

## Banking

### 1Q26 Results Preview: Credit Costs Expected To Decline

#### Highlights

- We expect the sector to report a net profit of Bt51.3b, -12% yoy, +8% qoq.
- Market concerns over the spike in oil prices will drag banks' asset quality.
- Maintain MARKET WEIGHT on the sector. Our top pick is BBL.

#### Analysis

- **Expect 1Q26 earnings to drop yoy.** We expect banks under our coverage to report an aggregated net profit of around Bt51.3b in 1Q26, down 12% yoy but up 8% qoq. Excluding provision expenses, we expect the banking sector's pre-provision operating profit to decline 11% yoy but rise 4% qoq.
- **Forecast a slight yoy loan expansion in 2026.** We project that the banking sector's loan portfolio will be flat qoq but contract 0.6% yoy in 1Q26. Overall, we forecast the sector's loan portfolio to expand 1.8% yoy in 2026 according to many banks under our coverage, which are expected to grow their loan portfolios.
- **Expect credit costs to decrease yoy in 2026.** We expect the banking sector's credit costs to drop 3bp qoq to 140bp and 11bp yoy in 1Q26. Overall, we forecast that the sector's credit costs will decline 13bp yoy in 2026. Many banks indicated that they remain prudent with their lending policies and prefer to preserve good asset quality. We project a yoy reduction in credit costs in 2026. We expect the NPL ratio to fall yoy from 3.2% in 1Q25 to 3.1% in 1Q26. Meanwhile, we anticipate that the NPL ratio will be 3.1% in 2026.
- **Market concerns over the spike in oil prices to drag banks' asset quality.** Since the start of the Middle East conflict on 28 Feb 26, US oil prices skyrocketed from US\$67.28 on 27 Feb 26 to US\$112.57 on 27 Mar 26, marking a 67.3% jump. However, local retail oil prices (Gasohol 95) in Thailand increased 4.9% (from Bt30.55 to Bt32.05 per litre), and diesel prices at Bangchak gas stations rose from Bt29.94 to Bt30.44 per litre, or +1.7%, as of 18 Mar 26. Extremely shocking to consumers, on 26 Mar 26, all domestic retail gas stations announced plans to adjust all retail oil prices upward by Bt6 per litre. Therefore, local retail oil prices (Gasohol 95) in Thailand have increased 34.4% since the unrest in the Middle East, and diesel prices at Bangchak gas stations have risen by 30% to Bt38.94 per litre (surpassing the previous high of Bt35 per litre). As a result, the market is concerned that the spike in the costs of living and transportation will inevitably escalate business costs and lead to a deterioration in asset quality for the banking sector's loans.

#### Peer Comparison

Company	Rec	Price 27 Mar 26 (Bt)	Target Price (Bt)	Upside Downside (%)	Market Cap (US\$m)	Net Profit 2026F (Btm)	Net Profit 2026F (Btm)	PE 2026F (x)	PE 2027F (x)	Net EPS Growth 2026F (%)	P/B 2026F (x)	Yield 2026F (%)	ROE 2026F (%)
BBL TB	HOLD	167.50	180.00	7.5	9,838	40,365	43,799	7.9	7.3	(12.3)	0.5	6.0	6.9
KBANK TB	HOLD	191.00	185.00	(3.1)	13,924	45,225	47,893	10.0	9.4	(8.8)	0.8	6.5	7.7
	(Prev HOLD)		180.00										
KKP TB	HOLD	75.50	72.00	(4.6)	1,967	5,837	6,192	10.5	9.9	(1.3)	0.9	6.4	8.9
KTB TB	HOLD	35.00	34.00	(2.9)	15,051	43,198	45,832	11.3	10.7	(10.4)	1.0	5.9	9.2
	(Prev BUY)		34.00										
SCB TB	HOLD	145.50	132.00	(9.3)	15,074	43,025	45,827	11.4	10.7	(9.4)	1.0	7.1	8.6
TISCO TB	HOLD	112.50	110.00	(2.2)	2,771	6,798	7,175	13.2	12.6	2.1	2.0	6.9	15.6
TTB TB	HOLD	2.28	2.30	0.9	6,845	20,409	18,018	10.5	11.9	(7.9)	0.8	5.5	8.2
<b>Avg</b>					<b>65,471</b>	<b>204,858</b>	<b>214,735</b>	<b>10.4</b>	<b>9.9</b>	<b>(8.7)</b>	<b>0.9</b>	<b>6.3</b>	<b>8.6</b>

Source: UOB Kay Hian

## MARKET WEIGHT (Maintained)

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#### Sector Picks

Company	Ticker	Rec	Share Price 27 Mar 26	Target Price (Bt)
Bangkok Bank	BBL TB	HOLD	167.50	180.00

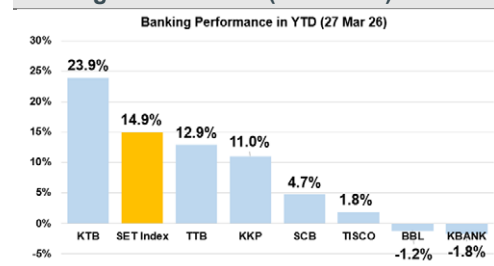
Source: Bloomberg, UOB Kay Hian

#### Returns: Banking vs SET Index



Source: Bloomberg, UOB Kay Hian

#### Banking Performance (27 Mar 26)



Source: Bloomberg, UOB Kay Hian

- No significant changes in NPL ratio during the historical oil price jump.** We have studied historical banking data to determine whether past oil price spikes led to an increase in the banking sector's NPL ratio. Our research covered four significant historical events: First, OPEC+'s first coordinated production cuts (2017): OPEC+ or Organization of the Petroleum Exporting Countries (OPEC) and 10 non-OPEC oil-producing nations, most notably Russia, Mexico, and Kazakhstan, initiated production cuts. Second, US sanctions on Iranian oil (2019): Increased geopolitical tension led to supply constraints. Third, Russia-Ukraine war (2022): A major global energy disruption. Fourth, OPEC+'s aggressive production cuts (2023): Further supply-side tightening.
- Our findings indicate that when oil prices jump, the banking sector's NPL ratio typically expands only slightly and insignificantly. In some cases, a lagged effect was observed, with a minor increase appearing in the following quarter. Therefore, we are not extremely concerned about the current oil price spike. Meanwhile, banks indicated that they are maintaining good asset quality by closely monitoring existing clients and implementing stringent lending policies.
- Market expects policy rate to remain at 1.0% throughout 2026.** The Bank of Thailand cut the policy rate to 1.0% in Feb 26. According to Bloomberg consensus, the market anticipates the policy rate remaining at 1.0% throughout 2026.

## Valuation/Recommendation

- Maintain MARKET WEIGHT.** The sector trades at 0.86x 2026F P/B, which implies +3SD to its historical five-year mean. We think that the banking sector is trading at an expensive valuation, driven by cash management strategies of each bank, which aligns with our expectations.
- In addition, we downgrade KTB from BUY to HOLD following an impressive share price rally in line with our expectation after the announcement of an interim dividend payment, along with a positive surprise regarding the remaining dividend payment for 2025 operations, with no further catalysts in sight. Additionally, KTB's share price is trading at nearly +3SD to its five-year mean, which is quite expensive compared with historical trading levels; meanwhile, KTB's share price has rallied 24% ytd (2025: +34.5%). We switch our top pick to the laggard, which is BBL.

## Earnings Revision

- We fine-tune our sector earnings forecasts by +0.7%, +0.7% and +0.7% for 2026-28 respectively. We are positive on the banking sector's credit cost outlook.

### Earnings Revision

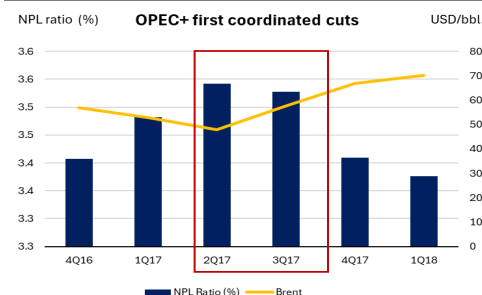
Net profit (Btm)	2026F			2027F			2028F		
	New	Old	% Chg	New	Old	% Chg	New	Old	% Chg
BBL	40,365	40,365	-	43,799	43,798	-	44,942	44,938	-
KBANK	45,225	43,756	3.4	47,893	46,425	3.2	48,984	47,458	3.2
KKP	5,837	5,837	-	6,192	6,191	-	6,296	6,296	-
KTB	43,198	43,198	-	45,832	45,831	-	47,485	47,482	-
SCB	43,025	43,025	-	45,827	45,827	-	47,824	47,823	-
TISCO	6,798	6,798	-	7,175	7,175	-	7,449	7,448	-
TTB	20,409	20,409	-	18,018	18,018	-	19,098	19,098	-
<b>Total</b>	<b>204,858</b>	<b>203,389</b>	<b>0.7</b>	<b>214,735</b>	<b>213,264</b>	<b>0.7</b>	<b>222,077</b>	<b>220,543</b>	<b>0.7</b>

Source: Respective companies, UOB Kay Hian

## Sector Catalyst/Risk

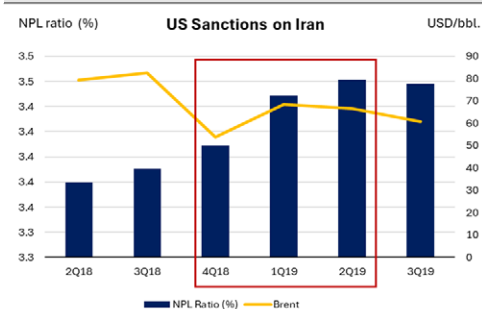
- Government stimulus to boost domestic economy.

### Banks' NPL Ratio: During The Event Of OPEC+ First Coordinated Oil Production Cuts In 2017



Source: Bloomberg, UOB Kay Hian

### Banks' NPL Ratio: During The Event Of US Sanctions On Iranian Oil In 2019



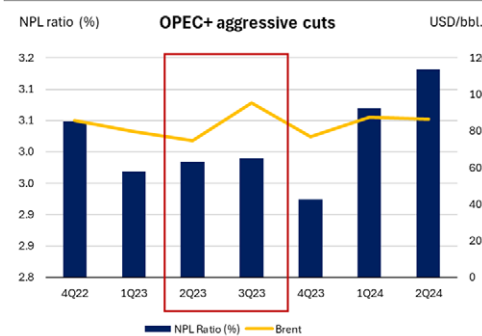
Source: Bloomberg, UOB Kay Hian

### Banks' NPL Ratio: During The Event Of Russia-Ukraine War In 2022



Source: Bloomberg, UOB Kay Hian

### Banks' NPL Ratio: During The Event Of OPEC+'s Aggressive Oil Production Cuts



Source: Bloomberg, UOB Kay Hian

### 1Q26 Earnings Preview

	1Q26F	4Q25	1Q25	qoq (%)	yoy (%)	2026F	2025	yoy (%)
<b>Net profit (Btm)</b>								
BBL	10,049	7,759	12,618	29.5	(20.4)	40,365	46,007	(12.3)
KBANK	11,763	10,278	13,791	14.5	(14.7)	45,225	49,565	(8.8)
KKP	1,462	1,772	1,062	(17.5)	37.8	5,837	5,913	(1.3)
KTB	10,582	10,773	11,714	(1.8)	(9.7)	43,198	48,229	(10.4)
SCB	10,699	10,144	12,502	5.5	(14.4)	43,025	47,488	(9.4)
TISCO	1,653	1,642	1,643	0.7	0.6	6,798	6,659	2.1
TTB	5,092	5,240	5,096	(2.8)	(0.1)	20,409	20,639	(1.1)
<b>Total</b>	<b>51,301</b>	<b>47,608</b>	<b>58,426</b>	<b>7.8</b>	<b>(12.2)</b>	<b>204,858</b>	<b>224,499</b>	<b>(8.7)</b>
<b>Pre-provision operating profit (Btm)</b>								
BBL	19,023	15,940	24,902	19.3	(23.6)	77,560	92,136	(15.8)
KBANK	26,786	24,824	29,051	7.9	(7.8)	101,849	109,952	(7.4)
KKP	2,690	2,983	2,438	(9.8)	10.3	11,535	11,143	3.5
KTB	21,714	22,174	23,995	(2.1)	(9.5)	85,462	95,861	(10.8)
SCB	23,272	23,930	25,857	(2.8)	(10.0)	91,886	102,013	(9.9)
TISCO	2,618	2,614	2,438	0.2	7.4	10,727	10,642	0.8
TTB	9,109	8,668	9,456	5.1	(3.7)	37,171	36,144	2.8
<b>Total</b>	<b>105,213</b>	<b>101,133</b>	<b>118,137</b>	<b>4.0</b>	<b>(10.9)</b>	<b>416,190</b>	<b>457,891</b>	<b>(9.1)</b>
<b>Total loans (Btb)</b>								
BBL	2,655	2,627	2,742	1.1	(3.2)	2,667	2,627	1.5
KBANK	2,486	2,496	2,451	(0.4)	1.4	2,538	2,496	1.7
KKP	354	351	370	0.8	(4.3)	363	351	3.3
KTB	2,742	2,736	2,686	0.2	2.1	2,786	2,736	1.8
SCB	2,408	2,381	2,451	1.2	(1.7)	2,422	2,381	1.7
TISCO	242	236	231	2.5	4.5	245	236	3.8
TTB	1,188	1,213	1,219	(2.1)	(2.6)	1,236	1,213	1.9
<b>Total</b>	<b>12,075</b>	<b>12,040</b>	<b>12,151</b>	<b>0.3</b>	<b>(0.6)</b>	<b>12,257</b>	<b>12,040</b>	<b>1.8</b>
<b>NIM (%)</b>								
BBL	2.6	2.6	2.8	-3bp	-25bp	2.5	2.8	-21bp
KBANK	3.1	3.2	3.6	-6bp	-46bp	2.9	3.3	-34bp
KKP	3.9	3.9	4.0	-6bp	-9bp	4.0	3.9	14bp
KTB	2.6	2.7	3.1	-12bp	-50bp	2.5	2.9	-32bp
SCB	3.5	3.4	3.8	8bp	-37bp	3.3	3.6	-26bp
TISCO	5.0	4.9	4.8	13bp	21bp	5.0	4.8	20bp
TTB	3.0	3.0	3.2	2bp	-14bp	3.0	3.0	-3bp
<b>Average</b>	<b>3.4</b>	<b>3.4</b>	<b>3.6</b>	<b>-1bp</b>	<b>-23bp</b>	<b>3.3</b>	<b>3.5</b>	<b>-12bp</b>
<b>Credit cost (bp)</b>								
BBL	96	100	133	-5bp	-37bp	100	135	-35bp
KBANK	168	167	159	1bp	9bp	155	161	-6bp
KKP	139	143	194	-5bp	-55bp	156	162	-7bp
KTB	107	106	122	1bp	-14bp	97	113	-16bp
SCB	163	184	157	-21bp	6bp	156	172	-16bp
TISCO	95	97	67	-2bp	28bp	95	100	-5bp
TTB	133	120	148	13bp	-16bp	127	134	-7bp
<b>Average</b>	<b>129</b>	<b>131</b>	<b>140</b>	<b>-3bp</b>	<b>-11bp</b>	<b>127</b>	<b>140</b>	<b>-13bp</b>
<b>NPL ratio (%)</b>								
BBL	3.0	3.0	3.0	1bp	1bp	3.0	3.0	1bp
KBANK	3.2	3.2	3.2	1bp	3bp	3.2	3.2	-3bp
KKP	4.2	4.3	4.4	-7bp	-17bp	4.2	4.3	-10bp
KTB	2.9	2.9	3.0	-4bp	-11bp	2.8	2.9	-6bp
SCB	3.2	3.3	3.5	-9bp	-25bp	3.1	3.3	-15bp
TISCO	2.3	2.3	2.4	2bp	-12bp	2.3	2.3	-3bp
TTB	2.9	2.9	2.8	2bp	14bp	2.8	2.9	-5bp
<b>Average</b>	<b>3.1</b>	<b>3.1</b>	<b>3.2</b>	<b>-2bp</b>	<b>-7bp</b>	<b>3.1</b>	<b>3.1</b>	<b>-6bp</b>

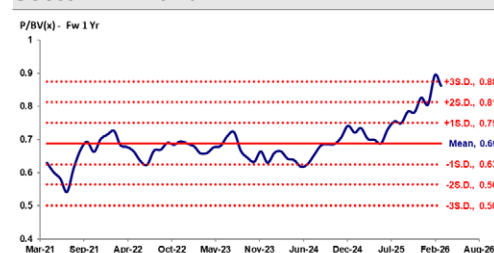
Source: Respective companies, UOB Kay Hian

### Sector PE Band



Source: UOB Kay Hian

### Sector P/B Band



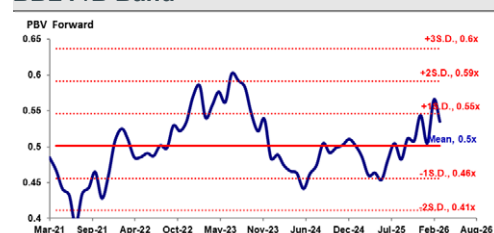
Source: UOB Kay Hian

### KTB P/B Band



Source: UOB Kay Hian

### BBL P/B Band



Source: UOB Kay Hian

### Banks' Dividend Payout Ratio

	2026F		2025		2024	
	Div Payout	Div Yield	Div Payout	Div Yield	Div Payout	Div Yield
BBL	47%	5.7%	42%	5.7%	36%	5.6%
KBANK	65%	6.0%	67%	7.1%	58%	7.7%
KKP	67%	6.5%	79%	7.7%	67%	7.6%
KTB	67%	6.1%	77%	7.9%	48%	7.2%
SCB	81%	7.5%	80%	8.2%	80%	8.9%
TISCO	92%	6.7%	93%	6.7%	90%	7.9%
TTB	58%	6.6%	61%	7.1%	60%	7.0%

Source: Respective companies, UOB Kay Hian

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