%	5.6%	42%	5.7%	36%	5.6%
KBANK	63%	5.9%	67%	7.1%	58%	7.7%
KKP	78%	7.1%	79%	7.7%	67%	7.6%
KTB	76%	6.3%	77%	7.9%	48%	7.2%
SCB	84%	7.4%	80%	8.2%	80%	8.9%
TISCO	92%	6.4%	93%	6.7%	90%	7.9%
TTB	64%	5.5%	61%	7.1%	60%	7.0%

Source: Respective companies, UOB Kay Hian

Earnings Revision

- No earnings revision.

Sector Catalyst/Risk

- Upgrade in dividend payout ratio and share buyback programme.
- Government stimulus to boost domestic economy.

2Q26 Earning Results

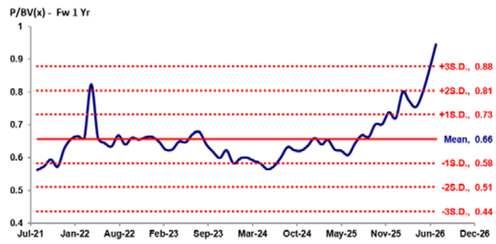
	2Q26	1Q26	2Q25	qoq (%)	yoy (%)	2026F	2025	yoy (%)
Net profit (Btm)								
BAY	8,294	8,618	8,295	(3.8)	(0.0)	31,528	31,738	(0.7)
BBL	9,498	10,994	11,840	(13.6)	(19.8)	44,420	46,007	(3.4)
KBANK	13,247	14,667	12,488	(9.7)	6.1	52,542	49,565	6.0
KKP	2,122	1,955	1,409	8.5	50.6	8,287	5,913	40.1
KTB	12,125	12,437	11,122	(2.5)	9.0	49,368	48,229	2.4
SCB	11,117	10,195	12,786	9.0	(13.1)	46,198	47,488	(2.7)
TISCO	1,764	1,734	1,644	1.7	7.3	7,048	6,659	5.8
TTB	5,513	5,170	5,004	6.6	10.2	22,266	20,639	7.9
Total	63,680	65,770	64,589	(3.2)	(1.4)	261,657	256,238	2.1
Pre-provision operating profit (Btm)								
BBL	22,801	23,482	21,272	(2.9)	7.2	91,845	84,950	8.1
BAY	20,386	22,549	24,328	(9.6)	(16.2)	82,185	92,136	(10.8)
KBANK	28,973	30,242	27,796	(4.2)	4.2	109,910	109,952	(0.0)
KKP	3,687	3,438	2,735	7.2	34.8	13,787	11,143	23.7
KTB	22,899	24,120	23,197	(5.1)	(1.3)	89,050	95,861	(7.1)
SCB	24,181	22,650	26,120	6.8	(7.4)	94,690	102,013	(7.2)
TISCO	2,740	2,936	2,604	(6.7)	5.2	10,932	10,642	2.7
TTB	9,292	9,090	9,110	2.2	2.0	37,138	36,144	2.7
Total	134,960	138,507	137,162	(2.6)	(1.6)	529,537	542,840	(2.5)
Total loans (Btb)								
BAY	1,950	1,920	1,879	1.6	3.8	1,995	1,943	2.7
BBL	2,696	2,680	2,733	0.6	(1.4)	2,692	2,627	2.5
KBANK	2,579	2,469	2,452	4.5	5.2	2,561	2,496	2.6
KKP	362	357	366	1.4	(1.2)	364	351	3.6
KTB	2,833	2,799	2,696	1.2	5.1	2,847	2,736	4.1
SCB	2,432	2,459	2,429	(1.1)	0.1	2,437	2,381	2.4
TISCO	236	235	236	0.3	0.1	239	236	1.5
TTB	1,192	1,186	1,214	0.5	(1.8)	1,233	1,213	1.6
Total	14,279	14,105	14,005	1.2	2.0	14,368	13,983	2.8
NIM (%)								
BAY	4.65	4.61	4.19	4bp	46bp	4.4	4.35	9bp
BBL	2.42	2.49	2.81	-7bp	-39bp	2.6	2.75	-19bp
KBANK	2.90	2.95	3.31	-5bp	-41bp	3.0	3.23	-23bp
KKP	3.90	3.87	3.87	3bp	3bp	4.0	3.91	7bp
KTB	2.45	2.48	2.91	-3bp	-46bp	2.5	2.82	-36bp
SCB	3.04	2.99	3.59	5bp	-55bp	3.3	3.44	-18bp
TISCO	4.98	4.95	4.75	3bp	23bp	5.0	4.82	19bp
TTB	3.03	3.02	3.07	1bp	-4bp	2.9	3.04	-13bp
Average	3.42	3.42	3.56	0bp	-14bp	3.45	3.55	-9bp
Credit cost (bp)								
BAY	235	238	217	-3bp	17bp	245	227	18bp
BBL	125	136	157	-10bp	-31bp	90	135	-46bp
KBANK	160	160	165	0bp	-5bp	144	163	-19bp
KKP	143	150	178	-7bp	-35bp	125	162	-37bp
KTB	94	113	122	-19bp	-28bp	82	113	-30bp
SCB	158	153	168	5bp	-10bp	145	174	-29bp
TISCO	94	132	96	-38bp	-2bp	91	100	-9bp
TTB	137	136	143	1bp	-6bp	124	136	-12bp
Average	143	152	156	-9bp	-13bp	131	151	-20bp
NPL ratio (%)								
BAY	3.1	3.3	3.4	-26bp	-31bp	3.2	3.3	-2bp
BBL	3.3	3.1	3.2	20bp	10bp	3.0	3.0	5bp
KBANK	3.2	3.2	3.2	-1bp	-1bp	3.2	3.2	-5bp
KKP	3.5	4.1	4.3	-60bp	-80bp	3.4	4.3	-88bp
KTB	2.9	2.9	2.9	-1bp	-2bp	2.9	2.9	0bp
SCB	3.2	3.2	3.3	-7bp	-15bp	3.1	3.3	-19bp
TISCO	2.1	2.1	2.4	1bp	-29bp	2.1	2.3	-16bp
TTB	2.9	2.9	2.7	0bp	20bp	2.9	2.9	0bp
Average	3.0	3.1	3.2	-9bp	-16bp	3.0	3.1	-16bp

Source: Respective companies, UOB Kay Hian

Sector PE Band

Source: UOB Kay Hian

Sector P/B Band



Source: UOB Kay Hian

BBL P/B Band

Source: UOB Kay Hian

BAY P/B Band

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