

Sector Update

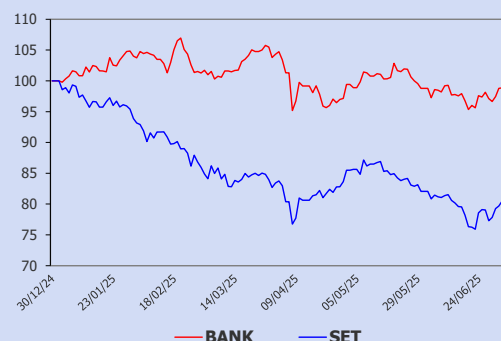
Friday, July 04, 2025



I V Global Securities Public Company Limited

Banking sector

Rating: Neutral



Rating	CGR	Thai CAC	SET ESG
BAY		Certified	AAA
BBL		Certified	AAA
KBANK		Certified	AAA
KTB		Certified	AAA
SCB		Certified	AA
TTB		Certified	AAA
TISCO		Certified	AAA
KKP		Certified	AA

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Debt-relief program phase 2 kicks off

- **Event:** On 1 July, the cabinet approved the second phase of debt-relief measures by the Bank of Thailand (BoT), with an ideal registration deadline of 30 Sept from 30 June. The first phase of the debt-restructuring program was initially launched in December of last year under the "You Fight, We Help" program, primarily to help alleviate low-income problem loans. The authorities expect a total for the two phases of the debt-relief programs to help up to 3.7m people for a debt value of Bt1.2trn.
- The criteria for the second phase is 1) reducing the debt overdue period to one day from 30 days (as of 31 Oct 2024) where debt had previously been restructured, 2) for the "Pay, Close, Finish" program, raising the debt assistance amounts from a previous Bt5,000/account to Bt10,000 (unsecured) and Bt30,000 (for secured loans), and 3) adding more new measures "Pay, Cut the Principal" to help unsecured bad debts with a debt amount not exceeding Bt50,000 per account.
- Three measures were announced:
 - 1) "Direct Payment, Asset Protection", by allowing these groups of debtors to suspend interest payments for three years (overdue home loans (<Bt5m), auto and motorcycle loans (<Bt0.8m and <Bt0.05m), SME loans of <Bt5m) and reduce debt installments to 50%/70%/90% during year 1 to year 3. These debts were incurred before 1 Jan 2024 and overdue for payment from 1 Oct by >30 days, or overdue for payment for less than 30 days if those debts were being restructured from 1 Jan 2022. However, these debtors cannot borrow more over the next 12 months with the exception of SMEs.
 - 2) "Pay, Close, Finish" is a program that helps restructure debts (of less than Bt5,000/account) overdue for over 90 days, unsecured debts of less than Bt10,000/account, or secured debts of no more than Bt30,000.
 - 3) "Pay, Cut The Principal" is a program for unsecured debts (such as credit cards, ATM cash cards) of no more than Bt50,000/account and signing a new term loan with a minimum repayment of 2% for three years.
- We don't expect a material impact from the You Fight We Help measure on commercial banks, as eligible debtors are expected to be low in number relative to commercial banks' lending portfolios. Therefore, we foresee a marginal impact on the banking sector's operating performance. Since the launch of the program in December last year until June 15, 2025, 630,000 eligible debtors, or 32% of the 1.9m eligible participants, have registered. The amount of debt enrolled in the program came to Bt460bn, accounting for 52% of the total eligible debt amount of Bt890bn.

	No of eligible debtors	No of accounts	Loan outstanding value
Phase 1	1.9 million	2.1 million	Bt 890 billion
Phase 2	1.8 million	2.0 million	Bt 310 billion
Total	3.7 million	4.1 million	Bt1.2 trillion

- **Recommendations.** The latest debt-relief measures are designed to help low-income debtors. We believe commercial banks will see a minimal impact on income and NPL. Declining funding costs will offset falling interest income. The policy of setting aside provisions in the future will likely remain conservative with prudent policies. We have a Neutral weighting on the banking sector based on slower economic activity amid the risk of higher credit costs under our current macro view. The sector currently trades at P/E of 8.0x and 7.7x for 2025-26F with solid dividend yields of 7.1% and 7.3%, respectively. A downside risk is the uncertainty over the outcome of the trade war and declining global trade activity. The banking sector index (-1%) has outperformed the SET Index (-19.6%) YTD. We maintain our BUY calls on KTB (TP: Bt24.9) and KBANK (TP: Bt175).

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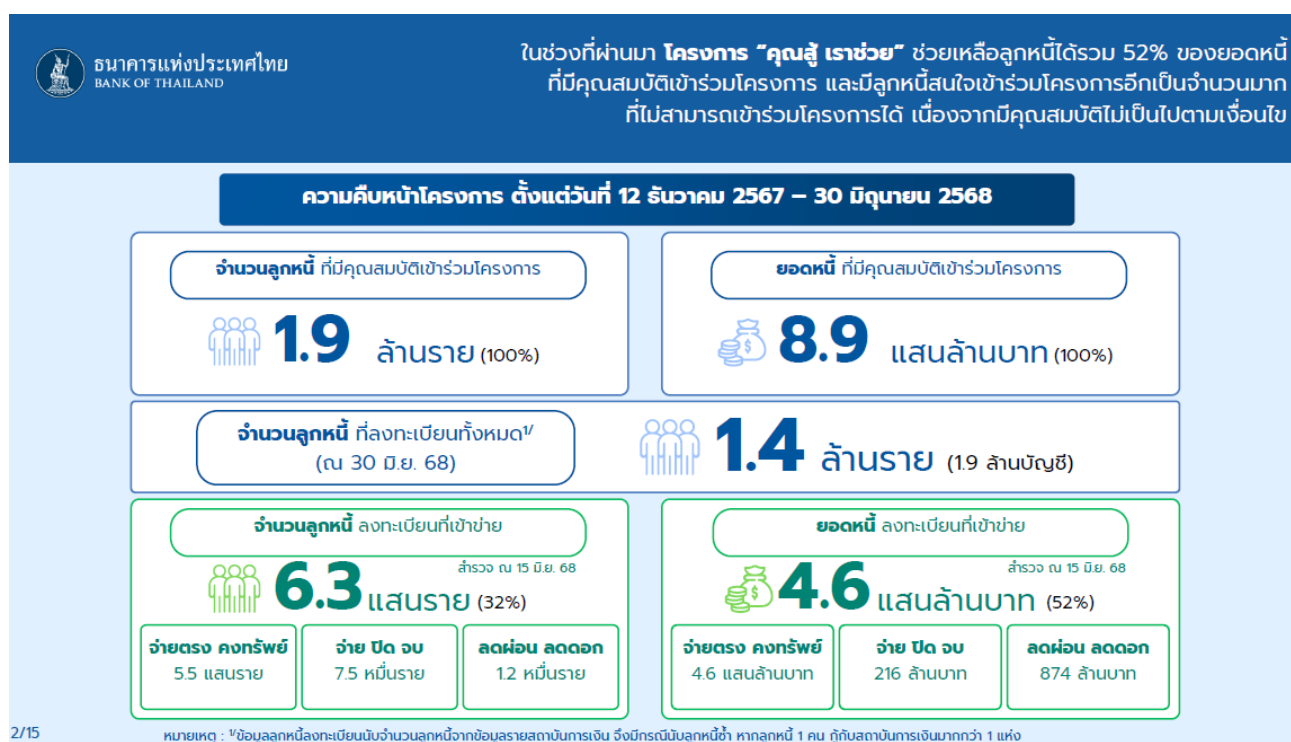


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Valuations

Company	Target	Price (Bt)	Upside	EPS (Bt)		EPS Growth		P/E (x)		% Yield		P/BV (x)		ROE (%)	
				25F	26F	25F	26F	25F	26F	25F	26F	25F	26F	25F	26F
BAY	26.5	21.8	21.6%	3.91	4.07	-3.0	4.0	5.6	5.4	3.9	3.9	0.4	0.4	7.3	7.0
BBL	167	143.5	16.4%	22.99	24.17	-2.9	5.1	6.2	5.9	5.9	6.1	0.5	0.5	7.7	7.8
KBANK	175.0	155.5	12.5%	20.80	21.95	1.4	5.5	7.5	7.1	8.0	8.5	0.6	0.6	8.5	8.7
KTb	24.9	21.8	14.2%	3.15	3.22	0.5	2.2	6.9	6.8	7.2	7.4	0.7	0.6	9.8	9.5
SCB	127.7	120.0	6.4%	13.14	13.44	0.7	2.3	9.1	8.9	8.8	9.0	0.8	0.8	9.0	9.0
TTB	2.00	1.93	3.6%	0.22	0.23	2.5	4.6	8.7	8.3	6.9	7.2	0.8	0.7	8.9	9.0
TISCO	100.5	98.5	2.0%	8.26	8.50	-4.2	2.9	11.9	11.6	7.9	7.9	1.8	1.8	15.3	15.6
KKP*	49.46	47.75	3.6%	5.68	6.25	-4.1	10.2	8.4	7.6	7.9	8.5	0.6	0.6	7.3	7.8
Average						-1.2	4.6	8.0	7.7	7.1	7.3	0.8	0.7	9.2	9.3

Source: IVG estimates, *Bloomberg consensus



Source: BOT

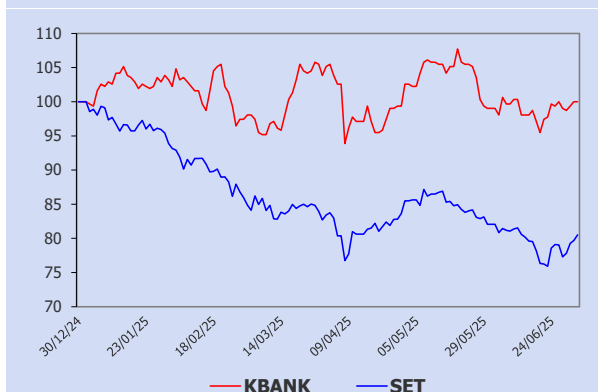
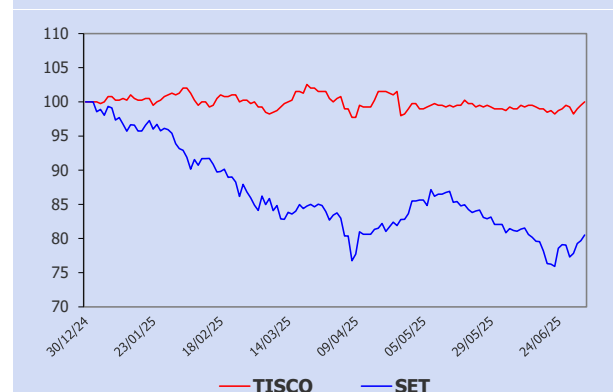
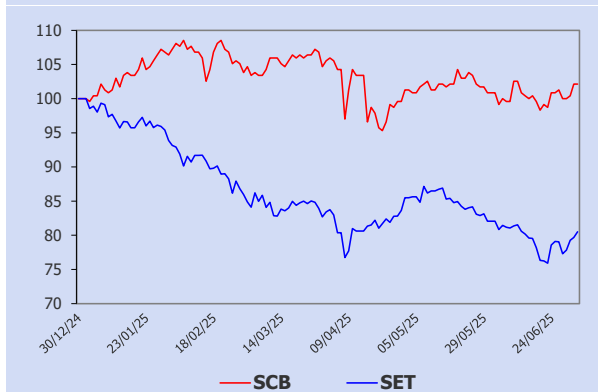
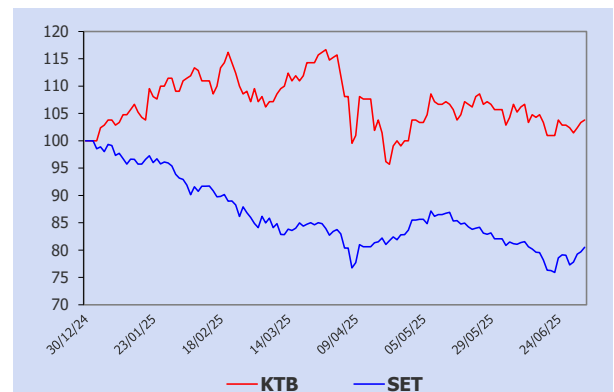
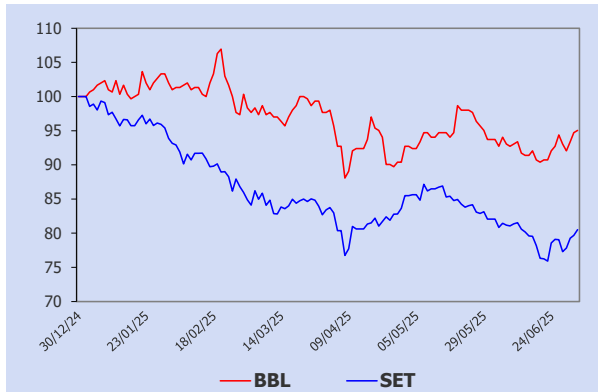
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Relative performance



Source: SET and IVG estimate

I V Global Investment Research – Recommendation Definitions

Sector Recommendations

OVERWEIGHT: The industry, as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index by at least 10% over the next 12 months.

NEUTRAL: The industry, as defined by the analyst's coverage universe, is expected to perform in line with the relevant primary market index over the next 12 months.

UNDERWEIGHT: The industry, as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index by 10% over the next 12 months.

Stock Recommendations

BUY: Expecting positive total returns of 15% or more over the next 12 months.


HOLD: Expecting total returns of not more than -10% to +10% over the next 3 months.

SELL: Expecting negative total returns of 15% or more over the next 12 months

Anti-corruption Progress Indicator Definitions

Level 5 Extended	Extension of the anti-corruption policy to business partners in the supply chain, and disclosure of any current investigations, prosecutions or closed cases
Level 4 Certified	Audit engagement by audit committee or auditors approved by the office of SEC, and receiving certification or assurance by independent external assurance providers (CAC etc.)
Level 3 Established	Carrying out preventive measures, risk assessment, communication and training for all employees, including consistent monitoring and review processes. (3A: Established by Declaration of Intent, 3B: Established by Internal Commitment and Policy)
Level 2 Declared	Public declaration statement to participate in Thailand's private sector Collective Action Coalition Against Corruption (CAC) or equivalent initiatives
Level 1 Committed	Organization's statement or board's resolution to work against corruption and to be in compliance with all relevant laws
Partially progress	Insufficient or not clearly defined policy
No progress	Data not available / no policy

Corporate Governance Report (CGR)

	Excellent
	Very good
	Good

Disclaimers

The disclosure of the survey result of corporate governance, which is surveyed by the Thai Institute of Directors Association ("IOD"), and the Anti-Corruption Progress Indicators, which is assessed by Thaipat Institute, are the disclosure of the survey or assessment result based on the information received from the listed company that was stipulated in the form for Annual Corporate Governance Report of Thai Listed Companies (CGR) and the form for the assessment of Anti-corruption that refers to the Annual Registration Statement (Form 56-1), Annual Report (Form 56-2) or other relevant documents or reports of such listed company (as the case may be). The survey or assessment result is based on the information of the listed company, which is disclosed to the public and can be accessed by all investors and is made in order to comply with the policy of the Office of the Stock Exchange of Thailand.

Nevertheless, the survey or assessment result is made from the perspective of the IOD or Thaipat Institute that are the third party only. It is not an assessment of operation of the listed company and is not based on any inside information."

Since this survey or assessment result is only the survey or assessment result as of the date appearing in the survey or assessment result only, it may be changed after that date or when there is any change to the relevant information. Nevertheless, I V Global Securities Plc. (IVG) does not confirm, verify, or certify the accuracy and completeness of the survey or assessment result.



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